



Welcome
to
Newton
The Garden City

City of Newton, Massachusetts
Long-Range Financial Plan &
Five-Year Financial Forecast
FY2022-FY2026

October 19, 2020



Ruthanne Fuller
Mayor

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October 19, 2020

Honorable City Council,
Newton City Hall
1000 Commonwealth Avenue
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Dear Honorable City Councilors,

As I deliver our Long-Range Financial Plan, Five-Year Financial Forecast and Capital Improvement Plan, we are in a period of loss, anxiety and uncertainty.

More than 1.1 million people worldwide and 220,000 in the United States have died with COVID-19, a disease unknown to us a year ago.

Since March, the worldwide economy has slowed dramatically as we have been asked or even “ordered” to stay home and stay away from offices, schools and more.

We are experiencing COVID-19 cases climbing again in Newton, the Commonwealth, the United States and across the globe.

In May, close to 25 million people in America were unemployed. Almost half of them still had no work last month.

In Massachusetts, the Restaurant and Hospitality, Retail, Performing Arts, Higher Education, and even Health Care industries have been pummeled. Economists predict that Massachusetts will see a slower recovery than after the “Great Recession of 2008/2009.”

Our lives and the economy may not return to a new “normal” until we have a widely available vaccine or therapeutic.

So many of us here in Newton are suffering seven months into this pandemic. Our restaurateurs and retailers have seen revenues plunge. Residents have been laid off or furloughed, with triple the number of Newtonians unemployed compared to a year ago. Our neighbors are struggling with food insecurity; requests to our food pantries have skyrocketed. People are having trouble paying their rent or mortgage. Too many are concerned about staying warm this winter. Parents are worried about their children – with too little time with friends and way too much with computers and screens. Climate change, systemic racism, police reform, and socio-economic inequality are weighing heavily on us.

As of today, October 19, 2020, 1,064 Newtonians have had COVID-19; 138 of them have died. Many of us have had loved ones pass, sometimes alone with no way to say “goodbye.” Those who remain behind cannot console each other with a hug.

We are in a world of hurt right now. We are in a state of hurt right now. In our good City, we are hurting right now.

But, we can and will meet these challenges.

We will recover.

Our Long-Range Financial Plan shows us the path forward. These financial investments, captured in charts and graphs, are ultimately about helping our people, our villages and our City not just recover but eventually thrive.

We will recover because we will continue delivering our essential services: teaching our students, picking up the trash, plowing the streets, filling the potholes, running our elections, supporting our restaurants and retailers, keeping our promises on retirement benefits to our employees, taking care of our parks and open spaces, responding to emergencies and keeping all of us safe.

We will recover by supporting the vulnerable. We will step up for our neighbors who are encountering financial hardship, finding themselves isolated, feeling hungry, facing homelessness, reeling from the inequities of racism or coping with COVID-19.

We will recover because we managed our finances with care so we came into this economic downturn from a position of strength.

We will recover because we have the wind at our back even as we face this storm. We have been assiduously investing in Newton: rebuilding our schools (we cut the ribbon at Cabot just a year ago), paving our roads and improving our villages (check out West Newton Square and Newtonville), preserving our green spaces (go for a walk in Webster Woods), and addressing climate change (sign up for 100% green electricity through Newton Power Choice).

We will recover because we acted quickly this spring and saved \$9.6 million in the FY2021 operating budget.

We will recover because all of us understand that some plans, projects and initiatives will be deferred due to the uncertainty about the economy; the Capital Improvement Plan that we submit reflects that reality.

But, our dreams of a better Newton for all our residents must not be deferred and cannot fall victim to COVID-19. While we will bend to our reality, we will not break. We will double down on our core values of respect, diversity and acceptance, leavened with a commitment to compassion, equity and inclusion.

I want to give great credit and deep thanks to all our employees – City and School – as well as our City Councilors and School Committee members. While coping with their own challenges and those of their families, they have been dogged public servants.

Our Health and Human Services staff has been working 24/7 to take care of us. They have kept us informed all along the way on how to take care of ourselves even as the understanding of this novel coronavirus evolved. Along with our Senior Services staff, they have helped those who are suffering.

Our police officers and firefighters have literally been on the frontline, working every day and every night to answer our calls and keep us safe.

Our teachers, principals and administrators have re-invented teaching and learning, not once but twice.

Our Clerk's staff significantly expanded their workload so that for both the primary and general elections, each of us could confidently choose how we wanted to vote.

We have so many others who did so much to keep the City running well. From IT to financial folks, inspectors to planning staff, custodians to DPW crews, librarians to lawyers, they pivoted seemingly seamlessly so we could serve all of you.

Maureen Lemieux, our CFO, not only led our work on the Long-Range Plan and Forecast but also simultaneously did so much more, including submitting our FEMA reimbursement paperwork and monitoring our revenues and expenditures daily. Likewise, Jonathan Yeo, our COO, prepared the CIP and oversaw operations in a pandemic. Dana Hanson, our Director of Community Engagement and Inclusion, is working on police reform, the City Seal project, myriad efforts to address racism, Grab and Go meal operations, and so much more. Ellen Ishkanian, our Director of Community Communications, kept everyone informed. Linda Plazonja, our Citizen's Assistance Officer, helped so many. Sam Nighman, the Mayor's Office Executive Aide, made it possible for me to try to be responsive and thoughtful even with a deluge of things to do.

I have much for which to be thankful.

We as a City have many heroes among us.

Each of us has so much we can do: wear our masks, physically distance, and monitor our own health daily.

In closing, I know we Newtonians are passionate. It's one of our strengths. We speak up for our children, our neighbors, our villages, and our planet. My commitment to you is:

- To hear all these voices and then speak up for the commonweal,
- To understand our individual needs and then to mold them into actions for the common good, and,
- To bring heart and head, compassion and empathy, managerial know-how and financial acumen to this time of tight wallets to build our common wealth.

As your Mayor, as your public servant, I submit this Long-Range Financial Plan, Five-Year Forecast and Capital Improvement Plan in that spirit.

Warmly,



Ruthanne Fuller
Mayor

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Note: In developing this financial forecast, we looked closely at forecasts and forecast documents from several other communities. We borrowed ideas from them, sometimes word for word. In particular, we looked at Five Year Forecasts from Arlington, Boston, and Pittsfield, Massachusetts and Oakland, California as well as the guidelines issued by the Government Finance Officers Association (GFOA). In addition, we liberally used studies and reports developed by and for the City of Newton, ranging from the Comprehensive Annual Financial Report to the Demographic Trends and Projections studies from Northeastern University. Sometimes, we took ideas from these reports word for word.

Executive Summary

One year ago, Mayor Ruthanne Fuller presented a conservative, well-reasoned long-range financial plan. Its foundation was Newton's position of excellent financial health. As Moody's Investors Service noted, Newton has a strong, sizeable, wealthy and diverse tax base, a great location, and conservative financial policies. The plan took into account our City's substantial challenges. Unlike some of our peer communities, Newton is behind on funding our large pension and retiree health care obligations. We need significant investments in many buildings, including schools, parks and recreation facilities, a community center that can serve our seniors, firehouses and police facilities, City Hall and the Library. We need to invest more in maintenance, including roads and playgrounds and our fields and trees. We have not yet fully incorporated the entire likely costs of snow removal and road repair into our annual operating budget. It acknowledged that the City needs to offer fair and competitive packages of salaries, benefits and work conditions that will continue to attract and retain teachers, police officers and firefighters, DPW and Parks and Rec personnel, to name just a few of the 3,000 people who choose to work for us – as these people are the ones who every day make Newton a better place for our residents to raise a family, build a life, and enjoy their senior years.

None of us imagined what would lie ahead. This year, in October 2020, as we present our Long-Range Financial Plan and our Five-Year Capital Improvement Plan, we do so in a very different world.

In the past seven months, more than 1 million people worldwide and more than 215,000 people in America have died with COVID-19, a highly infectious disease that had not been identified a year ago. The World Health Organization (WHO) declared the outbreak a Public Health Emergency of International Concern on January 30, 2020 and a pandemic on March 11, 2020. On March 13, 2020, President Trump declared a national emergency and by March 17, 2020 cases of COVID-19 were acknowledged in all 50 states.

Since then, the worldwide economy turned off as we have all learned to “physically distance.” On the heels of one of the most robust periods of economic growth, many of us have been asked or “ordered” to stay home, and stay away from in-person work, school, restaurants, and more.

The health of so many people has been compromised as have the financial wherewithal of individuals, businesses, non-profits, cities, states and countries. In September 2020 the unemployment rate dropped to 7.9% or 12.6 million people, after having reached 14.7% or 24.9 million people in May; this is in comparison to the much lower rates of a very steady 3.5% or 5.8 million people for each of the six months prior to the onset of the virus. Across the country, countless restaurants and retail establishments have closed their doors permanently. Entire industries, ranging from travel, hotels and tourism, sports and performing arts, and higher education, have seen revenues plummet. Experts are now predicting that the economic effects will be worse than the recession of 2008/2009.

Seven months into this pandemic, too many people in Newton are suffering. Local businesses have seen revenues plunge and some have closed. Residents have been laid off or furloughed and are just trying to make ends meet. People are struggling with food insecurity and requests for help from our food pantries and Grab and Go Meals has skyrocketed. People are having trouble paying their rent or mortgage. As of October 7, 2020, 1,004 Newtonians have had COVID-19 and 137 have died from it. Many others have had loved ones succumb to this virus, or some other condition, alone and afraid with no opportunity to spend final moments together to comfort each other and say “goodbye.”

While the coronavirus pandemic and the resulting economic downturn has created economic distress and significant uncertainty, we also face significant additional challenges. Climate change, systemic racism, police reform, socio-economic inequality, and cyber insecurity are front and center. As a City, our resources – both time and money – will reflect our work on these issues as well as zoning reform, funding for healthcare and pensions promised to our employees and retirees, and school building, street work, and other

infrastructure improvements. Each and every one of these challenges impact the long-range financial sustainability of the City of Newton.

In preparing the Long-Range Financial Plan and Five-year Financial Forecast, we have been mindful of the implications these tremendous challenges will have on our City. The financial forecast helps us look at all the initiatives and recommendations and then pause and prioritize. It would be nice to implement each initiative, and to do so immediately, but doing them all – at least on the scale and pace initially envisioned – would assuredly compromise the underlying health and sustainability of our City.

This past spring, in the early months of the pandemic, we adjusted our FY2021 Budget which runs from July 2020 to June 2021. So too, have we adjusted our five-year Capital Improvement Plan and our Long- Range Financial Plan which we are submitting now in October 2020. We are balancing our immediate needs with our long-term goals, the current uncertainty about the length and depth of the financial downturn and providing essential services to all and immediate help to the vulnerable.

The forecast, especially in an economic downturn, reminds us that we must be judicious in our spending and investment decisions because we need to do three things simultaneously.

- First, move forward with determination to make Newton greater, better and more beautiful, which includes excellent schools, first-rate public safety, outstanding services, better streets and sidewalks, new or refurbished schools, public safety and municipal buildings, and investments that support our vibrant community;
- Second, fulfill obligations made by prior Mayors and City Councils that we have not yet funded sufficiently, including those to our retired employees; and,
- Third, protect the City's financial strength and budgetary flexibility to face evolving and unpredictable conditions and risks, including the pandemic, economic downturns, and potential weather events.

To ensure the continued health and sustainability of the City of Newton for decades to come, we must continue to base our strategic long-term financial plan on careful analysis, thoughtful deliberation and prudent decision-making. This definitive commitment to strategic long-term financial planning will continue to allow us to take actions that will better position the City of Newton to sustain its success and fulfill its mission of being a great place in which to raise a family, to work and to play, and to retire.

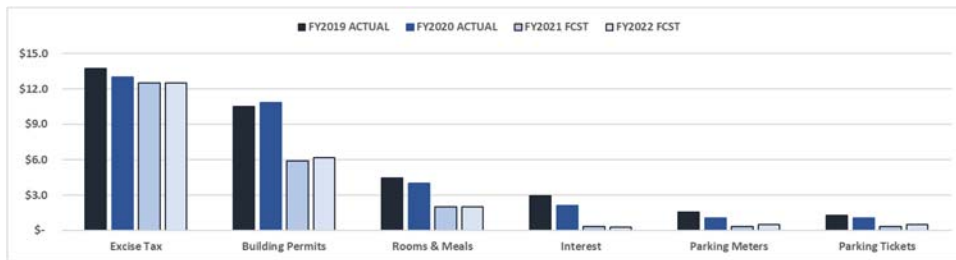
The Coronavirus Pandemic - COVID-19

COVID-19 Financial Impact on Fiscal Year FY2020 4th Quarter

The financial impact to the City of Newton’s revenues due to the COVID-19 economic shutdown were not only swift, but significant in the final three months of last fiscal year, FY 2020, which ended on June 30, 2020.

Revenue from Rooms & Meals Taxes in March, April, and May 2020 fell by 50% or more than \$450,000, Motor Vehicle Excise Tax Revenues were down in 4Q2020 by \$500,000, and Parking Meter Receipts and Parking Violations were virtually nonexistent, off by \$600,000. Additionally, on Sunday, March 15, 2020, the Federal Reserve took sudden action and reduced interest rates by a full percentage point to near zero percent. As a result, the City of Newton’s Interest Income fell dramatically, dropping by \$350,000 from Q32020 to Q42020.

Newton also faced cash flow implications as tax filing and fee due dates were postponed. Because of our very strong Building Permit Revenues, the City was able to cope with these delayed payments.



Because of our robust permitting revenues, conservative financial management, and swift action to implement tighter spending controls, we anticipate the Massachusetts Department of Revenue will certify a June 30, 2020 Free Cash Balance of \$7.3 million. This is approximately \$3 to \$4 million less than we would have expected had COVID-19 not occurred. In FY2019, the City of Newton June 30, 2019 Free Cash Balance was \$11.7 million. This Free Cash will be very valuable as we manage the City in the year ahead.

One of the most important decisions we made in May 2020 was not to 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 appear to be facing a deep and protracted crisis. We have kept this Fund intact 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 COVID-19 cases that many predict will happen. We are saving the Rainy Day Stabilization Fund for the “unknown unknowns” that may confront the City in the coming months and years.

The City of Newton closed FY2020 with a balanced budget and with most services and projects intact and our financial reserves untouched.

COVID-19 Financial Impact on Fiscal Year FY2021

We developed the FY2021 budget in April/May 2020 under the dark shadow and many uncertainties of COVID-19.

FY2021 Revenue Budget

In April/May 2020 when we developed the FY2021 Budget, we recognized that we needed to adjust our many revenue sources that were impacted in the last quarter of FY2020; revenues that usually combine each year for more than \$75 million. These include aid from the Commonwealth such as State Education Aid (a.k.a., Chapter 70) (\$25M) and Unrestricted Government Aid (\$6.4M). Other revenue sources for the City derive from expenditures by people in hotels and restaurants (Rooms & Meals Tax Revenues (\$4.5M)), on vehicles (Motor Vehicle Excise Tax Revenue (\$13.5M)), and parking throughout the City (Parking Meter Collections (\$1.3M) and Tickets for Parking Violations (\$1.3M)). Unfortunately, these accounts have not yet rebounded. Interest rates which typically decrease in down economic cycles are also being impacted (Interest Income (\$2.0M)).

As a result of the financial effect of the pandemic, in the spring we reduced the FY2021 Revenue Budget that we intended to present by \$9.6 million in revenue. The City of Newton FY2021 budget still increased, just not by as much as we had hoped. The FY2021 Budget is \$439.5 million, \$9.3 million or 2.15% greater than the FY2020 Budget.

COVID-19 IMPACT TO FY21 REVENUE BUDGET						
(\$ M)	FY21 Projected			FY21 Budget		
	FY20 Budget	Pre COVID-19	Variance FY20 vs Pre COVID-19	FY20 Budget	Post COVID-19	Variance FY20 vs Post COVID-19
Property Taxes	\$356.89	\$371.41	\$14.52	\$356.89	\$371.41	\$14.52
Ch 70 State Education Funding	\$24.68	\$25.60	\$0.92	\$24.68	\$25.60	\$0.92
Unrestricted State Funding	\$6.24	\$6.42	\$0.18	\$6.24	\$4.81	-\$1.43
Motor Vehicle Excise Tax	\$13.50	\$13.50	\$0.00	\$13.50	\$12.50	-\$1.00
Permitting/Licensing Revenues	\$5.90	\$6.90	\$1.00	\$5.90	\$5.90	\$0.00
Meals & Rooms Tax	\$4.40	\$4.50	\$0.10	\$4.40	\$2.00	-\$2.40
Interest Income	\$1.75	\$2.00	\$0.25	\$1.75	\$0.30	-\$1.45
Parking Meter Receipts	\$1.37	\$1.30	-\$0.07	\$1.37	\$0.75	-\$0.62
Parting Ticket Receipts	\$1.35	\$1.20	-\$0.15	\$1.35	\$0.75	-\$0.60
All Other	\$12.70	\$12.27	-\$0.43	\$12.70	\$11.52	-\$1.18
Projected Revenue	\$428.78	\$445.09	\$16.31	\$428.78	\$435.54	\$6.76
Free Cash	\$1.50	\$1.50	\$0.00	\$1.50	\$4.00	\$2.50
TOTAL BUDGETED REVENUE	\$430.28	\$446.59	\$16.31	\$430.28	\$439.54	\$9.26

COVID-19 IMPACT TO FY21 REVENUE BUDGET				
(\$ M)	FY21 Projected		FY21 Projected	
	FY20 Budget	Pre COVID-19	Post COVID-19	Variance
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)

FY2021 Expenditure Budget

To deal with this projected reduction in anticipated revenue, in April 2020 we created a multi-pronged plan for the FY2021 Budget. We intentionally were conservative 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 all line items, including vacancies, fixed costs, discretionary expenditures, and major capital equipment investments. We slowed or stopped spending except on necessary expenditures. We only filled open positions that were critical and revised our plans for future new hires. We adjusted our departments' budgets based on strategic decisions, prioritizing key services, including spending categories addressing 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 also paused any major capital projects, except those for which we already received funding, or those projects that were critical to the operation of the City. We continue to monitor our revenues and expenses frequently, with close analyses of budgets-to-actuals and are prepared to make any adjustments, if necessary.

Following the City's Financial Management Guidelines, the Administration typically utilizes \$1.5 million of the prior year's Free Cash to supplement our annual revenues in the next fiscal year. For FY2021, we made the difficult decision to forego \$2.5 million of spending from FY2020 Free Cash on our Transportation Network Improvement Program in order to repurpose those funds, in combination with the usual \$1.5 million, for a total allocation of \$4 million of Free Cash to soften the COVID-19 impact on revenues and expenditures.

In addition to utilizing an additional \$2.5 million from Free Cash to balance the impact of the reduction of revenues, the Administration was required to reduce the FY2021 Proposed Expenditures by another \$7.1 million in order to balance the budget.

In order to accomplish this, the Newton Public Schools (NPS) agreed to adjust their FY2021 Proposed Budget by \$1.5 million compared to the original budget submitted by the Superintendent. The final budget of the Newton Public Schools for FY2021 increased by \$6.8 million, or 2.9%.

Additionally, Mayor Fuller met with the Newton Contributory Retirement Board of Trustees in April 2020 and requested a one-time adjustment to the Newton Pension Funding Schedule. She requested a pension system funding increase of \$1.4 million or 4.8% rather than the \$2.8 million or 9.6% as laid out previously in the Pension Funding Schedule. On April 22, 2020, the members of the Newton Retirement Board unanimously voted to a funding schedule that changed the FY2021 line item increase from 9.6% to 4.8%.

This vote maintained the anticipated full funding of the City's unfunded pension liability by FY2030 and full funding of the City's OPEB (Other Post-Employment Benefits) liability is anticipated by the year 2045.

The Mayor also adjusted the expenditure budgets for the municipal departments. We developed expenditure budgets that addressed projected essential operating requirements of the departments of the City for the next fiscal year while being ever mindful of the complicated, unprecedented economic times that we were facing.

As the City of Newton had sold bonds in February 2020, the debt service for the City of Newton for FY2021 was already established. Decisions we are recommending in the Capital Improvement Program for major capital investments and bonding will impact FY2022 debt service and beyond.

COVID-19 IMPACT TO FY21 GENERAL FUND EXPENDITURE BUDGET						
(\$ 000)	FY21 Projected		Variance FY20	FY21 Budget		Variance FY20
	FY20 Budget	Pre COVID-19	vs Pre COVID-19	FY20 Budget	Post COVID-19	vs Post COVID-19
Employee Compensation & Benefits						
Salaries, Compensation & Benefits	\$85,426.27	\$87,691.18	\$2,264.91	\$85,426.27	\$86,569.59	\$1,143.32
Overtime	\$2,726.00	\$2,748.00	\$22.00	\$2,726.00	\$2,296.00	-\$430.00
Training, Edu Asst, Public Safety Academy	\$327.70	\$324.17	-\$3.53	\$327.70	\$275.26	-\$52.44
Total Emp Comp & Benefits	\$88,479.97	\$90,763.35	\$2,283.37	\$88,479.97	\$89,140.85	\$660.88
Key DPW Infrastructure Accounts						
Street Maintenance	\$1,265.00	\$1,270.00	\$5.00	\$1,265.00	\$1,265.00	\$0.00
Street Light & Signal Rprs & Knock-Downs	\$750.00	\$750.00	\$0.00	\$750.00	\$625.00	-\$125.00
Pavement Markings	\$275.00	\$300.00	\$25.00	\$275.00	\$225.00	-\$50.00
Traffic Calming Supplies	\$175.00	\$225.00	\$50.00	\$175.00	\$175.00	\$0.00
Solid Waste & Recycling	\$8,794.49	\$9,712.72	\$918.23	\$8,794.49	\$9,682.43	\$887.94
Total Key DPW Accts	\$11,259.49	\$12,257.72	\$998.23	\$11,259.49	\$11,972.43	\$712.94
Parks, Rec, & Culture						
Public Grounds Maintenance	\$877.00	\$931.69	\$54.69	\$877.00	\$832.19	-\$44.81
Forestry/Tree Services	\$665.00	\$670.00	\$5.00	\$665.00	\$570.00	-\$95.00
Playground Equipment	\$150.00	\$150.00	\$0.00	\$150.00	\$0.00	-\$150.00
Total Key Parks & Rec Accts	\$1,692.00	\$1,751.69	\$59.69	\$1,692.00	\$1,402.19	-\$289.81
Public Buildings						
Municipal Bldgs - Rprs & Maint	\$630.58	\$686.68	\$56.10	\$630.58	\$581.08	-\$49.50
Public Buildings R & M	\$630.58	\$686.68	\$56.10	\$630.58	\$581.08	-\$49.50
Other Difficult Decisions						
Library Sunday Hours	\$136.00	\$136.00	\$0.00	\$136.00	\$0.00	-\$136.00
Consulting & Other Services	\$1,807.31	\$1,842.54	\$35.23	\$1,807.31	\$1,645.54	-\$161.77
Automobiles/Light Trucks	\$760.00	\$810.00	\$50.00	\$760.00	\$400.00	-\$360.00
Removal of Snow & Ice	\$4,500.00	\$4,750.00	\$250.00	\$4,500.00	\$4,500.00	\$0.00
Hardware, Software, Computers	\$1,017.21	\$1,218.27	\$201.06	\$1,017.21	\$1,093.77	\$76.56
Pensions & Municipal Retiree Health Insurance	\$41,817.88	\$44,936.98	\$3,119.11	\$41,817.88	\$43,368.56	\$1,550.68
Other Difficult Decisions	\$50,038.40	\$53,693.79	\$3,655.39	\$50,038.40	\$51,007.87	\$969.47
Debt Service	\$24,488.10	\$25,116.18	\$628.08	\$24,488.10	\$25,116.18	\$628.08
Utilities/Gas/Diesel, etc	\$3,659.81	\$3,963.41	\$303.60	\$3,659.81	\$3,898.14	\$238.33
State Assessments	\$6,446.78	\$6,370.58	-\$76.20	\$6,446.78	\$6,370.58	-\$76.20
Additional Approp to Rainy Day	\$150.00	\$150.00	\$0.00	\$150.00	\$0.00	-\$150.00
All Other	\$7,066.94	\$7,195.07	\$128.13	\$7,066.94	\$6,904.80	-\$162.14
FY2021 FINAL BUDGET DECISIONS	\$193,912.07	\$201,948.46	\$8,036.39	\$193,912.07	\$196,394.11	\$2,482.04
Newton Public Schools	\$236,372.31	\$244,645.34	\$8,273.03	\$236,372.31	\$243,145.34	\$6,773.03
FY2021 PROPOSED BUDGET	\$430,284.38	\$446,593.80	\$16,309.42	\$430,284.38	\$439,539.45	\$9,255.07

The City of Newton FY2021 Budget can be found on the City's website at the following link: http://www.newtonma.gov/gov/comptroller/budget/2021_budget.asp

FY2021 - 1st Quarter Financial Update

The conservative approach we took to the development of the FY2021 Budget continues to look appropriate. As is always the case, especially in uncertain times, some revenue sources perform better than projected while others perform worse but overall, our projections appear to be on target.

On July 30, 2020 the Secretary of Admin and Finance informed municipalities about FY2021 funding for Unrestricted General Gov't Aid (UGGA) and Chapter 70 education aid. The communication said in part:

“While critical information from the federal government is still needed in order to finalize a full fiscal year budget for the Commonwealth, the Baker-Polito Administration and the Legislature are committing to no less than the Fiscal Year 2020 (FY20) level of funding for UGGA and Chapter 70 education aid as a baseline amount for FY21 funding.”

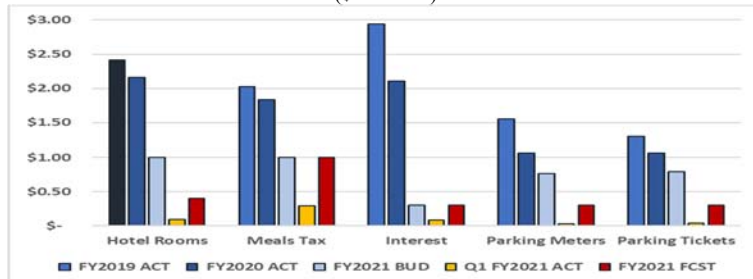
Total state aid for the City of Newton as proposed by Governor Baker in January 2020 before the pandemic totaled just over \$32 million (\$25.6M for Chapter 70 education aid and \$6.4M for UGGA). Bracing for a possible reduction in state aid as a result of COVID-19, in April 2020, we conservatively budgeted a total of \$30.4 million, or a reduction from these two very important revenue sources of \$1.6 million in total.

The commitment from the Governor’s Administration and the Legislature for these two line items will yield a total state aid of \$31.3 million, or \$900K more than we had budgeted. This favorable variance to our FY2021 revenue will be very helpful as other revenues, such as Parking Meter Receipts and Parking Violation Payments, and Hotel Room Occupancy Taxes are running significantly lower than planned.

While the Governor has held Newton’s Chapter 70 education aid and Unrestricted General Government Aid level with the previous fiscal year, the State faces a tremendous financial fallout from the coronavirus pandemic, with the Governor just having resubmitted his FY2021 Budget to the Legislature on October 14th (3 and one-half months into the fiscal year). The Baker Administration is now projecting FY2021 revenues will be \$3.6 billion less than the previous estimate. The Administration expects to balance the newly released budget with increased federal funding, utilization of \$1.35 billion from the state’s Rainy Day Fund, and a reduction in several appropriations.

As mentioned above, 3 months into FY2021, we are beginning to get a glimpse of which accounts are truly being hardest hit by the financial ramifications of COVID-19. While Permitting Revenues are performing better than budgeted, Hotel Room Occupancy Taxes, Parking Meter Receipts, and Parking Violation Tickets are falling far short of the already conservative FY2021 budget.

Key Non-Property Tax Revenues - Q1 FY2021s
(\$ Millions)



Looking ahead, we are deeply concerned about the City of Newton’s following year budget for FY2022 which begins July 1, 2021. The economy is likely to still be recovering and the State and City may no longer have access to some of the budget balancing tools we have had at our disposal this year. As outlined in the following section, both the Federal and State governments have provided the City of Newton and the Newton Public Schools with emergency COVID-19 funding.

COVID-19 Expenditure Update – March 2020 through September 2020

Mayor Fuller, Superintendent David Fleishman and the School Committee have taken many actions to meet the many needs of people who live, work, or run businesses and non-profits here in Newton.

The City and the Newton Public Schools have received funds and opportunities for reimbursements for COVID-19 expenditures from a wide variety of sources for various amounts with various restrictions. To track these revenues and expenditures, the City of Newton has established several accounts, comprised of state and federal reimbursements, grants, and taxpayer funds. To date Newton and NPS have spent, encumbered, or distributed a total of \$8.5 million. The following are the list of COVID related accounts:

City of Newton Taxpayer Funded Accounts

City of Newton General Fund Non-Lapsing Appropriation - \$1,000,000

At the outset of the pandemic, the Mayor requested a General Fund Non-Lapsing Appropriation in the amount of \$1,000,000 to enable the administration to meet the urgent needs of our residents, employees, and businesses. Expenditures for Overtime for our First Responders, the City's Food Distribution Program, Personal Protective Equipment (PPE), plexiglass shields and partitions, and costs associated with workspace reconfigurations to address social distancing are all being charged to this account.

The Administration has already applied for and received CARES Act reimbursement in the amount of \$220,137.50 for some of the expenditures in this account. On October 15th we submitted our first application for FEMA 75% reimbursement for anticipated FEMA eligible expenditures (\$1,079,601). On October 30th we will submit our application for Federal CARES Act reimbursement for the remaining 25% of the FEMA eligible expenditures and 100% of all CARES Act actual and estimated eligible costs that we expect to incur through December 30, 2020. We anticipate this application will total \$1,500,000.

City of Newton Community Preservation Funds - \$2,000,000

The Mayor requested \$2M in Community Preservation Funds which both the CPC and the City Council approved. The allocation of \$2,000,000 in CPA Community Housing funds is for the COVID-19 Emergency Housing Relief Fund for temporary assistance for housing costs. As of September 30, 2020, \$530,257 has been distributed to cover the monthly rental checks issued to those households who are below 80% of the area median income and have been negatively impacted by Covid-19. Metro West Collaborative Development is administering the program on behalf of the City of Newton and a total of \$1,469,743 remains for future housing relief efforts. In the third week in September 2020, Newton's Community Preservation Commission voted to extend the amount of time that an eligible household can receive assistance from Newton's COVID-19 Emergency Housing Relief Program from three months to six months. Mayor Fuller asked for this extension as we know many Newton households continue to struggle financially due to the pandemic.

New applications will be processed on a first-come, first-served basis and households that are already receiving assistance from the program will be asked to submit the necessary documentation to ensure continued compliance with the program prior to being granted a three-month extension of financial assistance.

Commonwealth of Massachusetts Grants

State Department of Public Health Grant - \$200,000

The Massachusetts Department of Public Health COVID-19 Emergency Grant covers additional compensation in the form of overtime, additional personnel resources and the purchase of emergency supplies necessary to help City of Newton Health & Human Services Department prepare for and respond to COVID-19.

MA Executive Office of Public Safety and Security – Coronavirus Emergency Supplemental Funding (CESF) Program – Maximum Allowable Grant: \$47,041

The Executive Office of Public Safety and Security has offered one-time federal funding to address local public safety equipment, enforcement and programming needs. Newton Police Department applied for and received \$26,177, while Newton Fire Department received \$20,864. Each department will utilize these grants to purchase supplies and services to support their mission as first responders during this pandemic.

FY2021 MA Earmark Legislation - \$85,000

Chapter 124 of the Acts of 2020 of the Commonwealth includes legislative language that earmarks a portion of appropriated funding to the City of Newton as follows:

“provided further, that not less than \$85,000 shall be expended to the city of Newton for office reconfiguration of town hall in response to the 2019 novel coronavirus pandemic.”

Federal Grants

Federal - CDBG – CARES Funds - \$1,743,641

Additional Community Development Block Grant funds have been awarded to the City. These funds are being used for the following initiatives:

- Emergency Rental and Mortgage Assistance Program;
- Human Services Aid – Providing financial support to programs that directly provide stability across the lifespan for Newton’s low-to-moderate-income population experiencing hardships from COVID-19 in covering costs such as food, utilities, gasoline, emergency medical costs, etc; and
- Small Business Assistance Grant Program.

Federal Emergency Solutions Grant Funds - \$1,483,400

ESG funds to prevent, and respond to COVID-19 among individuals and families who are homeless or at-risk of homelessness in the Brookline-Newton-Waltham-Watertown (BNWW) region. Although the City administers this fund, distribution is determined by a committee of members of these communities.

FEMA – Federal Emergency Management Agency – 75% of Qualified Expenditures

The FEMA Public Assistance Program reimburses government agencies for eligible disaster related costs. Under the COVID-19 Emergency Declaration, FEMA may provide assistance for emergency protective measures including, but not limited to, the following:

- Management, control and reduction of immediate threats to public health and safety,
- Emergency medical care,
- Medical sheltering (e.g. when existing facilities are reasonably forecasted to become overloaded in the near future and cannot accommodate needs),
- Household pet sheltering and containment actions related to household pets in accordance with CDC guideline,
- Purchase and distribution of food, water, ice, medicine, and other consumable supplies, to include personal protective equipment and hazardous material suits movement of supplies and persons,
- Security and law enforcement,
- Communications of general health and safety information to the public,
- Search and rescue to locate and recover members of the population requiring assistance, and
- Reimbursement for local government force account overtime costs.

Federal CARES Act –Newton Allocation of \$7,838,462

The federal Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) includes funds for Massachusetts governments to use to pay costs incurred in responding to the COVID-19 outbreak.

Under federal law, eligible uses must meet three conditions. They must be:

1. “Necessary expenditures incurred due to the public health emergency with respect to ... COVID–19.” Funds may not be used to substitute for lost revenue.
2. Expenditures not budgeted as of March 27, 2020 when the CARES Act was enacted. The funds may not supplant state or municipal spending.
3. Expenditures must be incurred on or after March 1, 2020 up to December 30, 2020.

Other Grant Opportunities

U.S. Conference of Mayors – Assistance to Elections Officials - \$37,146

The U.S. Conference of Mayors, through its Youth Involvement Task Force, established a grant to help cover election administration costs related to COVID-19. The City Clerk’s Office applied and has received \$37,146.

Grant Funds for Newton Public Schools (NPS)

Elementary and Secondary School Emergency Relief Fund (ESSER) - \$745,725

The Elementary and Secondary School Emergency Relief Fund (ESSER 113 Fund), authorized under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides school districts with emergency relief funds to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools.

School districts must provide equitable services to students and teachers in non-public schools, as required under the CARES Act, so not all of these funds will go to NPS. The Newton Public School portion is expected to approximate \$683,985. These funds are being used to purchase Chromebooks/technology to allow all Newton Public School students to participate in distance and remote learning programs.

NPS CARES Act – Coronavirus Relief Fund School Re-Opening Grant - \$2,886,525

This program in the amount of \$225 per student is focused on providing schools and school districts with funding needed in providing educational services and developing plans for the return to normal operations. Funds may be used for a wide variety of purposes, including, but not limited to, those listed below.

- Staff
 - Staff needed to serve students for conditions related to the public health emergency
 - Training and professional development for staff on topics such as effective remote learning strategies, hygiene, and minimizing the spread of infectious disease when in-person school resumes
- Student Services
 - Educational technology (internet connectivity, hardware, devices, software, technology support services, etc.) to facilitate remote learning
 - Mental health services and supports for those affected by the public health emergency
 - Assessing learning gaps implementing strategies to address these gaps due to the health emergency
- Food and Transportation Services
 - Food service for vulnerable populations during the public health emergency
 - Expanding transportation capacity because of the public health emergency
- Building Services/Temporary Facilities
 - Rental and installation costs for trailers or other modular space to allow social distancing
 - Partitions or other temporary changes to school spaces
 - Supplies and services to sanitize facilities, including personal protective equipment (PPE)
- Central Costs
 - Planning, procedures and coordination systems to improve district preparedness and response efforts
 - Planning and implementing of summer learning and supplemental afterschool programs
 - Supplies and services that enable remote learning
 - IT hardware and software to facilitate distance learning
- Other innovative efforts to support the safe reopening of schools

Remote Learning Technology Essentials Grant - \$97,086

The RLTE Funds provided by the Department of Elementary and Secondary Education (DESE) were used to purchase Chromebooks to enable students to participate in distance and remote learning.

Newton Schools Foundation - \$85,000

Funds provided by the Newton Schools Foundation were also used to purchase Chromebooks.

COVID-19 Response Financial Implications

Available Funding Sources

As of October 15, 2020

FUNDING SOURCES	AVAILABLE FUNDING	INCURRED TO DATE	AVAILABLE	←-----REIMBURSEMENTS----->			
				SUBMITTED TO FEMA	RECEIVED CARES ACT	RECEIVED	REMAIN AVAIL
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	\$ 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	\$ -	\$ -	\$ -
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	\$ 92,629
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

City of Newton, Massachusetts
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
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
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 - Chromel	\$ 97,086	\$ 97,086	\$ -	\$ -	\$ -	\$ 97,086	\$ -
Newton Schools Foundation - Chromebooks	\$ 85,000	\$ 85,000	\$ -				\$ -
SUBTOTAL	\$ 12,055,481	\$ 8,526,021	\$ 3,529,460	\$ 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

Addressing Climate Change and Sustaining our Environment

Climate change and sustaining our environment continues to be one of the most daunting challenges of our generation. We need to continue to focus on climate change, including both global warming from human emissions of greenhouse gases and the resulting large-scale shifts in weather patterns.

The Sustainability Program of the Mayor's Office spans all City departments in the development, coordination, and oversight of all the City's environmental, energy, and climate-related sustainability programs. The City will continue to pursue an ambitious range of programs, including the development and support of residential, commercial, and municipal renewable energy; sustainable materials management; Newton Power Choice, LED lighting installations in municipal buildings; and implementation of the City's first five-year Climate Action Plan.

While we have put on hold almost all new positions in the City due to the financial crisis, we are moving forward with filling the position of the Energy Coach in January 2021 in order facilitate the implementation of the 2019 Climate Action Plan (CAP). In collaboration with the Mayor, Executive Office, City Departments, grassroots organizations, utilities, state-level organizations and buildings professionals, the Energy Coach will, among other things, provide guidance to building owners, occupants, contractors, developers, designers and City Departments to maximize the implementation of green building practices in new construction and retrofits in the residential and commercial sectors.

The Climate Action Plan itself includes a great many efforts, including a program to encourage the spread of heat pump technology for heating, cooling, and hot water (the HeatSmart program); a memorandum of understanding (MOU) with the electric and gas utilities to promote greater energy efficiency and sustainability programs in commercial buildings; a Green Leadership Collaborative among the City's leading NGOs (Non-Government Organizations: typically nonprofit, citizen based groups that function independently of government usually to address a social or political issue); and businesses; development of an expanded tree-planting program; and exploration of technologies and the costs and benefits of building electrification.

Beyond these programs the City's Planning and Public Works Departments are working to implement other portions of the Climate Action Plan, including sustainable principles for transportation systems, the "complete streets" approach to road design, bike sharing, installation of electric vehicle (EV) charging stations and preferential parking for EVs in City parking lots, EV car sharing and shared trips for Newton seniors.

In the City's first Climate Action Plan the City has set a carbon-neutral Newton goal for 2050. The title of the Plan is "Use Less and Green the Rest." The Plan set six areas of action: A) Implementing the plan by adapting internal operations and working with partners; B) Promoting clean and renewable power; C) Greening Newton's transportation and streetscapes; D) Improving new construction and major renovations; E) Improving existing buildings; and F) Reducing emissions associated with consumption and disposal. While much of the focus of the Climate Action Plan is on private development and vehicles (where the vast majority of greenhouse gases are generated), there are several areas involving municipal resources that the Plan calls for new City investment using either the operating or capital budget.

Click here: <http://www.newtonma.gov/civicax/filebank/documents/98185> to read the City of Newton's Climate Change Vulnerability and Action Plan.

Zoning and Land Use Planning for the Future

The City Council's Zoning and Planning Committee is working with Newton's Planning Department staff on a long-standing assignment to update Newton's zoning code comprehensively. Not since the 1950's has the City done a significant zoning update focused on Newton's residential neighborhoods. Newton's existing residential zoning map and residential lot standards for what can be built derive from the 1953 zoning ordinance update, which required larger lot sizes for building homes.

The City Council and, in particular, its Zoning and Planning Committee (ZAP) is consciously and conscientiously reconsidering our zoning so it meets current and future community needs. They want to retain what is best about Newton, allow Newton to evolve in ways that meet our community goals, and seek to make us a better city in a number of crucial ways. Newton's strength derives from being a welcoming and inclusive community and so we must ensure our zoning reflects and promotes these values.

Newton's zoning, and thus the City itself, has evolved over time. Newton established zoning for the first time ninety-eight years ago in 1922. This early ordinance, like most ordinances of that day, was primarily designed to separate uses from one another. Newton's Board of Aldermen wanted to separate manufacturing and industrial uses from residential areas. They also decided to reserve the majority of Newton's vacant land for individual house lots, thus making Newton primarily a residential community. By 1940, Newton's population had grown to nearly 70,000 and the Board of Aldermen adopted a new zoning ordinance that introduced more categories of zoning districts. The Aldermen specified areas of the City where only single family homes could be built as well as minimum size requirements for lots in order to build a house. Thirteen years later, in 1953, the Board of Aldermen adopted another zoning ordinance that further increased the minimum lot size requirements to build a residence in Newton. Our current zoning ordinance, except for some updates in 1987 and a reorganization effort in 2015, largely draws its rules for what can be built and how many housing units are allowed in particular areas from that 1953 ordinance.

More recently, in 2010, the Board of Aldermen started a Zoning Reform effort. They initially focused on making the existing zoning ordinance easier to understand and to administer. Since then, the Zoning and Planning Committee has been working with Newton's Planning Department to do a comprehensive update of the zoning ordinance and "reform" it, so it is more aligned with our community's goals

Zoning plays a role in the development potential and profitability for an individual property owner and impacts the goals of individual buyers and sellers (who may be developers). Zoning impacts home values, the number of teardowns, and construction costs. In other words, the zoning ordinance directly impacts the type of housing that is likely to and/or can be made available and can impact the price point associated with that housing.

Zoning decisions are inextricably linked to the level of income inequality and racial segregation we face in Newton and in Greater Boston. The City Council is rightly exploring a range of options for our updated zoning to remedy our "opportunity" gap. Newton's median single-family home value is over \$1 million and a two-family is \$865,000. Average rents are \$2,800. Less than 8% of our housing stock is permanently "affordable." Our percentage of Newton residents is 4% African-American and 5% Hispanic/Latino (vs. 9% and 12% for Massachusetts respectively). Housing affordability is complicated and the link to zoning is complex. Given today's hyper housing market prices, solutions require a certain amount of change to zoning ordinances if we want housing affordable to more people in our almost fully built out City.

The City Council is now reviewing the zoning for our residential neighborhoods and hopes to achieve many goals:

- Diversify the types of housing available; better meet the varied needs of people who would like to stay in Newton or move here (e.g., have more smaller units, age friendly units, units in walking distance of village centers and/or public transit)

- Expand the amount of housing that is affordable to a wider range of household incomes; open Newton’s doors wider to include our young adult children who want to move home, our employees who want to live near where they work, parents who want to educate their children here in Newton, and older Newtonians who want to downsize
- Encourage energy efficient construction
- Address the issue of overly large, out of scale new construction homes
- Allow and/or promote less use of automobiles and provide more support for our local businesses through more housing near village centers and transit
- Provide predictability and create clarity for property owners for what they – and their neighbors - can do with their property

Our updated zoning is also intended to address the demographic, economic and housing forces that are impacting so many of us. To quote a planning document from Montgomery County, “As family formation is delayed, the average family size declines, the baby boomers age and retire, and the millennial population grows, housing options that address those trends and pressures are required.”¹

In Greater Boston, we are facing a housing shortage so home and rental prices are continuing to skyrocket in a desirable community like Newton, making it harder and harder for low- and middle-income people to live here. In Newton, our percentage of older residents continues to grow and these adults who may have retired and want to downsize and reduce their housing responsibilities and costs have few options here. Our young adult children, often burdened with student loan debt, cannot afford the down payment or monthly mortgage on the homes in their hometown. First-time homeowners, single parents or City and NPS employees too often don’t even bother looking here given our prices.

Our Planning Department has delivered to the City Council’s Zoning and Planning (ZAP) Committee a draft of an updated zoning ordinance for our residential districts. The ZAP Committee is reviewing it word for word and debating the best way to have our zoning achieve our community goals.

¹ Montgomery County Planning Department, September 2018, “The Missing Middle Housing Study,” p. 11.

I. Introduction to the Long Range Financial Plan

Purpose of Long Range Planning

The City of Newton Long-Range Financial Strategy and FY2022-FY2026 Five-Year Financial Forecast is designed to help the City make informed budgetary and operational decisions in the short term by anticipating long term future revenues and expenditures. The forecasting process also allows us to highlight and consider the City's financial strengths and challenges as well as potential risks, opportunities, and uncertainties.

By developing a forecast of revenues and expenditures under known conditions and budgeting appropriately for the unknowns, we move forward more thoughtfully with strategies for providing consistent and appropriate levels of service to our residents, educating our children well, compensating our employees fairly, investing sufficiently in roads, buildings and other capital assets, addressing long-term obligations, and developing sustainable budgets for the next year, the coming five years and over the long-term.

We need a sound financial forecast in order to be financially healthy and to spend wisely so we can achieve our overarching goals of:

- Ensuring academic excellence and educational equity
- Keeping Newton safe
- Making Newton more “all age” friendly with a focus on seniors
- Improving streets, sidewalks, and mobility & public buildings and infrastructure
- Preserving neighborhoods, increasing affordable housing, and diversifying housing options
- Promoting vibrant, walkable and financially robust village centers & commercial corridors
- Addressing climate change and sustaining our environment
- Protecting woods and open spaces & caring for our parks and recreation spaces
- Fostering art, culture & community life
- Facilitating a healthy, accessible and supportive Newton
- Providing excellent and responsive City services

Philosophy

We are committed to a balanced and sustainable budget. While each annual budget must be balanced by state law, beyond that, we believe deeply in avoiding a sudden need to cut services and expenses, which often translates into layoffs as personnel costs are such a large percentage of our budget.

Therefore, to ensure a balanced budget, we consciously project revenues conservatively (i.e., we are extremely careful not to overestimate revenues). As per our Financial Management Guidelines (found in Appendix I), General Fund revenue financial forecast estimates are expected to capture 99% of total expected revenue for the year. We project expenditures in full (i.e., we are extremely careful not to underestimate costs). General Fund expenditure financial forecast estimates are expected to address not less than 100% of projected operating requirements of the various departments for the next fiscal year.

Throughout the past decade, the City has focused on eliminating the “structural deficit,” developing conservative financial forecasts, improving financial reserves, reducing the utilization of non-recurring funding sources to balance the annual budget, making appropriate investments in the City's capital infrastructure, and funding aggressively our significant liabilities for retiree benefits.

The City had been moving methodically toward implementing expenditure budgets sufficient to address not less than 100% of projected operating requirements of the various departments. Although we have made significant progress in this endeavor, much remains to be done. The FY2021 municipal budget, impacted by the financial ramifications of COVID-19, maintained level funding for snow/ice removal and bolstered the

City's commitment to the social and mental well-being of Newton's residents of all ages, however we were unable to increase or even maintain funding levels in many of our building maintenance and infrastructure accounts. We continue to need significant additional investments in many buildings, including schools, parks and recreation facilities, the Senior Center, City Hall and the Library. We need to invest more in maintenance, including our roads and playgrounds and our fields and trees. We have not yet fully incorporated the entire likely costs of snow removal or complete streets repairs into the operating budget. In each of these areas, we are committed to increasing the funding gradually in each fiscal year budget in line with the economy's recovery.

We have given much attention to the City's long-term retirement liabilities. As a result of the financial challenges associated with COVID-19, Mayor Fuller met with the Newton Contributory Retirement Board of Trustees in April 2020 and requested a one-time adjustment to the Newton Pension Funding Schedule. She requested a pension system funding increase of \$1.4 million or 4.8% rather than the \$2.8 million or 9.6% previously reflected in the funding schedule. On April 22, 2020, the members of the Newton Retirement Board approved the following motion unanimously: Vote to have the City's Actuary prepare the 1/1/20 valuation report using a funding schedule that changes the FY2021 line item increase from 9.6% to 4.8% (all other assumptions remaining the same). The Mayor also level funded the retiree health care, or OPEB, contribution at 3.6% of the salaries of employees signing up for health insurance beginning on July 1, 2012. Since it will be applied to a greater number of employees, the dollar amount appropriated for this liability will increase.

The City needs to continue to make progress in funding infrastructure, retiree benefits and the full costs of ongoing expenses like snow removal and road repairs. In addition, along with the Newton Public Schools, we must remain committed to and disciplined in our resolve to settle collective bargaining agreements that maintain parity between revenue and expenditures, and to remain vigilant in managing at the right pace other large municipal and school expenditures.

Methodology

The Long-Range Financial Forecast projects out ten years from Fiscal Year 2022 to Fiscal Year 2031. The next ten years is pivotal because of the critical need and important decision to fund fully the City's significant pension liability in the next ten years and then continue by using those monies to fund the City's retiree health care or OPEB liabilities through the 2030s and into the 2040s.

We built the forecast by first looking at revenue projections. One key assumption is that real and personal property taxes will increase by 2.5% annually as allowed under Proposition 2 ½. Another key assumption, the amount of additional tax revenues as a result of new growth and redevelopment, is difficult to project in this time of great financial uncertainty.

History has shown us that although the 20-year average increase in City revenues from new growth and redevelopment approximates 1.46%, slower economic times can yield additional tax revenues from new growth and redevelopment as low as only 1.0%. We have adjusted our revenue forecast below the 20-year average accordingly. We have assumed a 1.2% growth rate in FY2022 through FY2026 and 1.3% in years FY2027 through FY2031. This significantly impacts our forecast of revenues, and thus, the amount that we can appropriately spend.

This forecast has been developed with the goal of appropriating not less than 3% increase to the NPS FY2022 and FY2023 Budgets, and not less than 3.25% increase to the NPS appropriation in years FY2024 through FY2031. Because municipal services absorbed a much more significant financial impact in the FY2021 Budget, there are some municipal that must to maintain our sustainability. Reserves for costs associated with the removal of Snow & Ice, increased costs for the disposal of Solid Waste and Recyclables, and provisions to maintain a Rainy Day Stabilization Fund equal to 5% of the total budget are just a few areas that must continue to increase.

Funding our Long-Term Liabilities (Pensions & OPEB) must remain a priority for the City, and therefore, this forecast resumes increasing the Pension appropriation by 9.6% annually, in line with the funding schedule approved by the Newton Contributory Retirement System Board of Trustees, as well as providing increases in the percentage appropriated for OPEB.

Further, this forecast recognizes the importance of investment in our capital infrastructure and is predicated on the assumption that we will maintain a debt to revenue ratio of 5.5% through FY2031. We will continue to review this plan each year to determine whether our financial resources will permit us to sustain this goal.

This forecast shows a deficit in each year, ranging from approximately \$2 million in FY2022 to as much as \$29 million in FY2030. We acknowledge this gap and will manage our annual budgets and long-term commitments to personnel costs, debt service and new initiatives accordingly. Revenues may be higher than expected throughout the next decade. If not, expenditures will need to be curtailed. In addition, unexpected cost increases may occur, also requiring cost cutting in other parts of the budget.

II. Background Information

The City of Newton

Settled in 1639, Newton incorporated itself as a City 234 years later in 1873. The City is located seven miles west of downtown Boston. It is bordered by the West Roxbury section of Boston on the southeast, the Town of Needham on the southwest, the Towns of Wellesley and Weston on the west, the City of Waltham and Town of Weston on the north; and the Town of Brookline and the Allston-Brighton sections of Boston on the east.

The City has a population of 88,904 (2018) and occupies a land area of 18.33 square miles. The City is principally suburban-residential in character. Unlike many communities that are established around a single Main Street or downtown, Newton is comprised of thirteen distinctive villages – Auburndale; Chestnut Hill; Newton Centre; Newton Corner; Newton Highlands; Newton Lower Falls; Newton Upper Falls; Newtonville; Nonantum; Oak Hill; Thompsonville; Waban; and West Newton. We pride ourselves on being known as “The Garden City” and open space comprises 21% of the City’s total land area, of which 62% is publicly owned.

Newton is a desirable community in which to live and work. We have an excellent public school system; safe and attractive neighborhoods; an active community life; multiple transportation systems; proximity to Boston; and a well-managed City government. In September 2018, Newton was again ranked #1 in Massachusetts as the best place to live and #12 in the U.S.

The City of Newton provides a complete range of services to our residents. This includes education, public safety, public works, curbside trash and recycling, recreation, library, cultural, and health and human services. The Massachusetts Water Resources Authority provides public water supply and sewage treatment services and the City operates water, sewer and stormwater systems.

To provide this complete range of services, the City is served by approximately 3,000 employees: approximately 2,000 in the Newton Public Schools and close to 1,000 on the City side. Many of Newton’s employees have dedicated their lives to municipal service -- educating our children, plowing roadways in dangerous conditions, and putting their lives on the line while serving in our Police and Fire Departments.

The Newton Public Schools (NPS) are among the best in the Commonwealth. Excellent schools are a critical city service and serve as the cornerstone of Newton’s success. Our educators focus on achieving our goals of academic excellence, educational equity and social and emotional well-being. Our educators work diligently to meet the needs – educational, social and emotional, extracurricular – of every student in our diverse community. NPS always focuses on challenging our students while providing a safe, supportive, and inclusive learning environment.

Newton is home to a variety of private secondary and post-secondary schools which contribute to the fabric of Newton. The major colleges/universities in Newton include Boston College, Lasell University, William James College, and the UMass Amherst – Mount Ida Campus. Their combined student enrollment is approximately 17,000 students.

Newton is a very “safe” city. The City has a fully accredited Newton Police Department and is one of the reasons we have been ranked one of the safest cities in America several times. Newton’s Fire Department, one of only seven “Class 1” Fire Departments in the Commonwealth as rated by the Insurance Service Office (ISO), has fully trained EMT’s on all apparatus and a highly specialized Technical Rescue Vehicle and Team.

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 18,000 tons of municipal solid waste and 9,400 tons of recyclable materials annually, and plows or treats the City's roadways during an average of 22 snow and ice events each winter season.

Home to the outstanding Newton Free Library, often the busiest single library building in the Commonwealth, the City also provides many recreational opportunities for residents of all ages. Through our Parks, Recreation, and Culture Department, Senior Services, Newton Public Schools and Community Education Program, we offer camps, sports clinics, after school programs, swim facilities, senior trips and activities, and one of the largest therapeutic recreation programs in the state. The City maintains approximately 1,200 acres of parkland, playgrounds, school grounds, and burial grounds, as well as extensive municipal grounds and recreation buildings. Newton also has a special City history museum that served as a stop on the Underground Railroad.

Demographic Profile

The following data comes from the U.S. Census Bureau American Community Survey 2018 5-Year Estimates² (ACS 2018), unless otherwise specified.

Newton's overall population has grown in the last 20 years, from 83,826 in 2000 to 88,860 residents; however, the number of households has decreased slightly, from 31,201 in 2000 to 30,849 households. Newton's peak population occurred in the 1960s at 92,384 residents. Approximately 72% of all households in Newton are families – defined as households with two or more people related by blood, marriage, adoption, or other operation of law. Close to half of these family households have children under 18.³

Recent data indicates that the population of older adults continues to grow in Newton. According to the city's 2016 Housing Strategy, between 2000 and 2013 Newton saw substantial growth in households with a head of household who is 45 years to 64 years of age, which was generally consistent with the data at the surrounding regional and state levels. In 2013, heads of household between 45 and 64 years comprised 41.7% of the households in the city.⁴ Current data shows that households headed by people age 65 and older constitutes 31% of all Newton households. Of the city's total population, approximately 28% are 19 years old or younger; 28% are 20 to 44 years old; 21% are 45 to 59 years old; 16% are 60 to 74 years old; and approximately 8% are 75 years and older.⁵

The number of school-age children in Newton has fluctuated throughout the years. During the 1979-1980 school year, there were 15,195 total school-age children (K-12) living in Newton, including both public and private school students. During the 1999-2000 school year, that number dropped to 13,638.⁶ The number increased by the 2019-2020 school year, with a total of 15,510 school-age children living in Newton,⁷ approximately 17.5% of the total Newton population.

Racial and ethnic diversity has continued to increase in Newton; however, Newton's 88,860 residents are still predominantly White (77%), with 14.5% identifying as Asian and 3% as Black or African American and 5% as Hispanic or Latino. Approximately 26% of the City's population today speaks a language other than English at home, of which 30% do not speak English very well. Based on data provided by the U.S. Department of Housing & Urban Development's (HUD) Office of Community Planning and Development (CPD), a majority of Asian households reside in the Auburndale, Newton Highlands, and Newton Upper

² U.S. Census Bureau American Community Survey 2018 5-Year Estimates.

³ U.S. Census Bureau American Community Survey 2018 5-Year Estimates.

⁴ Housing Needs Analysis and Strategic Recommendations, City of Newton, MA, June 2016, Chapter 1, Demographic Trends, RKG Associates.

⁵ U.S. Census Bureau American Community Survey 2018 5-Year Estimates.

⁶ Newton Public Schools, "NPS Enrollment Analysis Report, December 2019".

⁷ Newton Public Schools.

Falls/Oak Hill villages (Census Tracts 3747, 3741, 3740, and 3738). Approximately 18-24% of the households in each of these four census tracts identified are Asian. In addition, the majority of Black / African American households in the City of Newton lives in the Newton Corner, Newton Upper Falls/Oak Hill, Nonantum, and West Newton villages (Census Tracts 3731, 3733, 3745, and 3740). Approximately 5-8% of households in these four census tracts identified are Black / African American.⁸

In 1980, nearly 95% of the City's population was non-Hispanic white and 2% of the population was Asian. According to the city's 2016 Housing Strategy, in the year 2000 approximately 12% of Newton's population was non-white. Most of the city's minority population growth has occurred among Asians, however the Latino population is also growing in Newton. In 2000, the Latino population constituted just over 2% of the city's population, and in 2013 it comprised 4.6%, which was below the statewide average of 9.9% that year. While growth rates indicate that Newton is becoming more racially and ethnically diverse, the minority population percent is below the surrounding region, particularly neighboring communities with lower costs of living and more diverse, affordable housing options.⁹

Newton has a significant number of wealthy residents, with a median household income across the city of \$139,696. At the same time, approximately 18.5% of Newton's households have an annual income of less than \$50,000. By comparison, the median household income in Massachusetts is \$77,378.¹⁰ The City of Newton does not have any racially and ethnically concentrated areas of poverty (where a census tract must have a non-white population of 50% or more, and 40% or more of the population is living at or below the poverty line). HUD data indicates that Newton has one census tract (#3741, in Newton Upper Falls) with a disproportionate percentage of non-white households living in poverty compared to non-Hispanic white counterparts. Of the households living in census tract 3741, 23% are Asian and 11% of those are living at or below the poverty line.¹⁰

Newton's housing market is very expensive. Of the 32,639 housing units in Newton, the large majority (71.5%) are owner-occupied and close to 60% of all units are single-family detached homes. Only 10% of residential structures in Newton have 20 or more units. Approximately 40% of all owner-occupied housing units in Newton are quite expensive, valued at \$1 million or greater. Rents can be high with approximately 40% of rental units in Newton at a gross rent of \$2,000 or greater, according to the 2018 American Community Survey 5-Year Estimates Data Profiles.¹¹

As with the demographics of our residents, housing prices in Newton are quite varied. The City's Assessor's Office analyzes single family sale prices in twenty neighborhoods. In September 2020, the annual sales review showed wide variations across the City in calendar year 2018. Median prices ranged from \$738,000 in West Newton/Newtonville to \$2,387,500 in Chestnut Hill. The review also showed escalating median sale prices; in 2010, the median sale price was \$737,250 and in 2019, it was \$1,210,000, a 64.12% increase in 10 years or a compound average growth rate of 5.1%. These rising housing prices continue to show Newton is a very desirable residential community and, also demonstrate that it is increasingly difficult for many to afford to come here.

Last year, prior to the COVID-19 pandemic, the Newton School Department commissioned a demographic study by McKibben Demographics to better understand demographic trends in Newton and their impact on enrollment over the next 10 years in Newton public schools. While not the same for every school in the coming ten years, the enrollment projection showed close to flat enrollments compared to current enrollment numbers at the elementary, middle, and high school levels. However, based on preliminary enrollment

⁸ City of Newton and WestMetro HOME Consortium FY21-25 Consolidated Plan, July 2020.

⁹ Housing Needs Analysis and Strategic Recommendations, City of Newton, MA, June 2016, Chapter 1, Demographic Trends, RKG Associates.

¹⁰ U.S. Census Bureau American Community Survey 2018 5-Year Estimates.

¹¹ According to the 2018, American Community Survey (ACS) 5-Year Estimates Data Profiles.

numbers as of October 1, 2020, NPS will serve 668 fewer students than our December 2019 projection. This enrollment decline, which we believe is due to COVID-19, will need to be carefully considered when developing and publishing revised projections in December 2020.

Economic Profile

Newton has a diversified economic base with approximately 4,700 establishments employing approximately 79,500 people, having added about 10,000 new jobs over the last ten years, an increase of 14%. The top industry sector for Newton, with over 18,000 jobs, continues to be education services including private schools, colleges, universities and professional training centers.

Commercial uses occupy 4.1% of the City's land area. Nearly 24% of commercial land parcels are office uses; 21% are small retail uses; and 6% are storage or warehouse uses. Only 1.1% of the City's land area is industrial.

Financial Health

Moody's Investors Service evaluated the City in February 2020, prior to the pandemic, and it assigned us its highest rating of Aaa. Newton was well-positioned to weather an economic downturn. Moody's commented on our sizeable, wealthy, and diverse tax base and Newton's favorable location and institutional presence; our formal financial policies and conservative, multi-year budgeting approach; and our strong fiscal management, including plans to fully fund pensions by 2030.

Moody's noted, however, that the City has limited ability to raise property taxes under Proposition 2 ½ and large long-term liabilities for pensions and retiree health care (also known as OPEB).

Moody's projected continued financial stability for the City due to our conservative budget forecasting, adherence to comprehensive financial and debt policies, and the strength of both the Newton and regional economies. It cautioned the City to avoid a multi-year trend in declining available General Fund balances, increased reliance on free cash appropriations to balance our operating budget, a material increase in our debt burden, and a failure to reduce our unfunded pension liability.

The City is not immune to the economic challenges and reduced revenue in many areas brought on by the pandemic. Due to our comprehensive and conservative financial management practices, we were able to act swiftly to control our expenditures and adjust revenue expectations so as to maintain our financial strength in FY 2020 and FY 2021.

Newton's residents and businesses have been hurt significantly from the screeching halt in the economy from COVID-19. Newton had an unemployment rate of 7.4% compared to the State's unemployment rate of 14.5% for August according to Massachusetts Department of Labor Statistics for the month of August 2020. Newton's unemployment rate is down from a high of 11.2% in July 2020 but compares to a 2% unemployment rate for August 2019. The pandemic has also had a widespread and damaging impact on Newton businesses, particularly in the restaurant, retail, hotel and service industries.

III. General Fund Revenues

Background on Proposition 2 ½ and Overrides

Proposition 2 ½ was enacted in Massachusetts in 1980 and significantly influences property tax administration. The property tax levy – usually simply called the levy – is the revenue a city or town can raise through property taxes. Prop 2 ½ places constraints both on the amount of the levy raised by a city or town and on how much the levy can be increased from year to year. First, a community cannot levy more than 2.5 percent of the total value of real and personal property in the community; this is the levy ceiling. Second, a community can only increase the levy by 2.5%. This amount, combined with the property tax revenue generated each year from “New Growth or Redevelopment”, becomes the levy limit. A community can exceed the levy ceiling or levy limit temporarily by a majority vote of its residents for a debt or capital outlay expenditure exclusion or permanently by a majority vote for an override (typically called a “general operating override”).

Another important aspect of understanding and applying Prop 2 ½ is that once a community’s levy limit is established for a particular year, the community can determine what its levy will be; the community may set its levy at any amount up to the levy limit. Notably, as long as a community levies no more than its levy limit, there is no restriction on the dollar or percentage increase in its levy from year to year. Prop 2 ½ restricts increases in the levy limit, not the levy. When a community sets its levy below the limit, the difference between the levy and the levy limit is commonly referred to as excess levy capacity. This is an additional amount the community could, but chose not to, levy. Notably, the City of Newton’s actual levy is very close to the levy limit; the City of Newton has essentially no excess levy capacity.

Massachusetts laws mandate that the assessed values of real property represent the full and fair cash value as of the previous January 1st. The City of Newton Assessor’s Office annually reviews all assessments (i.e., market values). Although the increase or decrease in assessed values from the previous year do not impact the total property tax that the City will collect, changes in assessed values may cause a shift in the distribution of the taxes paid by individual property owners. If all assessed values remained the same or increased by the same percentage, the overall tax increase would be the overall increase due from Real Property Taxes in the budget approved by the City Council. If a certain segment of the market or a different class of properties (e.g. residential vs. commercial) increased or decreased by varying amounts, a shift would occur in the overall tax burden by each group. For all properties that have not changed in value as a result of a renovation, addition or redevelopment, it is this shift in relative assessed value that causes property tax increases to vary from the 2 ½% allowed by Proposition 2 ½.

For many years, the sitting Mayor has proposed and the City Council has voted to increase the tax levy by the 2.5% allowed. In FY2021, this 2.5% represented an increase of \$8,956,420. A critical revenue assumption in this Long-Range Financial Strategy presumes a continuation of this policy.

The Assessor’s Office determines the amount of new growth each year by evaluating all new construction projects, renovations and land use changes to determine the increase in the property value. The Massachusetts Commissioner of Revenue has an approval process to certify the Assessors’ determination of new growth. The City is in the process of seeking our certification for Fall 2020. This year’s increase in the tax levy is expected to approximate an unprecedented \$6.4 million.

Voters in Newton have twice approved debt exclusion and/or general overrides. In 2002, a \$11,500,000 general override went into effect with the FY2003 property taxes. (In 2008, voters rejected a \$12 million general operating override.) In 2013, the voters approved two different debt exclusions (Angier and Cabot Elementary Schools) and an operating override. This resulted in a FY2014 \$8,400,000 override increase in taxes and debt exclusion debt payments that started in FY2015. In FY2020, the amount of the debt exclusion debt payment was \$3,336,395.

In terms of average single-family tax bills, in FY2019, Newton’s average single family tax bill was \$12,393 which ranked 13th in the Commonwealth of Massachusetts for single family properties.

Preparing the annual operating budget within the confines of Proposition 2 ½ will never be easy. Achieving long-term financial sustainability, while we are investing in our children’s education, improving and expanding the ways in which older residents can participate in community life, improving significantly our streets and sidewalks, making improvements to buildings and facilities such as Lincoln-Eliot and the Senior Center, proactively planning and investing in villages and commercial corridors such as Needham Street and Washington Street, and designing and building walkable, vibrant and financially robust village centers and commercial corridors is a challenging task to say the least.

Revenue Forecast: Key Drivers and Assumptions

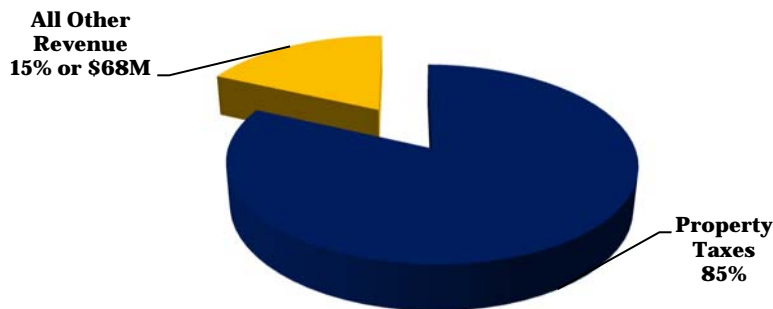
Property Tax Revenues

The City of Newton has benefited from strong residential growth and a healthy commercial sector for much of its history. Its proximity to Boston, excellent public schools, and its commitment to culture and community life have all been contributing factors. Average home property values have grown to more than \$1 million and our village centers and commercial sectors were thriving pre-COVID-19.

Property taxes typically account for 83% of the City’s total operating revenue, however because of the COVID-19 negative impact on other revenue sources, property taxes account for 85% of the City’s FY2021 Operating Revenue. FY2021 budgeted property tax revenue was estimated to total \$371.4 million. This included the 2.5% increase over last year as well as a projection of \$4.6 million from “new growth or redevelopment,” an increase of 1.3%. As mentioned earlier, we have seen an unprecedented increase in new revenue from new growth or redevelopment, which will have a very favorable impact on FY2021.

It is important to note that because “new growth” is determined as of January 1, 2020, COVID-19 did not impact our increase this year but is very likely to impact next year’s FY2022 budget.

Fiscal Year 2021 Budget – Property Taxes = \$371.4M



Projecting the amount of new growth is perhaps the single most important assumption in the financial forecast. Property tax revenue from new growth and redevelopment has averaged 1.46% of the property tax levy limit (the total allowable property tax calculated by the state) over the past twenty years and has averaged a very robust 1.7% over the past eight years. The increase in property tax revenues from “New Growth and Re-development” has significantly helped the City accomplish many of its goals. Sustaining these very positive historical trends will be difficult in these very uncertain times.

In the residential sector, renovations, as well as demolitions followed by a new home, add to the property tax base. Although these changes generate additional tax revenue, they can simultaneously significantly impact the character of our neighborhoods and make it increasingly difficult to find an affordable home in Newton.

Mayor Fuller is committed to supporting the business and non-profit community in Newton, preserving and improving the economic health and vitality of Newton’s village centers and commercial areas, and continuing to expand the City’s property tax base from new growth and redevelopment where appropriate. Toward that end, in February 2020 prior to the COVID-19 pandemic, the City had a very successful bond sale. Significant projects such as the West Newton Square and the Newtonville Walnut Street complete streets improvement projects, as well as the replacement of all city parking meters, were included in that bond sale.

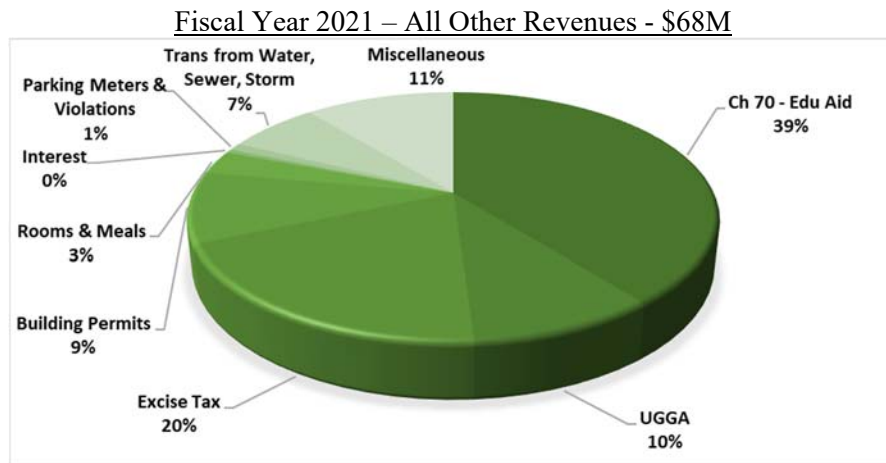
These projects are specifically designed to enhance the village character and experience by shoppers and diners by providing a safer, more walkable and bikeable, and more aesthetic environment to be complemented by improved lighting and the addition of street trees and sidewalk furniture. Therefore, those projects are currently moving forward, as the proceeds of that bond sale were received on February 27, 2020 and must be expended.

Planning for Newton’s future remains a priority for the Administration. Mayor Fuller has focused on how the City can assist Newton businesses regain their economic footing. In early April 2020, the Mayor asked the members of the City’s Economic Development Commission to develop a list of recommendations that the City could consider immediately to jump-start business recovery. Using \$300,000 in federal CARES Act funding, the City was able to provide small business recovery grants of \$10,000 to \$15,000 to 27 businesses across Newton this past July 2020. In the upcoming months, the Mayor will continue to work closely with the City Council, the Economic Development Commission and Newton’s Economic Development Director to find ways to restore and support our important local business community. Additionally, the Planning Department is working closely with the City Council Land Use Committee on analyzing the proposed Riverside Special Permit. A vote is expected this fall in October or November 2020.

The forecast currently does not include either future debt exclusions or general operating overrides. In the out years, however, there are a number of capital investments in buildings and infrastructure that do not have identified sources of funding from either the operating budget or bonding. We will continue to evaluate what projects should be done and when, and what the funding sources will be, to ensure our ambitions do not exceed our ability or willingness to pay for them.

Non-Property Tax Revenues

Non-property tax revenues account for 15% of our FY2021 Revenues and have been a declining portion of the City’s revenue base. A few non-property tax revenue sources are particularly noteworthy: State Aid, Building Permitting Fees, Motor Vehicle Excise Taxes, Interest Income, Meals and Hotel Room Taxes, and Parking Meter and Parking Violations Receipts.



State and Federal Funding

The most significant non-property tax revenue source for the City of Newton is funding from the Commonwealth – Chapter 70 State Education Aid and Unrestricted General Government Aid.

State Education Aid - Chapter 70 and Unrestricted General Government Aid (UGGA)

Governor Baker signed into law the Student Opportunity Act on November 26, 2019, the most significant statewide update to the education funding formula since its inception in 1993. The bill, passed before COVID-19, is intended to infuse an additional \$1.5 billion annually into the state’s education aid over the next seven years, as well as to increase funding to districts for transportation, school construction and renovation, and special education.

The bulk of the new funding has been directed to school districts with the highest concentrations of low-income students, thereby aiming to close achievement gaps and provide opportunity for all students in the Commonwealth. Prior to the COVID-19 pandemic, the Governor’s FY2021 Budget (submitted in January 2020) proposed an increase of \$786,504 in State Education Aid for the City of Newton for a total Chapter 70 grant of \$25,601,000.

As a result of the tremendous financial uncertainties surrounding the COVID-19 pandemic, as of the date of this writing, October 15, 2020, the State Legislature has not passed the FY2021 Budget for the Commonwealth. The 2021 fiscal year started three and one-half months ago on July 1, 2020.

On July 28, 2020, the Massachusetts House and Senate unanimously approved a three-month interim budget which covers the Commonwealth’s costs through Oct. 31, 2020. On July 30, 2020, we received the following notification from the Department of Local Services’ Division of the Massachusetts Department of Revenue.

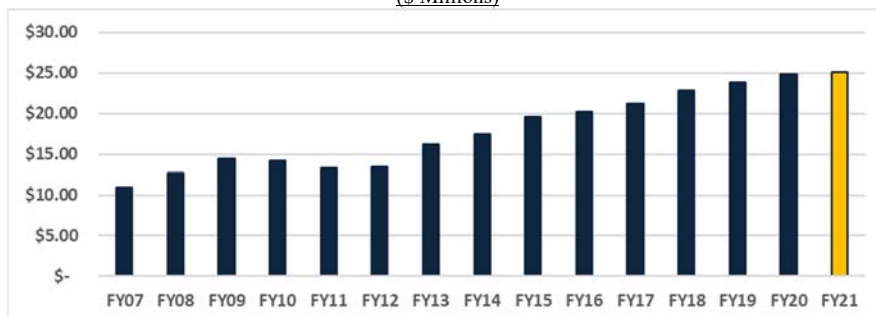
“ . . . While critical information from the federal government is still needed in order to finalize a full fiscal year budget for the Commonwealth, the Baker-Polito Administration and the Legislature are committing to no less than the Fiscal Year 2020 (FY20) level of funding for UGGA and Chapter 70 education aid as a baseline amount for FY21 funding.

The FY21 funding commitment also includes Chapter 70 increases for inflation and enrollment that will keep all school districts at foundation, under the law as it existed for FY20”

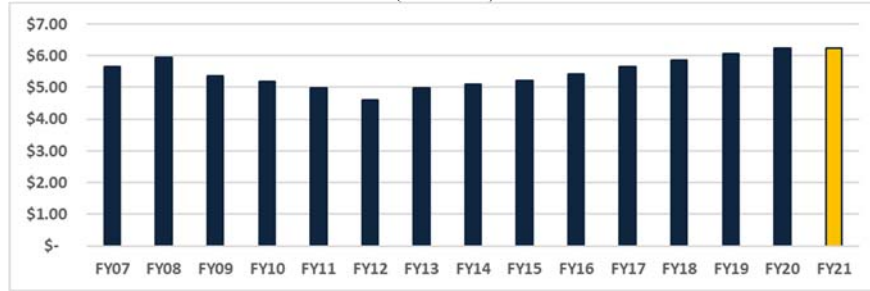
This means that the City of Newton Unrestricted General Government Aid (UGGA) will remain at \$6,240,334 (level funded from FY2020) and Chapter 70 education aid will total \$25,128,716, an increase of \$314,220 over FY2020, but \$472,284 less than the Governor’s original recommended FY2021 Budget.

As a result of the conservative approach taken by the Fuller Administration in forecasting revenue, this commitment will result in \$956,803 over and above the City’s FY2021 budget amount for state aid (\$1,429,087 additional Unrestricted Aid and \$472,284 less Chapter70 education aid).

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)



In addition to Chapter 70 State Education Aid and Unrestricted General Aid, the City of Newton typically receives many millions of dollars of additional funding that also should be considered when discussing state aid. We are hopeful that these funding sources will not be reduced for FY2021.

Key areas of additional state funding to the City of Newton are as follows:

Annual State Funds in FY2021

School – Special Education Circuit Breaker Funds	\$5,500,000
School – METCO Program	\$2,500,000
Chapter 90 – Highway Improvement Fund	\$2,300,000
Green Communities Competitive Grant – please confirm new #	\$ 100,000
Community Preservation Act (CPA) Matching Funds	\$ 713,012
Public Safety Funds	\$ 260,000
Meals & Rooms Tax Distribution	\$2,000,000
Seniors & Veterans Assistance	\$ 625,000

Recent One Time State Funds

MSBA – Angier Elementary School	\$10,000,000
MSBA – Cabot Elementary School	\$14,000,000
Needham Street Reconstruction	\$26,000,000
MassWorks – Oak & Christina Intersection - Spring 2019	\$ 1,685,000
Washington Street at Harvard – Signalization	\$ 400,000

Likewise, the City benefits from several millions of dollars of federal funding on an annual basis that are crucial to many of the programs that we provide. The national economy and federal funding priorities, therefore, impacts the City directly. Key areas of federal funding include:

Annual Federal Funds

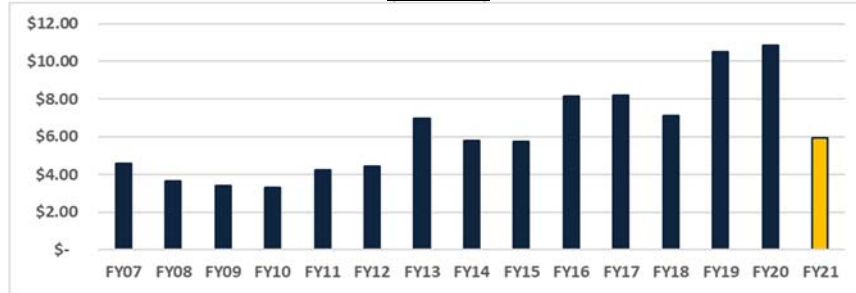
Community Development Block Grant & HOME Funds	\$2,000,000
Public Safety Funds	\$ 200,000
School – Special Education, Title I and other miscellaneous	\$4,000,000
Medicaid and Medicare Reimbursements for City retirees	\$2,000,000

Inspectional Services Building Licenses and Permitting Fees

Permitting and licensing activity is influenced heavily by the economy. These revenues to Newton’s Inspectional Services Department saw a decline from Fiscal Year 2008 through Fiscal Year 2010 during the Great Recession. With the improvement of the economy and the City’s promotion and facilitation of economic development projects, including Chestnut Hill Square and The Street along Route 9, the City saw a sizable increase in the total revenue collected in FY2013 and more moderate growth in FY2014 and FY2015. The City experienced unprecedented numbers of building permit applications in FY2016 and FY2017.

Although the Northland project was approved by both the City Council in 2019 and Newton voters in 2020 and while there are some very large projects in the special permit process currently, the onset of the Coronavirus pandemic has and will continue to impact new permits and licenses. Q1 FY2021 permitting revenues are slightly ahead of Q1 FY2018 revenues. However, economists are now predicting a protracted economic recovery; as a result, we will continue to monitor the FY2021 revenue regularly.

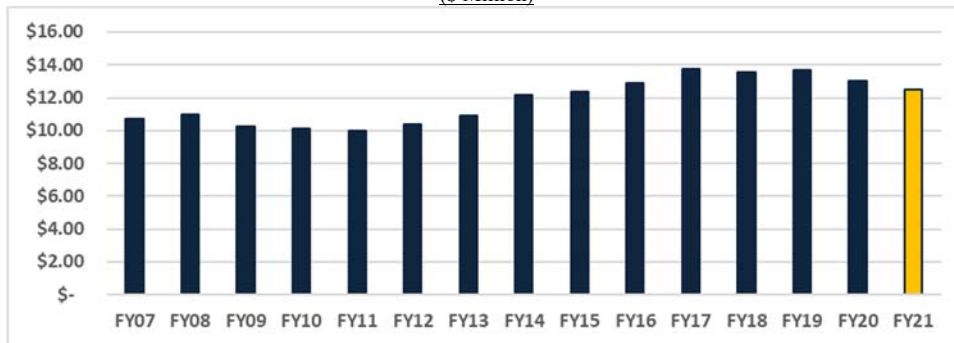
Inspectional Services
FY2020 Actual \$10.8 M - FY2021 Budget \$5.9 M
 (\$ Millions)



Motor Vehicle Excise Taxes

Massachusetts residents who own and register a motor vehicle annually pay a motor vehicle excise tax for the privilege of road use and those tax revenues go to the local community treasury. The amount of excise tax levied on each motor vehicle is \$25 per one thousand dollars of valuation. Over the past decade, total excise tax revenue has fluctuated from a low of just over \$9.5 million in FY2011 (following the Great Recession) to just over \$13.6 million in FY2017. While there was significant pent-up demand after the Great Recession of 2008, that demand had somewhat stabilized. However, with the significant impact of COVID-19 on the financial health of so many people in Newton, we expect new car sales to be lower than they otherwise would have been. Therefore, we have reduced our FY2021 Motor Vehicle Excise Tax Revenue assumption to \$12.5M.

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



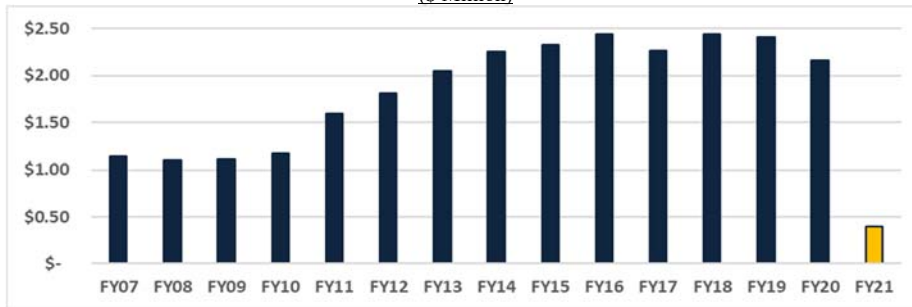
Hotel Room Occupancy Taxes

The Commonwealth of Massachusetts has a state room occupancy excise tax rate of 5.7%. In addition, a city or town may adopt a local option room occupancy tax rate of not more than 6%. The Board of Aldermen of the City of Newton voted to accept the local option on October 7, 1985. As a result of the acceptance of this local option, the City of Newton has received more than \$2 million of Hotel Rooms Tax Revenue in each of the past eight years.

However, almost immediately following the onset of the Coronavirus Pandemic, the hospitality industry began to experience unprecedented cancellations of conferences, vacations, weddings, etc. In early

September, the Boston Globe reported that revenue per available room, a key industry metric, declined in August across the Boston metropolitan area by about 76 percent compared with the same period in 2019. Consequently, we dramatically reduced our FY2021 Hotel Room Tax revenue budget dramatically.

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

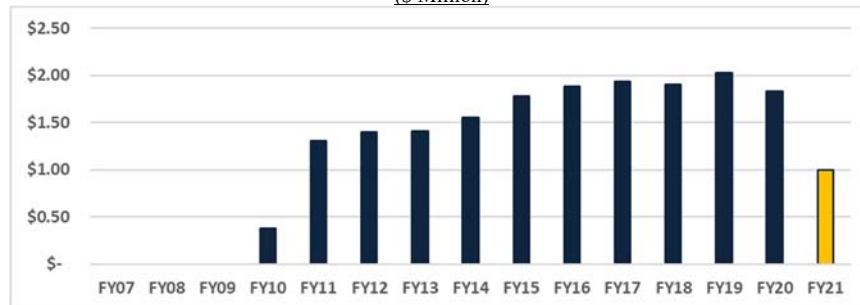


Meals Tax

The Commonwealth of Massachusetts imposes a sales tax on meals sold by or bought from restaurants or any restaurant part of a store. The tax is 6.25% of the sales price of the meal. Additionally, a local option meals tax of 0.75% may be applied. In October 2009, the City of Newton adopted the local option effective January 1, 2010. This decision has provided the City with a steady revenue stream of approximately \$1.9 million over the past several years.

COVID-19 has also decimated the restaurant industry. Approximately 3,600 or 20% of all restaurants across the Commonwealth have permanently closed. Restaurants that have been able to weather this storm by providing “outdoor seating” through the summer months now fear closures as the cooler months approach. Therefore, we have dramatically reduced our projected Local Option Meals Tax to \$1 million.

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



It is important to note that the Baker Administration, in partnership with the Legislature, recently announced an extension of administrative tax relief measures for small businesses. This includes the extension of the deferral of regular sales tax, meals tax, and room occupancy taxes for small businesses due from March 2020 through April 2021, so that they will instead be due in May 2021. We will watch this development very carefully and are hopeful that this will not impact the City’s FY2021 Rooms & Meals Tax Revenues.

Interest Income

Interest income earned on the City’s financial cash reserves and investments has been as low as \$200,000 during the past decade when interest rates reached a record low of 0.25 percent in December 2008. The Federal Reserve Bank raised rates through 2018 but implemented a sequence of rate decreases starting in

July 2019. In late March 2020, the Federal Reserve Bank decided in response to COVID-19 to lower the Federal Funds Rate to its historical low of 0.25 percent. With interest rates as low as they have ever been, we have therefore adjusted this revenue stream down significantly to \$300,000 for FY2021.

On September 16, 2020, the Federal Open Market Committee (FOMC) issued the following statement:

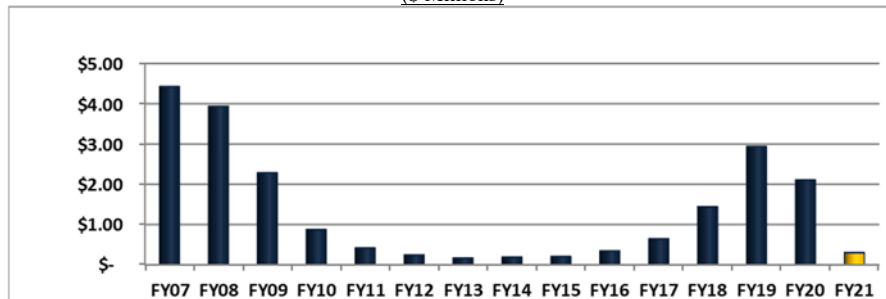
“The COVID-19 pandemic is causing tremendous human and economic hardship across the United States and around the world. Economic activity and employment have picked up in recent months but remain well below their levels at the beginning of the year. Weaker demand and significantly lower oil prices are holding down consumer price inflation. Overall financial conditions have improved in recent months, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses.

The path of the economy will depend significantly on the course of the virus. The ongoing public health crisis will continue to weigh on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. With inflation running persistently below this longer-run goal, the Committee will aim to achieve inflation moderately above 2 percent for some time so that inflation averages 2 percent over time and longer-term inflation expectations remain well anchored at 2 percent. The Committee expects to maintain an accommodative stance of monetary policy until these outcomes are achieved. The Committee decided to keep the target range for the federal funds rate at 0 to 1/4 percent and expects it will be appropriate to maintain this target range until labor market conditions have reached levels consistent with the Committee's assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time.”

In short, it is now expected that rates will remain extremely low at 0 to ¼ percent through 2023.

Revenue from Interest Income
FY2021 Projection - \$250 K
 (\$ Millions)

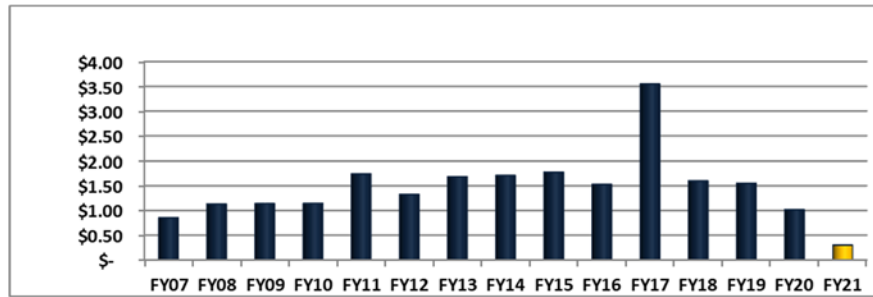


Revenue from Parking Meters & Parking Violations

Parking meters were first installed in the 1930’s in an effort to instill some order to the chaos of street parking. Charging promotes turnover to regulate the use of a scarce and valuable resource – curb space in dense areas. Many municipalities charge increased fees at popular parking places to encourage employees and longer-term patrons to park a little further away from their desired location.

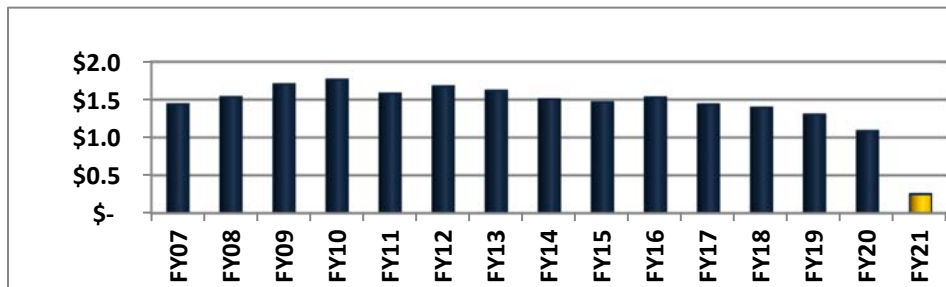
Although the City is in the process of installing new smart meters, we have made a conscious effort not to “enforce” our parking policies. While we expect the lack of enforcement to significantly impact our Parking Meter Receipts, this is one of the many approaches the City has taken to promote our village centers.

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



Enforcement of parking policies has a direct correlation with revenues from Parking Violations. Therefore, we have reduced this revenue source accordingly.

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



Revenue from Medical and Retail Marijuana Establishments

COVID-19 has even impacted the City’s revenue from Medical and Retail Marijuana sales. While we have entered a new era with retail marijuana stores in the City, retail sales were suspended from March 24, 2020 through May 25, 2020 as these establishments were deemed to be a non-essential service.

Normally, the City of Newton receives two streams of money from stores selling marijuana. Three percent of the tax revenue collected by the State for adult recreational sales (non-medical marijuana) will come to the City and go into the general fund to support our operating budget. An additional three percent of revenues from both medical and recreational retail marijuana sales may, to repeat, may, come to us as a community impact fee if agreed to as part of a Host Community Agreement (HCA). These HCA funds must be used to address the public health, safety, education, administrative, infrastructure and other effects or impacts by the marijuana establishment on the City and our municipal and school programs, services, personnel, and facilities.

As this is an emerging industry with significant uncertainty about the level of the funding stream, the Administration under Mayor Fuller will be conservative in our budgeting of this new source of funding. Knowing that the funds may be limited to only five years and that we may see a shake-out in the number of stores and fluctuations in the level of sales (even before COVID-19), the Administration will lean to using the funds for one-time expenditures rather than ongoing operating expenses. While the Administration will be inclined to fund new programs and services (as we did this year), the funds may also be used for current ones, especially if the City is facing economic pressures.

Since the development of the HCA, the one existing medical marijuana establishment, Garden Remedies, has provided the City of Newton with just over \$580,000 in funds from its Host Community Agreement.

Five Year Revenue Forecast FY2022 - FY2026

City of Newton, Massachusetts						
Annual General Fund Revenue						
FY2021 BUDGET/FY2022 - FY2026 FORECAST						
(\$ millions)	<-BUDGET->	<-----F-O-R-E-C-A-S-T----->				
REVENUE FROM OPERATIONS	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Real Estate Tax Revenue	\$ 371.4	\$ 390.2	\$ 404.1	\$ 418.1	\$ 433.5	\$ 449.4
Excise Tax Revenues	\$ 12.5	\$ 12.5	\$ 12.8	\$ 13.0	\$ 13.3	\$ 13.5
Hotel Room Tax	\$ 1.0	\$ 1.0	\$ 1.3	\$ 1.5	\$ 1.8	\$ 2.0
Meals Tax	\$ 1.0	\$ 1.0	\$ 1.3	\$ 1.5	\$ 1.8	\$ 2.0
Payments In Lieu Of Taxes	\$ 0.3	\$ 0.3	\$ 0.2	\$ 0.2	\$ 0.3	\$ 0.3
Interest/Dividend Income	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.5	\$ 0.5
Permitting Revenue - ISD	\$ 5.9	\$ 6.2	\$ 6.4	\$ 6.4	\$ 5.9	\$ 5.9
Parking Meter Receipts	\$ 0.8	\$ 0.5	\$ 0.7	\$ 0.9	\$ 0.9	\$ 0.9
Parking Violations Revenues	\$ 0.8	\$ 0.5	\$ 0.8	\$ 1.0	\$ 1.0	\$ 1.0
Medicare D/NPS SPED Medicaid	\$ 0.9	\$ 1.1	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0
Water/Sewer/Storm to Gen'l Fund	\$ 4.3	\$ 4.4	\$ 4.6	\$ 4.7	\$ 4.9	\$ 5.0
Other Miscellaneous Accounts	\$ 5.8	\$ 5.9	\$ 6.1	\$ 6.1	\$ 6.1	\$ 6.1
REVENUE FROM OPERTIONS	\$ 405.0	\$ 423.8	\$ 439.3	\$ 454.7	\$ 470.8	\$ 487.7
REVENUE FROM STATE AID						
Chapter 70 - Education Aid	\$ 25.6	\$ 25.1	\$ 25.1	\$ 25.1	\$ 25.5	\$ 25.9
Unrestricted General Gov't Aid - UGGA	\$ 4.8	\$ 4.7	\$ 4.7	\$ 4.8	\$ 4.9	\$ 5.0
REVENUE FROM STATE AID	\$ 30.4	\$ 29.8	\$ 29.8	\$ 29.9	\$ 30.4	\$ 30.9
OPERATING REVENUE	\$ 435.4	\$ 453.6	\$ 469.1	\$ 484.7	\$ 501.2	\$ 518.5
% Increase	0.42%	4.16%	3.43%	3.31%	3.42%	3.45%
REVENUE FROM TRANSFERS						
Capital Stabilization Fund	\$ 0.1	\$ 0.1	\$ -	\$ -	\$ -	\$ -
Free Cash	\$ 4.0	\$ 1.5	\$ 1.4	\$ 1.3	\$ 1.2	\$ 1.1
REVENUE FROM TRANSFERS	\$ 4.1	\$ 1.6	\$ 1.4	\$ 1.3	\$ 1.2	\$ 1.1
TOTAL REVENUE	\$ 439.5	\$ 455.1	\$ 470.5	\$ 486.0	\$ 502.4	\$ 519.6
% Increase	1.32%	3.55%	3.38%	3.28%	3.39%	3.42%

IV. General Fund Expenditures

There are a number of key drivers of and assumptions underlying the expenditure forecast.

Employees and Retirees

The Fuller Administration is deeply respectful of and grateful to the more than 2,000 employees of the Newton Public Schools and the more than 940 employees of the City who work so hard to help our students reach their full potential and to make Newton greater, better and more beautiful. The heart and soul of our Newton city government and our schools are the people who labor to deliver to our citizens and children the services and education that make Newton, Newton. We will invest in our employees, through fair salaries, good working conditions, excellent health care plans, funded pension and retiree health care plans, and training and professional development.

The cost of salaries, compensation, and benefits for active and retired NPS employees accounts for 88% of the Newton Public Schools operating expenditures while the cost of salaries, compensation, and benefits for active municipal employees account for 70% of the municipal operating expenditures. (Municipal retiree pensions and health benefits, and debt service are tracked separately). Consequently, personnel is the single most important cost element in our budget and has a significant impact on our forecast. The Newton Teachers Association, School Secretaries, School Custodians, as well as the International Association of Firefighters and the Newton Nurses Association (Public School Nurses) have all settled collective bargaining agreements through Fiscal Year 2023.

The City continues to negotiate with all other employee groups. The City Administration will work collaboratively and respectfully with union leadership during this time of tremendous uncertainty to develop compensation packages that are fair to the employees and taxpayers alike.

Providing municipal and educational services to the residents of Newton is a labor-intensive service model. As technology, enrollment, and demographic needs change, we must be ready to change with them. We also must be ever mindful of the long-term obligations associated with increasing our numbers of employees. The Fuller Administration is committed to evaluating each and every position and request for additional personnel so that we do not find ourselves in a predicament where a “reduction in force” is necessary, particularly if its necessity is driven because the budget was not managed appropriately.

Newton Public Schools

The delivery of an excellent education to our students by the Newton Public Schools (NPS) is perhaps the single most important municipal service, as education is a ‘bedrock’ value of the community.

The COVID-19 global pandemic has been an incredibly challenging event for all school districts. The impact of COVID-19 for our students, staff, and families cannot be underestimated and is far-reaching and damaging. The financial impact to the city and schools including declining revenues and additional expenses associated with COVID-19 is also significant.

What has not changed is the Newton Public Schools’ commitment to expanding opportunities for students, building the capacity to support the social and emotional needs of students, implementing promising initiatives to address race and achievement, maintaining favorable class sizes and improving and expanding school facilities with the goal of providing a high-quality education that meets the needs of all students in the Newton Public Schools.

The challenge that we face, along with most every other school in the world, is delivering this service in some combination of remote, hybrid and in-person learning formats. Educational services have literally changed overnight. Although the fluidity of change has been continuous, the Newton Public Schools’

commitment to serving all students in the most appropriate delivery model based on the advice of public health experts will remain constant and steadfast.

Enrollment

A key assumption in the forecast is the number of students in the Newton Public Schools. Yet another impact of COVID-19 has been a decline in enrollment, as families have chosen alternatives to meet their needs during this time, including homeschooling and private schools, at higher rates than in previous years.

Prior to COVID-19, the Newton Public Schools saw a leveling of the growth trend of the prior decade. Although a decline in enrollment was projected for the 2020-2021 school year, the actual decline in enrollment has been much larger than projected.

Based on preliminary enrollment, NPS will serve 11,928 students in our fifteen elementary schools, four middle schools, two high schools, and two alternative high school programs for the 2020-2021 school year. This is 668 (5.3%) less students than our December 2019 projection. We believe that much of this difference is likely attributable to COVID. This includes students who have chosen distance learning. In addition, NPS will serve approximately 125 additional students in the Newton Early Childhood Program, in both in-person and distance learning models (enrollment is based on preliminary enrollment on 10/1/2020; finalized numbers will be provided in the December 2020 Enrollment Analysis Report).

This year, the enrollment decline due to COVID-19 will need to be carefully considered when publishing projections. In addition, we are analyzing demographic trends (e.g., birth rates, home sales) as well as known and potential changes in the number and type of housing units so NPS has both the teachers and staff and the space to educate all our students. Updated forecasts for the next five years will be provided in early December 2020 and will incorporate developments with special permits and building permits.

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



The Newton Public School Budget

A key assumption of this long-range plan maintains the City’s commitment to the Newton Public Schools. This forecast has been developed with the aspiration of appropriating not less than 3% increase to the NPS FY2022 and FY2023 Budgets, and not less than 3.25% increase to the NPS appropriation in years FY2024 through FY2031.

This decision will be revisited as the Coronavirus Pandemic continues. Data that will inform decisions for future NPS budgets will include, but not be limited to, the following:

- Chapter 70 State Aid,
- Enrollment,
- Delivery model of education (i.e., in-person, hybrid, remote),
- Availability of a widely available COVID-19 vaccine, and
- Recovery of the local economy.

Municipal/City Expenditures

Salaries and Other Compensation

As mentioned previously, the costs of salaries, compensation, and benefits for active municipal employees account for 70% of the municipal operating expenditures. Consequently, personnel costs are the single most important cost element in our budget and have a significant impact on our forecast. The International Association of Firefighters and the Newton Nurses Association (Public School Nurses) have settled collective bargaining agreements through Fiscal Year 2023.

The City continues to negotiate with all other employee groups. The City Administration will work collaboratively and respectfully with union leadership during this time of tremendous uncertainty to develop compensation packages that are fair to the employees and taxpayers alike.

Health Care

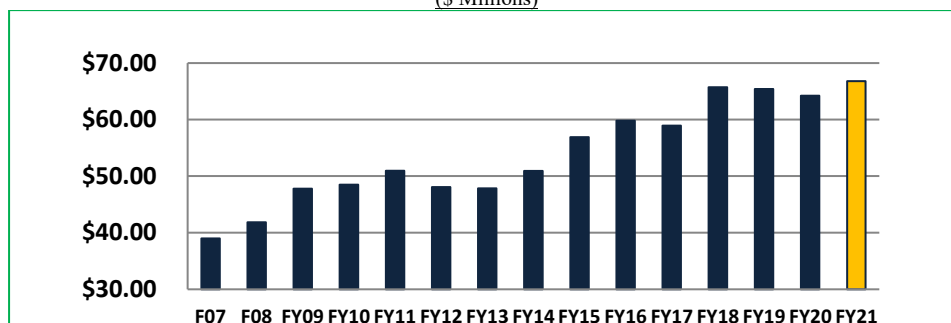
The City provides excellent health insurance benefits for more than 2,550 active employees and their dependents and more than 2,840 retirees and their spouses through our self-insured program. The cost of a self-insured program is comprised of costs in three main areas: (1) the actual cost of claims, (2) the administrative fees charged by the health insurance carriers, and (3) an “Excess Policy” or “Stop Loss Policy” for “large” claims. Due to the high cost of “Stop Loss Policies” the City now purchases this insurance for claims in excess of \$750,000 – thus covering only catastrophic claims.

Rather than paying “premium” rates, the City works with its two insurance carriers to develop “working” rates. These working rates are projections of costs. If actual costs are less than projected, the City “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. An important forecast assumption is that the City’s working rates for healthcare will increase 4% - 5% annually.

As a result of the COVID-19 pandemic and the virtual elimination of elective procedures, we saw a slight decrease in our actual cost of claims in Fiscal Year 2020. We have consulted our health insurance carriers and will work with them as they try to determine what an increase in elective procedures will look like when the physical distancing guidelines are relaxed and elective procedures are once again performed.

As of June 30, 2020, the City’s Group Health Self-Insurance Fund has reserves of just over \$18 million which is the equivalent of just over 14 weeks of paid claims. Although the City’s fund balance policy is 1.5 to 2 months of paid claims, because of the change in Stop Loss coverage and the uncertainties associated with COVID-19, this balance is in line with prudent financial controls in this period.

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



Retirees: Pensions and Retiree Health Care (OPEB)

Our employees earn two types of compensation — current and deferred. Salaries and other current compensation (e.g., health insurance) are received during their employment. Deferred compensation is received after the employee retires and only when vesting and age requirements have been met.

There are two major categories of deferred compensation for City of Newton employees. First are pensions, monthly payments to a retiree from an investment fund to which both the employee and the City of Newton have contributed. Notably, public employees in Massachusetts, including employees of the City of Newton, are not covered by, and therefore do not receive, Social Security benefits. The second category of deferred compensation is retiree health insurance and life insurance, otherwise known as non-pension post-employment benefits or “Other Post-Employment Benefits” or OPEB.

The City’s commitment to funding long-term retiree obligations, specifically pensions and OPEB, following sound financial policies, and developing conservative budgets and forecasts will be key factors in the City’s ability to maintain the Aaa rating it has earned from Moody’s Investors Service.

Commitment to fully funding these liabilities is also critical to the City’s financial sustainability. The Fuller Administration continues to follow a funding schedule designed to eliminate the City’s unfunded pension liability by the year 2030 and to fully fund the City’s OPEB liability by the year 2045.

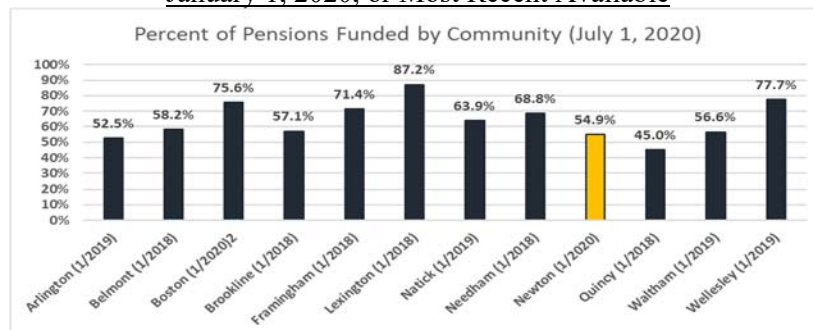
Pensions

The City of Newton Contributory Retirement Plan is our pension plan. It includes more than 3,500 people - current active employees, retired employees and beneficiaries, and inactive participants (people who no longer work for us but have left their contributions on deposit in the plan to take at a later date.)

The teachers of the Newton Public Schools are not a part of the City of Newton Retirement plan. Rather, they are part of the Massachusetts Teachers Retirement System and the City is not “responsible” for their pensions. However, other school employees (e.g., aides, custodians, secretaries, and principals) are part of the City’s plan. School employees make up 703 of 1,611 or 43.6% of the active employees in the City’s pension plan and account for slightly more than 21% of the unfunded liability.

Prior to the 2008 economic downturn, the total unfunded actuarial accrued pension liability was approximately 33%. (In other words, the pension liability was 67% funded.) However, as a result of the difficult economic pressures in the years of the “Great Recession” combined with the increased life expectancy of Americans, the total unfunded actuarial accrued liability reached a high of 49.2%, but has now finally begun to decrease slightly and was 45.06% as of January 1, 2020. In other words, the pension liability is 54.94% funded. Although the increase in the unfunded pension liability is not unique to Newton, Newton lags many of the surrounding communities in percent funded for this significant liability. In our peer benchmark communities, only Arlington and Quincy have lower funded ratios.

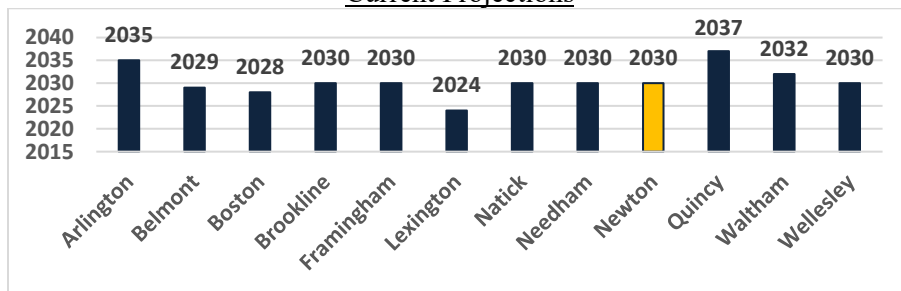
Percent of Pensions Funded by Community
January 1, 2020, or Most Recent Available



These funding gaps matter. Newton’s employees, like all Massachusetts public employees, do not pay into, nor do they receive, Social Security in their retirement. Newton employees depend on their pensions for income in their retirement. The funding gaps also matter because as a greater portion of Newton’s budget is needed to fund commitments to retirees that were made years ago, funds available for current services may be impacted. The challenge lies in strategically and carefully managing tax revenues, operating expenditures, capital investments and retiree benefit expenses while maintaining a Aaa credit rating. The magnitude of the pension and retiree healthcare liabilities and the complexity of the issue as well as changes in accounting requirements require the City of Newton to focus on long term financial sustainability by creating a financial strategy that extends past FY2030.

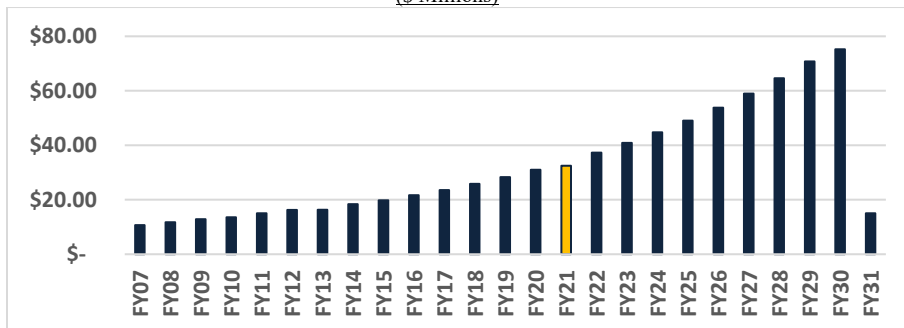
As a result of the negative impact to funding ratios for pension plans in most communities in 2008, the Massachusetts State Legislature passed legislation enabling cities and towns to have until the year 2040 to “fully fund” pension retirement plans. Although the City of Newton had been willing to extend the time period to fully fund its retirement fund to 2038 when leaders were dealing with the financial crisis of the structural deficit, financial sustainability requires earlier funding which in turn allows the City to address the OPEB unfunded liability sooner. Therefore, the City of Newton Contributory Retirement Board, with full support from the previous and current Administration, voted to implement a funding schedule which will fully fund the Newton retirement pension fund by the year 2030.

Achievement Year of Fully Funded Pension System by Community
Current Projections



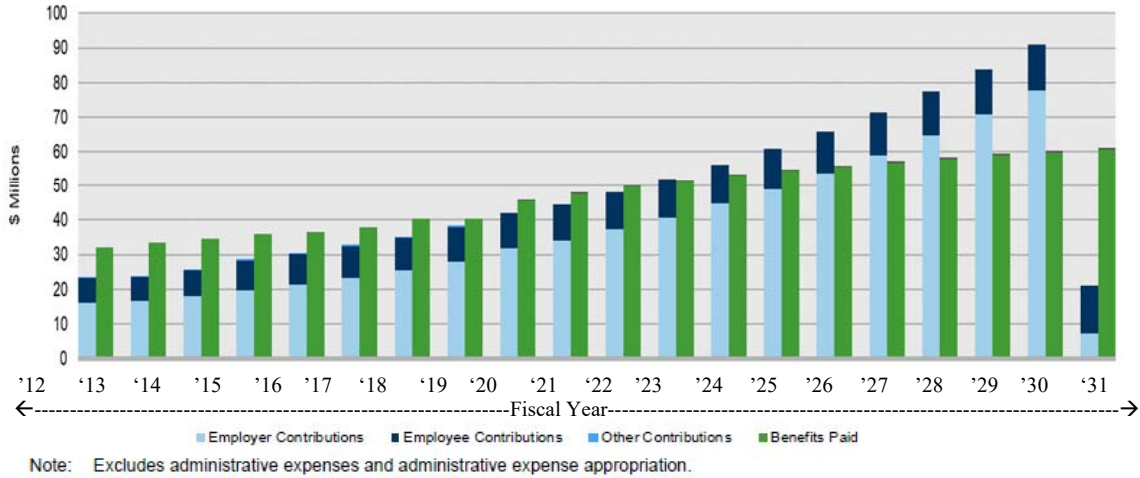
As was mentioned earlier, Mayor Fuller met with the Newton Contributory Retirement Board of Trustees in April 2020 and requested a one-time adjustment to the Newton Pension Funding Schedule. She requested a pension system funding increase of \$1.4 million or 4.8% rather than the \$2.8 million or 9.6% that was required as part of the funding schedule. On April 22, 2020, the members of the Newton Retirement Board approved the following motion unanimously: Vote to have the City’s Actuary prepare the 1/1/20 valuation report using a funding schedule that changes the FY2021 line item increase from 9.6% to 4.8% (all other assumptions remaining the same).

Projected City of Newton Pension Contributions – through Full Funding in 2030
(\$ Millions)



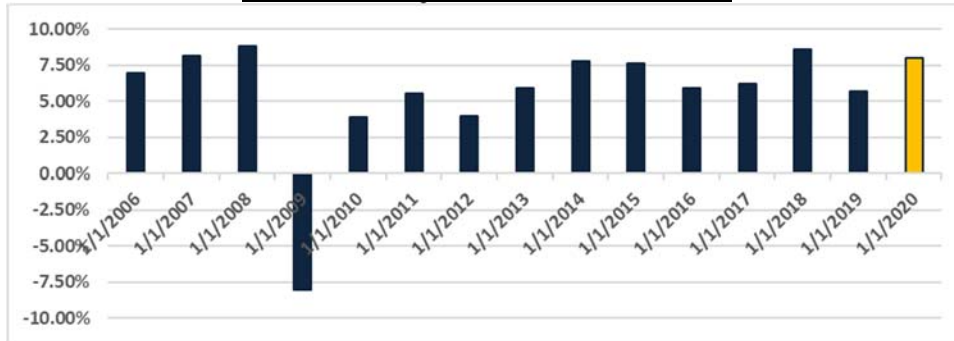
Another way of looking at the strength of our Contributory Retirement Plan (i.e. the pension plan) is comparing the annual contributions paid into the plan by the City and the employees to the benefits paid out each year. Unfortunately, the benefits being paid out are still higher than the contributions, hence our funded ratio is still not increasing in a noticeable way. This highlights the need for us to continue sizeable increases of contributions into the pension plan.

Comparison of Contributions with Benefits
For FY2012 – FY2031



Importantly, a funding schedule is only as good as the assumptions within it. Over the past few years, the Newton Retirement Board – with the support of the Executive Office -- has taken several steps to implement more conservative assumptions. The funding schedule includes updated mortality information (our retirees are living longer), adjusted salary increases and a reduced assumed rate of return on investment from 8.00% down to 7.25%. However, further adjustments may still be required.

Actual Rates of Return
15-Year Average Rate of Return = 5.68%
10-Year Average Rate of Return = 6.54%



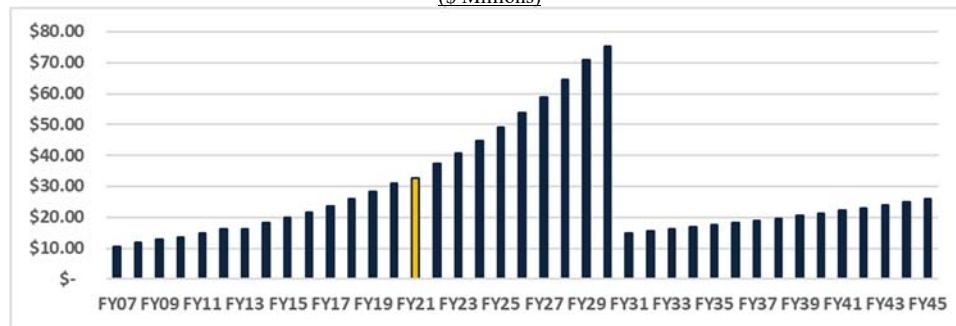
As shown in the chart above, the average rate of return during the past 10 years has been 6.54%, while the average for the past 15 years has only been 5.68%.

As a result of these trends, we asked our Actuary to provide full funding projections using alternative investment return assumptions of 7.0%, 6.75% and 6.5% and maintaining the 9.6% increases in the appropriation beginning in fiscal 2022. Lowering the investment return assumption to 7.0%, 6.75%, and 6.50% extends the full funding date to fiscal 2031, 2032, and 2033 respectively.

To be clear, the Newton Retirement Board of Trustees is responsible for adopting the funding schedule for our pension system. We look forward to working with the Board as they review this information to determine whether there should be a further reduction in our assumed rate. This decision will obviously impact the projected year of full funding, as investing more than a 9.6% increase annually will be close to impossible. Yet, we must use realistic assumptions when setting aside funds for the very important obligation.

Once the City has fully funded its pension obligations, it will then be able to reduce its pension appropriation to the “normal cost” for current employees. The “normal cost” is the annual cost of setting aside in advance pension benefits for the current employees. Much of the costs we are facing currently are for the pensions of former employees who have retired; the City of Newton did not set aside sufficient funds in the past for their pensions. Once we have fully funded our pension liability, we will be in a position to tackle our other, even larger, unfunded long-term retiree obligation – retiree health insurance or OPEB

Pensions at Normal Cost Funding beginning FY2031
(\$ Millions)



Retiree Health Insurance or OPEB

In addition to pension obligations, the City of Newton provides health and life insurance to retirees (also known as Other Post-Employment Benefits or OPEB). The Commonwealth prescribes the minimum percentage that a city or town must contribute towards retiree health insurance (50%) and the minimum level of benefits. The City of Newton provides 80%. In contrast to pensions, the state does not yet require pre-funding for retiree health and life insurance benefits.

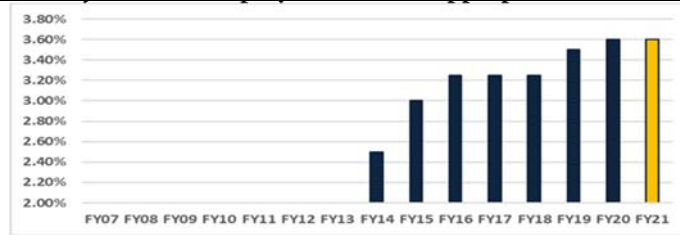
In 2004, the Government Accounting Standards Board (GASB) instituted a requirement that all city, county and state governmental entities “recognize” the cost of OPEB benefits, provide information about the actuarial liabilities, and report such liabilities on their financial statements.

In 2010, the City established an Other Post-Employment Benefits (OPEB) Liability Trust Fund and subsequently established an OPEB Trust Agreement for the purpose of providing an irrevocable, dedicated trust fund as a vehicle to make advance contributions for these retirement health care benefits.

The FY2014 Budget included the implementation of a funding schedule for the City’s OPEB liability for the first time by appropriating approximately \$200,000 or 2.5% of the salaries for all newly hired and newly insured employees beginning July 1, 2012, with the expectation that this percentage would increase gradually over time. Additionally, it was anticipated that as the City brought on more and more new employees, this funding method would cause the appropriation to grow exponentially.

For the first time in several years, the Fuller Administration increased the percentage in the FY2019 Budget from 3.25% to 3.50%, and then again in the FY2020 Budget from 3.50% to 3.60%. The FY2021 Budget maintained the 3.6% set aside. This is important to note as the City should be setting aside approximately 8% of the salary of all employees.

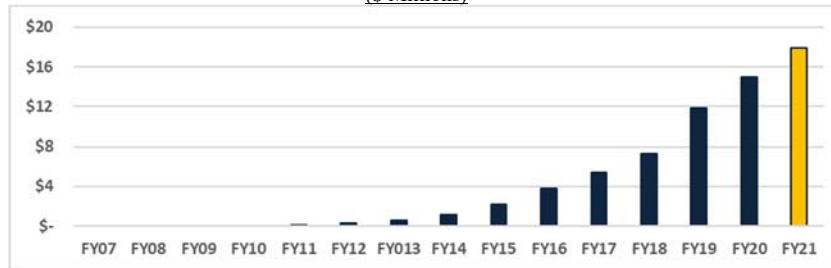
Percent of Newly Insured Employee Salaries Appropriated for OPEB Funding



Due to the continued addition of employees covered under this methodology as well as the increased percentage, the June 30, 2020 value of the OPEB liability trust fund totaled \$14.9 million.

OPEB Trust Fund Value - June 30, 2020- \$14,927,929

(\$ Millions)



Of note, the City currently applies the OPEB set-aside on the salaries of more than 1,250 employees.

Instead of pre-funding, most municipalities use a policy of pay-as-you-go for retiree health insurance benefits. In other words, the city or town pays the cost of health insurance benefits for retirees from current operating revenues as those benefits come due. In this ten-year period when Newton is setting aside a very small portion of its liability ahead of time, the City’s policy is primarily pay-as-you-go.

As a result of a change in how OPEB obligations are now calculated under GASB 74/75, all Other Post-Employment Benefit Plans that operate on a “pay-as-you-go” policy must now value their plan using a 20-year municipal bond index rate. The current “Go-bond” rate has dropped from 3.5% for plan year ending June 30, 2019 to 2.21% for plan year ending June 30, 2020. This change in the discount rate has resulted in a \$190 million increase to the City’s unfunded liability which now approximates \$870 million.

As with pensions, Newton lags behind its peer communities. Cities and towns that Newton uses as benchmarks have more in common when it comes to gaps in funding for retiree health insurance or OPEB than with pensions. In our comparison group, many cities and towns have set aside little to meet these OPEB obligations. However, as of June 30, 2018, four communities have set aside meaningful sums: Wellesley (50.59% funded), Needham (36.56% funded), Boston (18.11% funded), and Brookline (14.91% funded).

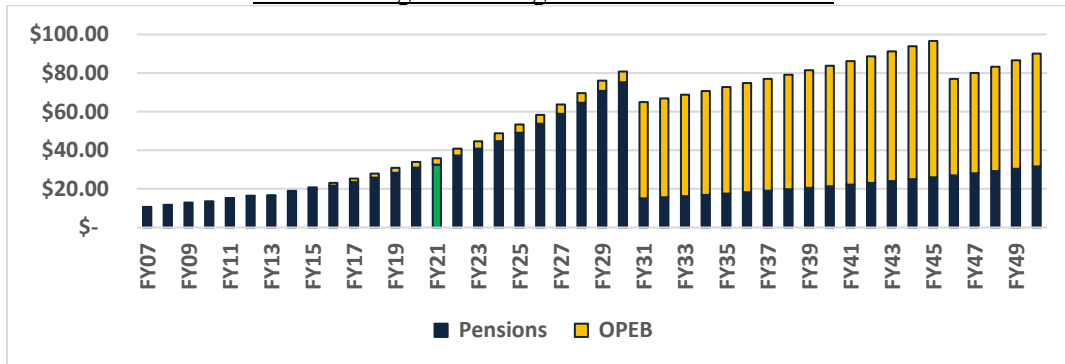
The way that the City has historically underinvested each of these significant long-term retiree liabilities is problematic. This past practice has transferred costs of former Newton taxpayers to current and future Newton taxpayers, costs that were accrued over the past few decades.

The year in which residents receive services from employees is the year the City should set aside funds to pay for the compensation the employees will receive in their retirement. The Fuller Administration is committed to this principle and therefore to increasing gradually the funding for current employees for their retiree health insurance. While the severe economic crisis we are facing has temporarily suspended an increase as large as we would have otherwise made, we are committed to this philosophy.

The Financial Strategy for Funding Pensions and Retiree Health Care (OPEB)

The funding strategy is to make significant investments in the pension system for the next ten years, until full funding, currently projected in the year 2030. Then, the City of Newton will begin significant investments in the retiree health care or OPEB liability. In other words, with the projected full funding of the Newton Contributory Pension Retirement Fund in FY2030, the City will then repurpose \$50 million in pension liability appropriations to the OPEB Trust Fund. This is a viable, sustainable financial strategy to fully fund all of the City’s retiree costs by FY2045.

OPEB Funding Strategy
The Challenge is Getting to FY2030 and FY2045



Capital Investments and Debt Service

One of the top priorities for the Fuller Administration is to maintain and improve the City of Newton’s infrastructure. Our school buildings, police and fire stations, parks, libraries, roadways, and emergency and public works vehicles are some of the many assets that require regular replacement and/or maintenance to continue to meet the needs of this active city. In order to plan funding for these projects, the City of Newton has created a Capital Improvement Plan, updated semiannually, that provides a five-year outlook for capital investments.

The FY2022-FY2026 Capital Improvement Plan (CIP) is a mission and risk-based prioritized list of investments in the capital assets of the City of Newton. The CIP addresses infrastructure needs, reflects community values, supports city operations, programs and services, and exemplifies sustainable financial, accessibility and environmental best practices. The prioritization plan was developed by thoroughly evaluating the City’s capital needs, the vision and goals of each department along with the services they will provide over the coming years, and Mayor Fuller’s twelve overarching goals. This results in a plan put into a financial context by which to evaluate investments over the next five years.

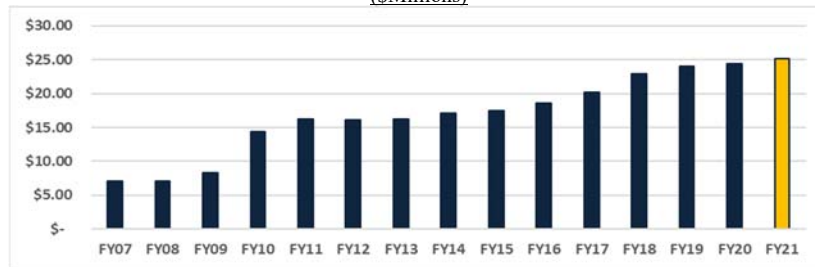
Capital assets with a life expectancy of 10 or more years that cost more than \$150,000 are typically paid for through bond sales by the City of Newton. Massachusetts municipal finance law limits the total amount of long-term debt that the City can incur for most purposes to not more than 5% of the City’s equalized valuation (i.e., the taxable value of the real estate tax base). The City’s current (October 2020) equalized valuation is approximately \$34.2 billion, which means that the current statutory debt limit is approximately \$1.70 billion. Current outstanding principal of bonded debt is significantly lower and approximates \$343 million or 20% of the City’s debt capacity.

In conjunction with the state statutory debt limit, the City of Newton has developed its own financial policy of limiting debt service on long-term bonded debt to between 4.0% and 7.5% of the annual General Fund budget. Debt service, which includes both principal and interest, totals 5.7% of the Fiscal Year 2021 Municipal Budget.

The City has made significant investments in capital assets in the last decade and needs to continue to do so. Debt payments for principal and interest have grown from \$8.3 million or 3% of revenues in FY2009 to \$25.1 million or 5.7% in FY2021. This increase reflects both this Administration’s and the previous one to better maintenance of capital assets from school buildings to roads. With the economic uncertainty and the current drop in revenues, we will forecast using 5.5% of operating revenues for debt service going forward.

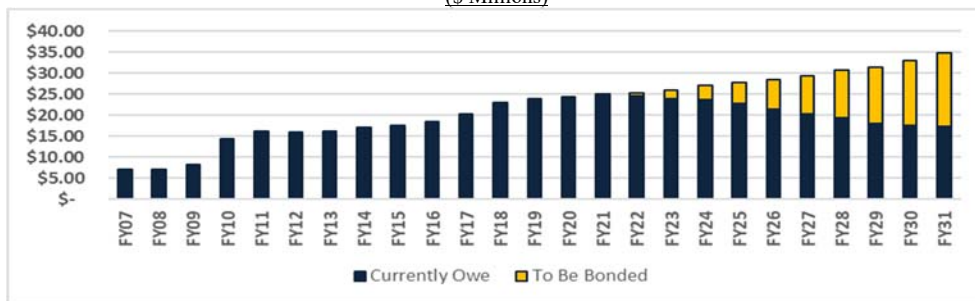
The economic repercussions on the City’s finances as a result of the COVID-19 pandemic are very uncertain. Determining the most likely outcomes in comparison to the worst-case scenario is very difficult. As a result, the Administration has made the unpleasant but necessary decision to delay or put “on hold” most capital improvement projects and investments for now. We will carefully evaluate the financial impacts of the re-opening of the economy as well as any resurgence of the virus before we make the decision to move forward with almost all projects and purchases.

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



This long-range plan has been developed in conjunction with the City’s FY2022 – FY2026 Five-Year Capital Improvement Plan. Projected debt service costs reflect those capital investments.

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



In prior years, the City has accomplished additional infrastructure improvements with annual appropriations within the operating budget as well as the utilization of Free Cash. These appropriations have included:

- \$3+ million expenditures on fleet replacement, building improvements, police cruisers, etc. through annual operating budget capital expenditures;
- \$3.2 million annual investment in capital improvements in school facilities in the school department operating budget (formerly known as Charter Maintenance); and
- \$9.5 million annual investment in pavement management and Complete Streets Program through the operating budget and free cash.

In addition to the current bonded debt in the City’s operating budget, significant capital investments have also been underway in the Water, Sewer and Stormwater infrastructure systems. The water, sewer and stormwater systems are in separate enterprise accounts rather than part of the City’s General Fund because fees, rather than taxes, pay for these services. The projects currently underway include:

- \$4.5 million annual cleaning and lining or replacement of the City’s Water System infrastructure,

- \$5.0 million annual Sewer Improvement Program to reduce inflow and infiltration; and
- \$2.25 million annual Stormwater System improvements.

All of these annual infrastructure improvements and appropriations will be evaluated as we progress through the next several months.

Transportation Network Improvement Program

In FY2017, the City began the implementation of a Transportation Network Improvement Program which substantially increased yearly expenditures on roadway infrastructure repairs from approximately \$3.3 million to \$9.5 million in order to increase the average condition index of all of Newton’s streets to either “good” or “very good” condition within the next 10 years.

The Pavement Management Program seeks to use these funds in an efficient and effective manner and is utilizing a Cost Benefit Value (CBV) Report that prioritizes the streets. The CBV is a data driven analysis to prioritize roadway repairs based on a number of factors (traffic volumes, cost to repair/maintain, repair technique, roadway rating, etc). Development of this program is done in coordination with utility projects and forecasting future street paving condition ratings.

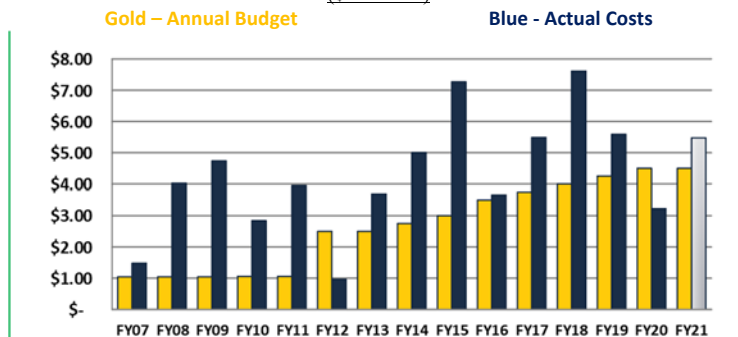
This program includes an effort to address intersection safety improvements at unsignalized locations, as well as rehabilitation of City-owned parking lots. The accelerated street repair work has raised the average Pavement Condition Index (PCI) from 62.5 to 67.8, a significant increase over a short period of time.

The Fuller Administration remains completely committed to this goal. However, in light of the economic crisis, like so many other critical infrastructure projects, we have made the decision to reduce current year expenditures by \$2.5 million, and will continue to evaluate the financial impacts of COVID-19 prior to committing further resources to this all important initiative.

Removal of Snow and Ice

The policy of the Administration has been to increase the annual amount appropriated for the removal of snow and ice and to address the cost of other significant storm damage until the appropriation equals the average cost of the previous five years. This target average is \$5.6 million. Although, the intent had been to increase the FY2021 appropriation by \$250,000, as a result of the necessary COVID-19 expenditure adjustments, we chose to level fund this expenditure in the amount of \$4.5 million (\$3 million in the DPW Budget and \$1.5 million in the Comptroller’s Reserve for Snow & Ice Removal). Notably, the Administration has carry-forward funds available from our FY2020 snow and ice appropriation in excess of \$700,000 and an additional reimbursement for costs incurred in 2018 in the amount of \$880,000, for a total of \$1.6 million. This additional \$1.6 million will be held in reserve for the FY2021 winter season so the City has \$6.1 million available to address snow, ice and storm costs before Free Cash will be required.

Budgeted Appropriations vs. Actual Costs of Snow/Ice Removal
(\$ Millions)



Five Year Expenditure Forecast FY2022 - FY2026

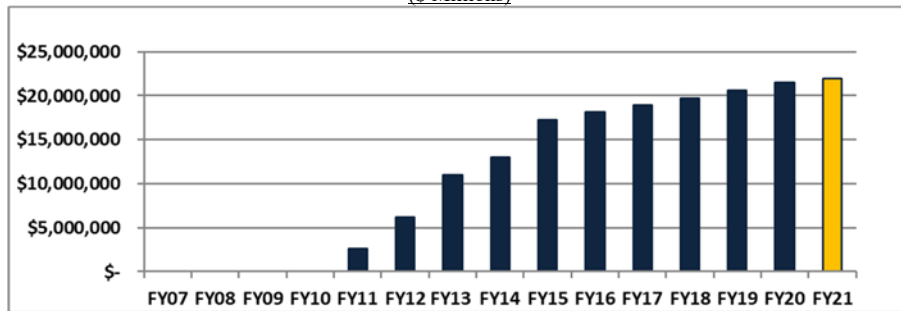
City of Newton, Massachusetts						
Annual General Fund Expenditures						
FY2021 BUDGET/FY2022 - FY2026 FORECAST						
(\$ millions)	<-BUDGET->	<-----F-O-R-E-C-A-S-T----->				
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
TOTAL REVENUE	\$ 439.5	\$ 455.1	\$ 470.5	\$ 486.0	\$ 502.4	\$ 519.6
TOTAL EXPENDITURES						
NEWTON PUBLIC SCHOOLS	\$ 243.1	\$ 250.4	\$ 258.0	\$ 266.3	\$ 275.0	\$ 283.9
\$ Increase	\$ 6.8	\$ 7.3	\$ 7.5	\$ 8.4	\$ 8.7	\$ 8.9
Annual % Increase	2.87%	3.00%	3.00%	3.25%	3.25%	3.25%
Percentage of Revenue	55.32%	55.03%	54.82%	54.81%	54.73%	54.64%
REVENUE REMAINING	\$ 196.4	\$ 204.7	\$ 212.6	\$ 219.6	\$ 227.4	\$ 235.7
MUNICIPAL SERVICES	\$ 113.8	\$ 117.9	\$ 121.8	\$ 125.6	\$ 129.5	\$ 133.6
\$ Increase	\$ (0.4)	\$ 4.0	\$ 3.9	\$ 3.8	\$ 3.9	\$ 4.1
Annual % Increase	-0.38%	3.53%	3.33%	3.14%	3.10%	3.13%
Percentage of Revenue	25.90%	25.90%	25.88%	25.85%	25.78%	25.70%
REVENUE REMAINING	\$ 82.6	\$ 86.8	\$ 90.8	\$ 94.0	\$ 97.9	\$ 102.1
SNOW REMOVAL AND SOLID WASTE/RECYCLING	\$ 14.1	\$ 15.2	\$ 15.9	\$ 16.8	\$ 17.9	\$ 18.9
\$ Increase	\$ 2.3	\$ 1.1	\$ 0.7	\$ 1.0	\$ 1.0	\$ 1.1
Annual % Increase	19.49%	7.63%	4.61%	6.24%	6.12%	6.01%
Percentage of Revenue	3.20%	3.33%	3.37%	3.47%	3.56%	3.65%
REVENUE REMAINING	\$ 68.5	\$ 71.7	\$ 74.9	\$ 77.2	\$ 80.1	\$ 83.2
PENSIONS AND MUNICIPAL RETIREE HEALTH	\$ 43.4	\$ 48.5	\$ 52.7	\$ 57.2	\$ 62.1	\$ 67.5
\$ Increase	\$ 2.3	\$ 5.1	\$ 4.2	\$ 4.5	\$ 4.9	\$ 5.4
Annual % Increase	5.61%	11.87%	8.57%	8.60%	8.62%	8.65%
Percentage of Revenue	9.87%	10.66%	11.19%	11.77%	12.37%	12.99%
REVENUE REMAINING	\$ 25.1	\$ 23.2	\$ 22.3	\$ 20.0	\$ 17.9	\$ 15.7
DEBT SERVICE						
Debt - Currently Issued	\$ 25.1	\$ 24.5	\$ 24.0	\$ 23.6	\$ 22.8	\$ 21.5
Debt - To Be Issued	\$ -	\$ 0.6	\$ 2.0	\$ 3.4	\$ 4.9	\$ 7.0
Total Debt	\$ 25.1	\$ 25.2	\$ 26.0	\$ 27.0	\$ 27.7	\$ 28.5
\$ Increase	\$ 0.7	\$ (0.6)	\$ (0.5)	\$ (0.4)	\$ (0.8)	\$ (1.3)
Annual % Increase	2.69%	0.22%	3.26%	4.01%	2.43%	2.96%
Percentage of Revenue	5.71%	5.53%	5.52%	5.56%	5.51%	5.49%
REVENUE REMAINING (GAP)	\$ 0.0	\$ (2.0)	\$ (3.7)	\$ (7.1)	\$ (9.8)	\$ (12.8)

Reserves, Rainy Day Stabilization Fund and Free Cash

In 2010, the City of Newton established a Rainy-Day Stabilization Fund to serve as a reserve for years when the City faces a multiple year economic recession or a rare, catastrophic event requiring a significant expenditure. More specifically, these funds may be utilized to assist in addressing cyclical declines in operating revenues, generally resulting from economic factors outside the City’s control, or an unusually large expenditure resulting from such things as a catastrophic weather event. The funds remain segregated to prevent the reserves from being depleted for other city needs, and to demonstrate that resources are being set aside for extraordinary and unforeseen revenue disruption or catastrophic expenditure. Through collaboration with the City Council’s Finance Committee, the Comptroller, members of the City Council, and the Warren and Fuller Administration, the fund has reached its goal of 5% of the total operating budget. The current fund balance totals slightly over \$22 million.

One of the most important recommendations that the Fuller Administration made in the preparation of the FY2021 Municipal Budget is the maintenance of the 5% balance in the City’s Rainy-Day Reserve Fund. Although we are currently experiencing unprecedented and tremendously uncertain times, and we know “it is raining, and raining very hard,” we still do not know what is ahead of us. We may be facing a deep and protracted crisis. We have maintained this fund so that we can 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 in the fall of 2020. Instead, we chose to address the current “known unknown” revenue decreases in the FY2021 budget. We are saving the Rainy-Day Stabilization Fund for the “unknown unknowns” that may confront the City in the coming months and years.

Rainy Day Stabilization Fund Value
Current Balance \$22.0M
(\$ Millions)



Free cash is technically the accumulated difference of unrestricted funds between General Fund revenues and expenditures on a cash basis of accounting. In less technical terms, free cash is the remaining, unrestricted funds from operations from the previous fiscal year. Free Cash 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. The Massachusetts State Bureau of Accounts certifies free cash and it is not available for appropriation until certified. Certification typically occurs in October and we expect the Certified Free Cash as of June 30, 2020 will approximate \$7.3 million.

While the City of Newton is not yet fully funding 100% of anticipated expenditures (i.e. removal of snow and ice, maintenance of roadways, etc.), the City depends on and pays close attention to the amount of Free Cash.

Free cash in the Fuller Administration is an important part of the financial strategy and is used in a methodical manner.

- First: the difference between the actual budget for snow and ice removal and the most recent current maximum spent;

- Second: the amount necessary to supplement the prior year's Interest Income from the Rainy Day Stabilization Fund and the amount of the required following year's Rainy Day appropriation;
- Third: Up to \$1.5 million is used as a general revenue source for the ensuing year's operating budget;
- Fourth: One-time, non-recurring expenditures and/or funding to replenish reserve funds depleted in the previous year, such as the Inclement Weather Stabilization Reserve.

Our goal is to continue to have Free Cash available to fund these purposes. The forecasts reflect this goal.

V. Strengths; Challenges; Risks, Opportunities and Uncertainties

The Fuller Administration continuously is looking for ways to capitalize on our strengths, manage our challenges effectively, plan for known risks, look for opportunities, and be prepared when the unexpected occurs. We are acutely aware that a host of factors can impact the City budget and quickly change the financial forecast. These uncertainties such as COVID-19, stay-at-home orders, high unemployment and staggering business losses, are one of the primary reasons why we maintain reserves and forecast conservatively. We know that revenues usually can, and hopefully will, exceed our forecast. If major new developments with positive net fiscal impacts are constructed or new revenue sources such as additional recreational retail marijuana establishments are approved, there can be a positive financial impact. Likewise, drops in City revenues, additional competition for Massachusetts School Building Authority (MSBA) building improvement matching funds, and escalating building and maintenance costs may yield negative financial impacts.

Capitalizing on Our Strengths

- Strong residential and commercial sectors
- Diverse regional economy
- Manageable capital debt levels
- Conservative budgets
- Strong cash reserves

Managing Our Challenges

- Paying for long-term retiree obligations
 - Pensions
 - Retiree Health Care or OPEB
- Funding appropriately capital assets
- Balancing annual operating budgets
- Incorporating all expenditures fully into the operating budget
- Depending on State and Federal funding

Preparing for Risks, Opportunities and Uncertainties

- Managing the City during a worldwide pandemic
 - Providing public health protocols, contact tracing, vaccines, mental health supports, etc.
 - Responding to food insecurity
 - Supplementing housing costs
 - Providing technology for distance learning
 - Implementing office reconfigurations to allow for physical distancing
 - Providing isolation/quarantine housing for first responders and other essential employees
- Managing the City during an economic contraction
 - End of bull stock market impacting both pension investments and residents
 - Increased unemployment
 - Retail and commercial vacancies
- Responding to Demographic and Social Trends
 - Significant shifts in:
 - Student enrollment
 - Out of district tuitions
 - Older residents
 - Opioid use and mental health issues
- Staffing and Paying for Additional Public Safety and Weather Events

- Funding Unexpected Spikes in Costs
 - Student transportation
 - Waste and Recycling costs
 - Interest rates on bond financing
 - Energy
 - Medical costs
 - Construction costs
 - Technology
- State and Federal Legislation with Unfunded Mandates
 - Stormwater regulations
- Implementing New Initiatives
 - Climate change actions
 - Full Day Kindergarten
 - Late Start High School
 - Newton Center for Active Living (NewCAL)
 - Webster Woods
 - Remote and hybrid teaching

VI. Long-Range Financial Plan, Five Year Financial Forecast, FY2022 Budget

A well-managed, fiscally sound City is essential to funding excellence in education, delivering top-notch city services to our changing population, and making important updates to our infrastructure. Similarly, we must ensure our tax dollars are being put to use in an effective and accountable manner, and we must make smart financial decisions to create the funding for thoughtful investments in Newton’s future. We must also ensure that we maintain our deep commitment to the health, well-being, and safety of our approximately 3,000 valued employees and honor our commitments to them in their retirement years.

Therefore, a One-Year and Five-Year Financial Forecast is no longer sufficient. The City’s strategy for fully funding its long-term retirement liabilities and infrastructure needs stretches out to Fiscal Year 2030 and beyond; consequently, this forecasting process has done the same.

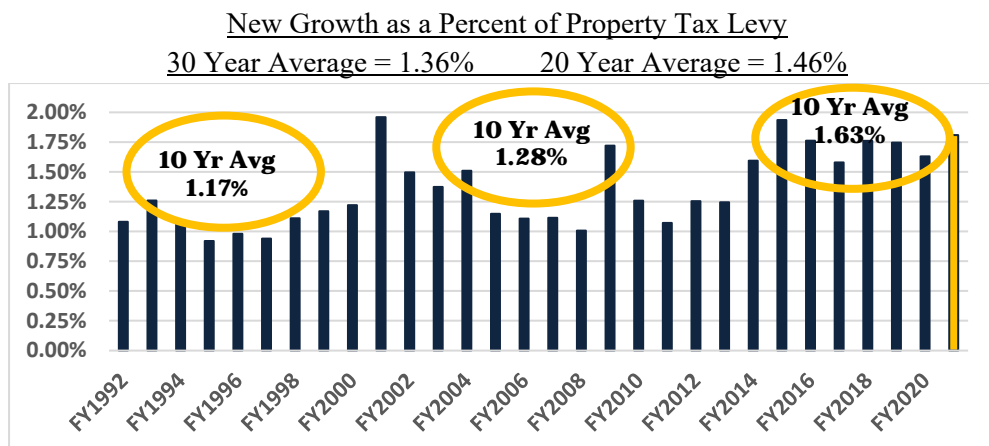
In light of COVID-19, economists continue to predict a very difficult outlook. Jobless claims in Massachusetts, although improved, still total 11.3% or slightly over 400,000 people as compared to 2.8% in February. Hotel room occupancy in Greater Boston plunged from 77.6% in the first week of April 2019 to 6% by the end of May 2020. By the end of the summer of 2020, nearly 1 in 5, or approximately 3,600 restaurants in Massachusetts have permanently closed and thousands of small and large retail locations will never open their doors again. Experts are now predicting that the economic effects will be worse than the recession of 2008/2009; in that period, Massachusetts state tax revenues dropped approximately 10% and Unrestricted Government Aid to cities and towns was cut by more than 20%.

As mentioned earlier, after long hours of deliberation this past spring, we quickly made appropriate adjustments to the FY2021 Budget. So too, have we adjusted our five-year Capital Improvement Plan and our Long- Range Financial Plan to balance our immediate needs with our long-term goals.

Long-Range Financial Planning & Financial Modelling Techniques

As is true with any long-range financial plan, there will always be unexpected events and adjustments to be made. Never has this statement been more true than in 2020 as the City of Newton, The Commonwealth of Massachusetts, The United States of America, and the entire world grapple with the public health, social, emotional, educational, and economic effects of the coronavirus pandemic. The challenge is to prepare for all exigencies and have a management strategy in place to deal with them.

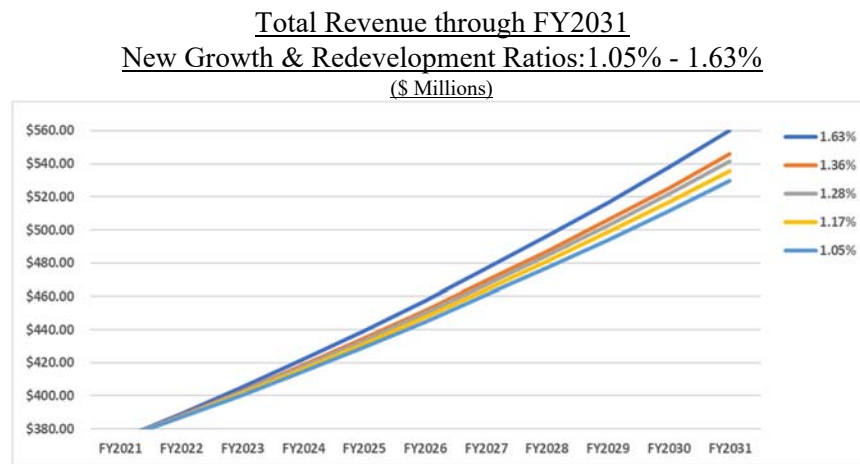
Revenue from “New Growth and Redevelopment” is perhaps the leading predictor of the City’s ability to implement this long-range plan and weather unexpected changes. The City of Newton had been enjoying a period of unprecedented sustained new growth as a percent of the levy limit of more than 1.5% for each of the past 8 years. In past years we recognized that the economy is cyclical, however, in this case, we closed the economy with virtually no warning, devastating several industries.



Revenue from new growth and redevelopment has averaged 1.46% over the past 20 years. Although we can “model” averages, each year fluctuates based on the economy, time frame of large developments and other factors. The most recent 10 years, FY2012 through FY2021, generated a 10-year average of 1.63% annual increase in property tax revenue from new growth and redevelopment. The prior 10-year period, FY2002 through FY2011 (including the years of the “great recession”), generated a 10-year average of 1.28% annual increase in property tax revenue from new growth and redevelopment. The “worst” 10 years (FY1991 – FY2000) generated a 10-year average of only 1.05%.

To prepare this strategic long-range forecast, we have utilized this very important data to create several different scenarios to develop a sensitivity analysis for our long-term revenue projections. Using the four new growth percentages that mirror each of the prior three decades, and the 20-year average, we have been able to model a range of revenue expectations.

As the chart below indicates, there is as much as a \$30 million swing in FY2031 Revenue between the worst 10-year period average (1.05%) and the best 10-year average (1.63%). A crucial component in the development of the revenue projections in this financial forecast was the desire to avoid under-budgeting revenues, thereby causing reductions in services and personnel such as in education.



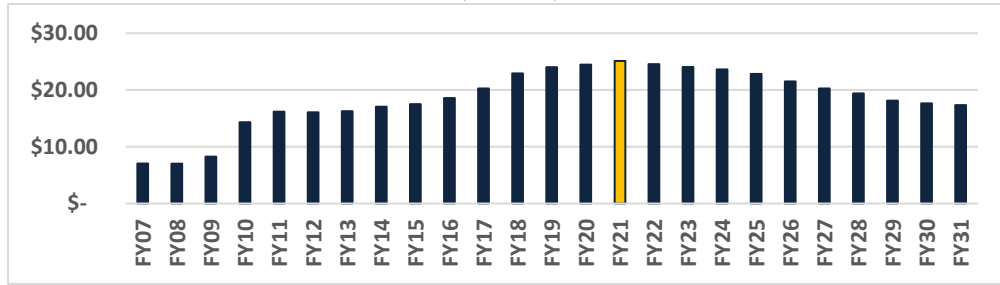
In addition to the assumption of a 2.5% annual property tax increase as allowed under Proposition 2 ½, we have conservatively adjusted our assumed new growth rate to 1.20% in years FY2022 through FY2026, and 1.30% in years FY2027 through FY2031. History has shown us that although the 20-year average increase in revenues from new growth and redevelopment approximates 1.46%, slower economic times can yield additional tax revenues from new growth and redevelopment as low as only 1.0%. We are using a revenue forecast that reflects the current uncertainty which significantly impacts our revenue forecast – and thus, the amount that we are comfortable appropriating to expenses.

In addition to reducing our anticipated revenue from new growth and redevelopment, we have adjusted our projected growth in Chapter 70 State Education Aid and Unrestricted General Government Aid. Further, most other revenue projections have also been adjusted downward as we know the economic crisis associated with the pandemic will impact our revenues for at least the next few years.

Another key assumption in the forecast is the investment level in capital assets such as school and city buildings, the fleet, roads, equipment, parks, traffic signals and the water, sewer and stormwater systems.

Our current debt service schedule for what we have already bonded provides an opportunity to bond some new projects without impacting the percent of revenue devoted to capital investments.

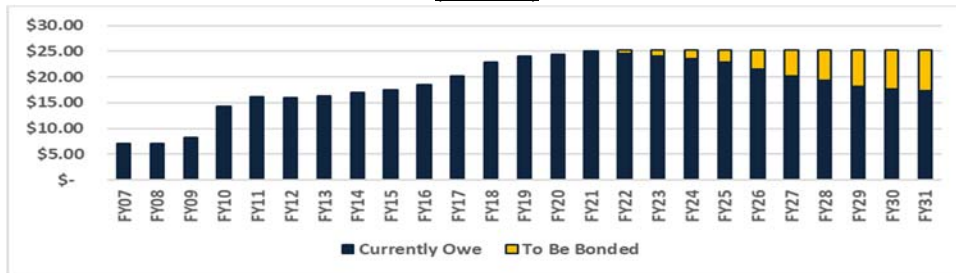
Current Debt Schedule (What We Already Owe)
(\$ Millions)



Although we have significant condition issues in our capital assets, and need to continue to invest heavily, we have been forced to pause and reevaluate our financial resources for the years ahead. We must be ever mindful of the financial uncertainties associated with a possible resurgence of COVID-19 cases and refrain from bonding too many capital projects, thus mandating debt payments in the next few years that we cannot afford.

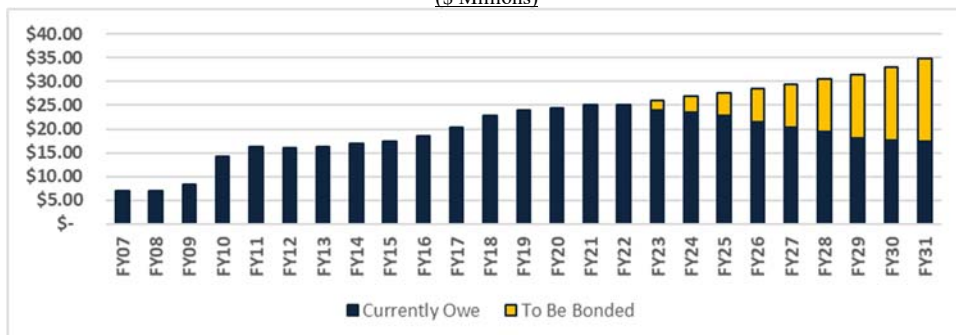
We ran two scenarios for the possible level of investments in capital assets. The first looked at level debt service payments at the FY2021 level through FY2031 while the other looked at maintaining a Debt Service Ratio of 5.5% of Revenues.

Level Debt Service Costs through FY2031
(\$ Millions)



Although we face financial headwinds in the coming decade, we cannot allow our infrastructure to fall further into disrepair. Therefore, this forecast maintains a Debt Service to Revenue Ratio of 5.5%. This will allow several critical projects to potentially be accomplished, including the future homes for the Newton Early Childhood Program, the new home for the Lincoln-Eliot school community at 150 Jackson Road, and the Newton Center for Active Living (NewCAL). These projects, along with all projects included in the Capital Improvement Plan will be evaluated on an annual basis to determine when and if there is capacity in the financial forecast to absorb this additional debt service.

Annual Increase in Debt Service Costs through FY2031 maintaining Debt Service Ratio of 5.5%
FY2031 Debt Service - \$35 Million
(\$ Millions)



VII. Summary & Financial Strategy

In summary, this is an extraordinarily difficult Long-Range Financial Plan to prepare. As we finalize the forecast in mid-October 2020, COVID-19 cases are climbing not only in the United States but across Europe, the Eastern Mediterranean, the Russian Federation and the Americas as well. The Leisure and Hospitality (including Restaurants), Retail (including Clothing Stores), Sports and Performing Arts, Higher Education, Airline, and even Health Care industries have been devastated. Vacations, conferences, and weddings have all been halted as we have shut down the economy and asked people to stay home and physically distance to prevent the spread of this highly contagious virus. Most of us and the experts fear that our lives and the economy will not return to “normal” until there is a widely available vaccine or therapeutic that people feel safe to take.

Economists predict that Massachusetts will see a slower recovery from this economic downturn than it did after the “Great Recession of 2008/2009” as many of the state’s leading industries have been hardest hit. State legislators have not yet passed the Commonwealth’s FY2021 budget (although we are three and one-half months into the fiscal year) and are predicting FY2021 revenue could be as much as \$5 billion below the benchmark for this year.

Preparation of our Fiscal Year 2022 Budget this coming spring of 2021 will be extremely difficult. In addition to all of the economic information that we will scrutinize, three data points are representative of the uncertainty that will be make our decision-making process difficult for the FY2022 Revenue Budget.

1. Motor Vehicle Excise Tax

Motor vehicle excise taxes typically total \$13.5 million dollars and typically represent approximately 20% of our non-property tax revenues. New car sales appear to have been significantly impacted in the past six months. Each January, the Registry of Motor Vehicles sends Newton’s Assessor’s Office the first and largest list of excise payments due on vehicles “garaged” in the City of Newton. This “commitment” as it is called (i.e., the Assessor’s Office “commits” them to the Treasurer’s Office for distribution and collection of payment) has exceeded \$10 million or approximately 75% of our motor vehicle excise tax total collections for each of the past five years. In January 2021, we will be scrutinizing this commitment as a meaningful indicator of how the economic downturn has impacted the residents of the City of Newton.

This forecast conservatively projects a 9% reduction in Motor Vehicle Excise Tax revenue compared to the last several years.

2. The Commonwealth’s FY2022 Budget – State Aid to Municipalities

Revenue projections for the Commonwealth of Massachusetts for the fiscal year we are currently in, Fiscal Year 2021, predict a shortfall of \$3.6 billion. The Commonwealth was fortunate in that it did not dip into its Rainy Day Fund (\$3.5 billion) to close the last fiscal year that ended in June 2020 (FY2020); the Governor has just announced a few days ago that he has been forced to utilize \$1.35 billion of this funding source to balance the FY2021 budget.

The City of Newton currently receives over \$31 million (or 7% of our General Fund Budget) from state aid in the form of Chapter 70 Education Aid (\$25.1M) and Unrestricted General Government Aid (UGGA) (\$6.2M).

Due to the significant needs of all school districts and the complexity of providing educational, social and emotional support – especially during the pandemic - to the Commonwealth’s more than 700,000 schoolchildren, we are optimistic that the Governor and the legislature will not reduce our Chapter 70 Education Aid and have consequently projected level funding for this very important revenue source. However, recognizing the challenges facing the Commonwealth, this forecast has conservatively

accounted for a reduction of \$1.5 million or 25% in our Unrestricted General Government Aid (UGGA) UGGA represents approximately 10% of Newton's non property tax revenues.

While the Governor and the legislature are committed to both for this fiscal year, we will not have more clarity on these state aid figures for next fiscal year 2022 until at the earliest February or March of 2021.

3. Revenue from New Growth and Redevelopment

Newton's property taxes represent approximately 85% of the City's revenues. They remain quite stable even during economic recessions. However, understanding additional revenue from New Growth and Redevelopment is one of the most important aspects of developing the revenue budget each year as this is quite variable and can be influenced by economic downturns. Newton's Assessors Department has a constitutional and statutory duty to assess all property at its full and fair cash value under Massachusetts General Law as of the prior January 1st. Because the date of the valuation occurred prior to the onset of the Coronavirus Pandemic, FY2021 revenue from New Growth and Redevelopment was not impacted for the current fiscal year; in fact, it reached an all-time high of more than \$6.4 million, or 1.8% of the levy limit.

On April 1, 2020, the City of Newton adopted the Commonwealth's guidelines for all construction projects in the City, both public and private. Projects like tear-down replacement homes, kitchen remodels and additions were no longer considered essential and therefore were forced to stop in accordance with the state's guidance. On May 6, 2020, all permitted construction projects in Newton were able to resume as long as crews followed physical distancing and other measures to protect against the coronavirus. However, the impact on the value of these construction projects, and the value of many smaller additions and renovations that were halted, or never constructed, as a result of COVID-19, are as yet unknown.

We have been carefully examining building permit information as well as information our Assessor's Office is gleaning. We have projected this funding source to increase by 1.20% of the levy limit, two-thirds of the amount of increase this year.

In the midst of this unpredictability, we must develop a sustainable Long-Range Financial Plan to operate this City and provide the essential services that our residents need. We must watch trends closely and analyze multiple data points so we can pivot at a moment's notice to maintain our financial strength and stability.

To deal with the uncertainties in anticipated revenue, we will remain conservative with our projected expenditures, 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 will continue to judiciously review all line items, including vacancies, fixed costs, discretionary expenditures, and major capital equipment investments. We will evaluate all open positions before filling them and carefully decide on future new hires. We will continue to develop department budgets based on strategic decisions, prioritizing key services and spending categories addressing programs helping those impacted by the pandemic. We will work closely with the leaders of the Newton Public Schools to determine appropriate budgets while continuing our deep commitment to teaching and learning. We will also continue to carefully analyze the timing of any major capital projects.

This forecast also returns several municipal expenditures back to the forecasted trajectories before COVID-19.

In line with the City's Financial Management Guidelines, the Administration utilizes \$1.5 million of the prior year's Free Cash to supplement our annual revenues in the next fiscal year. For FY2021, we made the

difficult decision to forego \$2.5 million of spending from FY2020 Free Cash on our Transportation Network Improvement Program in order to repurpose those funds, in combination with the usual \$1.5 million, to increase the amount of Free Cash utilized to supplement FY2021 revenue by a total of \$4 million. This Long-Range Financial Plan returns to our utilization of not more than \$1.5 million of the prior year's Free Cash for the following year's operating budget.

Funding our long-term liabilities for pensions and retiree health care (OPEB) must remain a priority for the Long-Term financial sustainability of the City. Therefore, this Long-Range Financial Plan resumes increasing the Pension appropriation by 9.6% annually, in line with the funding schedule approved by the Newton Contributory Retirement System Board of Trustees, as well as providing increases in the percentage appropriated for retiree health care (OPEB).

This Long-Range Financial Plan has been developed with the goal of appropriating not less than a 3% increase for two years to the Newton Public Schools (NPS) FY2022 and FY2023 Budgets, and not less than 3.25% increases to the NPS appropriation in the following eight years, FY2024 through FY2031.

Because municipal services absorbed a much more significant financial impact in the FY2021 Budget, there are some expenditures that have been restored in the municipal budget going forward to maintain key City services. For example, costs associated with the removal of snow & ice, increased costs for the disposal of solid waste and recyclables, and funding to maintain our Rainy Day Stabilization Fund equal to 5% of the total budget are just a few areas that must increase.

Further, this Long-Range Financial Plan recognizes the importance of investment in our capital infrastructure even during these difficult financial times. While lower than the last four fiscal years, the plan includes a debt service to revenue ratio of 5.5% through FY2031. We will continue to review this plan each year to determine whether our financial resources will permit us to sustain (or even increase) this level of investment in capital infrastructure. To fund much needed building improvements such as 150 Jackson (for the new home of Lincoln-Eliot), Countryside or Franklin or to move more quickly to address other priorities such as NewCAL, the City will need to consider in more detail the feasibility, timing, cost and funding mechanisms to make these and other investments possible.

This Long-Range Financial Plan is built on careful assumptions about future revenues and expenditures in this time of tremendous uncertainty. Based on these assumptions, this Long-Range Financial Plan transparently and knowingly shows a gap in each year between revenues and expenses, a gap that our past plans have also shown. This gap grows from approximately \$2 million in FY2022 to as much as \$29 million in FY2030. These gaps must be and will be reevaluated and must be and will be addressed each year. The City of Newton will continue to always have a balanced budget. The Fuller Administration will continue to identify cost saving measures throughout the departments and look for opportunities for additional revenue. Additional revenues may come from new growth or redevelopment, state aid, sales taxes on retail marijuana sales, permitting fees, and/or interest income, to name the most likely sources. Reductions in expense projections may be possible in areas such as medical costs and utilities.

This comprehensive Long-Range Financial Plan enables the leadership of the City to proactively manage City and School personnel costs, operating expenditures, capital investments, technology improvements, equipment and fleet replacement, and debt service, while maintaining the City's Triple A bond rating, providing funding for long term retiree liabilities, setting a strong financial foundation for future generations, and ultimately assuring the sustainability and services of the City of Newton for decades to come.

For our City to be financially sustainable today and tomorrow, we, as City leaders, must remain steadfast in our determination to:

- Balance revenue and expenditures while addressing the educational, social and emotional, and extracurricular needs of every student in our diverse community;

- Provide services to our residents and businesses;
- Invest in infrastructure needs;
- Fund fully all liabilities;
- Maintain an appropriate level of reserves; and
- Be mindful of the impact of taxes on our residents and businesses.

Achieving these financial and strategic benchmarks during these unprecedented times is attainable as long as the City remains committed to and disciplined in its resolve to follow the planned funding schedules for pension and retiree health insurance or OPEB liabilities, to settle collective bargaining agreements that maintain parity between revenue and expenditures, and to be vigilant in its oversight of every hard earned taxpayer dollar that has been entrusted to it. By doing so, the City will provide the level of municipal services that the people of Newton expect and need. By following this strategy, the City of Newton will be able to keep achieving its goal of building a greater, better and more beautiful Newton to transmit to our children and grandchildren.

Long-Range Financial Strategy - Revenue & Expenditures

City of Newton, Massachusetts Annual General Fund Revenue FY2021 BUDGET/FY2022 - FY2031 FORECAST											
(\$ millions)	<-BUDGET->					F-O-R-E-C-A-S-T->					
REVENUE FROM OPERATIONS	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
Real Estate Tax Revenue	\$ 371.4	\$ 390.2	\$ 404.1	\$ 418.1	\$ 433.5	\$ 449.4	\$ 466.3	\$ 483.9	\$ 502.2	\$ 521.1	\$ 540.8
Excise Tax Revenues	\$ 12.5	\$ 12.5	\$ 12.8	\$ 13.0	\$ 13.3	\$ 13.5	\$ 13.5	\$ 13.5	\$ 13.5	\$ 13.5	\$ 13.5
Hotel Room Tax	\$ 1.0	\$ 1.0	\$ 1.3	\$ 1.5	\$ 1.8	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0
Meals Tax	\$ 1.0	\$ 1.0	\$ 1.3	\$ 1.5	\$ 1.8	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0
Payments In Lieu Of Taxes	\$ 0.3	\$ 0.3	\$ 0.2	\$ 0.2	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3
Interest/Dividend Income	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5
Permitting Revenue - ISD	\$ 5.9	\$ 6.2	\$ 6.4	\$ 6.4	\$ 5.9	\$ 5.9	\$ 5.9	\$ 5.9	\$ 5.9	\$ 5.9	\$ 5.9
Parking Meter Receipts	\$ 0.8	\$ 0.5	\$ 0.7	\$ 0.9	\$ 0.9	\$ 0.9	\$ 0.9	\$ 0.9	\$ 0.9	\$ 0.9	\$ 0.9
Parking Violations Revenues	\$ 0.8	\$ 0.5	\$ 0.8	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0
Medicare D/NPS SPED Medicaid	\$ 0.9	\$ 1.1	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0
Water/Sewer/Storm to Gen'l Fund	\$ 4.3	\$ 4.4	\$ 4.6	\$ 4.7	\$ 4.9	\$ 5.0	\$ 5.1	\$ 5.3	\$ 5.5	\$ 5.6	\$ 5.8
Other Miscellaneous Accounts	\$ 5.8	\$ 5.9	\$ 6.1	\$ 6.1	\$ 6.1	\$ 6.1	\$ 6.1	\$ 6.1	\$ 6.1	\$ 6.1	\$ 6.1
REVENUE FROM OPERATIONS	\$ 405.0	\$ 423.8	\$ 439.3	\$ 454.7	\$ 470.8	\$ 487.7	\$ 504.8	\$ 522.5	\$ 540.9	\$ 560.1	\$ 579.9
REVENUE FROM STATE AID											
Chapter 70 - Education Aid	\$ 25.6	\$ 25.1	\$ 25.1	\$ 25.1	\$ 25.5	\$ 25.9	\$ 26.3	\$ 26.7	\$ 27.1	\$ 27.5	\$ 27.9
Unrestricted General Gov't Aid - UGGA	\$ 4.8	\$ 4.7	\$ 4.7	\$ 4.8	\$ 4.9	\$ 5.0	\$ 5.1	\$ 5.2	\$ 5.3	\$ 5.4	\$ 5.5
REVENUE FROM STATE AID	\$ 30.4	\$ 29.8	\$ 29.8	\$ 29.9	\$ 30.4	\$ 30.9	\$ 31.3	\$ 31.8	\$ 32.3	\$ 32.9	\$ 33.4
OPERATING REVENUE	\$ 435.4	\$ 453.6	\$ 469.1	\$ 484.7	\$ 501.2	\$ 518.5	\$ 536.1	\$ 554.4	\$ 573.3	\$ 592.9	\$ 613.3
% Increase	0.42%	4.16%	3.43%	3.31%	3.42%	3.45%	3.39%	3.40%	3.41%	3.43%	3.44%
REVENUE FROM TRANSFERS											
Capital Stabilization Fund	\$ 0.1	\$ 0.1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Free Cash	\$ 4.0	\$ 1.5	\$ 1.4	\$ 1.3	\$ 1.2	\$ 1.1	\$ 1.0	\$ 0.9	\$ 0.8	\$ 0.7	\$ 0.6
REVENUE FROM TRANSFERS	\$ 4.1	\$ 1.6	\$ 1.4	\$ 1.3	\$ 1.2	\$ 1.1	\$ 1.0	\$ 0.9	\$ 0.8	\$ 0.7	\$ 0.6
TOTAL REVENUE	\$ 439.5	\$ 455.1	\$ 470.5	\$ 486.0	\$ 502.4	\$ 519.6	\$ 537.1	\$ 555.3	\$ 574.1	\$ 593.6	\$ 613.9
% Increase	1.32%	3.55%	3.38%	3.28%	3.39%	3.42%	3.37%	3.38%	3.39%	3.40%	3.42%

City of Newton, Massachusetts											
Annual General Fund Expenditures											
FY2021 BUDGET/FY2022 - FY2031 FORECAST											
(\$ millions)	<-BUDGET->					F-O-R-E-C-A-S-T->					
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
TOTAL REVENUE	\$ 439.5	\$ 455.1	\$ 470.5	\$ 486.0	\$ 502.4	\$ 519.6	\$ 537.1	\$ 555.3	\$ 574.1	\$ 593.6	\$ 613.9
TOTAL EXPENDITURES											
NEWTON PUBLIC SCHOOLS	\$ 243.1	\$ 250.4	\$ 258.0	\$ 266.3	\$ 275.0	\$ 283.9	\$ 293.2	\$ 302.7	\$ 312.5	\$ 322.7	\$ 333.2
\$ Increase	\$ 6.8	\$ 7.3	\$ 7.5	\$ 8.4	\$ 8.7	\$ 8.9	\$ 9.2	\$ 9.5	\$ 9.8	\$ 10.2	\$ 10.5
Annual % Increase	2.87%	3.00%	3.00%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
Percentage of Revenue	55.32%	55.03%	54.82%	54.81%	54.73%	54.64%	54.58%	54.51%	54.44%	54.36%	54.27%
REVENUE REMAINING	\$ 196.4	\$ 204.7	\$ 212.6	\$ 219.6	\$ 227.4	\$ 235.7	\$ 244.0	\$ 252.6	\$ 261.6	\$ 270.9	\$ 280.7
MUNICIPAL SERVICES	\$ 113.8	\$ 117.9	\$ 121.8	\$ 125.6	\$ 129.5	\$ 133.6	\$ 137.7	\$ 142.0	\$ 146.4	\$ 151.0	\$ 155.7
\$ Increase	\$ (0.4)	\$ 4.0	\$ 3.9	\$ 3.8	\$ 3.9	\$ 4.1	\$ 4.1	\$ 4.3	\$ 4.4	\$ 4.6	\$ 4.7
Annual % Increase	-0.38%	3.53%	3.33%	3.14%	3.10%	3.13%	3.10%	3.13%	3.10%	3.13%	3.10%
Percentage of Revenue	25.90%	25.90%	25.88%	25.85%	25.78%	25.70%	25.64%	25.58%	25.51%	25.44%	25.36%
REVENUE REMAINING	\$ 82.6	\$ 86.8	\$ 90.8	\$ 94.0	\$ 97.9	\$ 102.1	\$ 106.2	\$ 110.5	\$ 115.1	\$ 119.9	\$ 125.0
SNOW REMOVAL AND SOLID WASTE/RECYCLING	\$ 14.1	\$ 15.2	\$ 15.9	\$ 16.8	\$ 17.9	\$ 18.9	\$ 20.1	\$ 21.2	\$ 22.5	\$ 23.7	\$ 25.1
\$ Increase	\$ 2.3	\$ 1.1	\$ 0.7	\$ 1.0	\$ 1.0	\$ 1.1	\$ 1.1	\$ 1.2	\$ 1.2	\$ 1.3	\$ 1.3
Annual % Increase	19.49%	7.63%	4.61%	6.24%	6.12%	6.01%	5.91%	5.83%	5.75%	5.69%	5.62%
Percentage of Revenue	3.20%	3.33%	3.37%	3.47%	3.56%	3.65%	3.74%	3.82%	3.91%	4.00%	4.08%
REVENUE REMAINING	\$ 68.5	\$ 71.7	\$ 74.9	\$ 77.2	\$ 80.1	\$ 83.2	\$ 86.2	\$ 89.3	\$ 92.7	\$ 96.2	\$ 100.0
PENSIONS AND MUNICIPAL RETIREE HEALTH	\$ 43.4	\$ 48.5	\$ 52.7	\$ 57.2	\$ 62.1	\$ 67.5	\$ 73.4	\$ 79.7	\$ 86.7	\$ 92.1	\$ 86.8
\$ Increase	\$ 2.3	\$ 5.1	\$ 4.2	\$ 4.5	\$ 4.9	\$ 5.4	\$ 5.9	\$ 6.4	\$ 7.0	\$ 5.4	\$ (5.3)
Annual % Increase	5.61%	11.87%	8.57%	8.60%	8.62%	8.65%	8.68%	8.70%	8.73%	6.19%	-5.76%
Percentage of Revenue	9.87%	10.66%	11.19%	11.77%	12.37%	12.99%	13.66%	14.36%	15.10%	15.51%	14.13%
REVENUE REMAINING	\$ 25.1	\$ 23.2	\$ 22.3	\$ 20.0	\$ 17.9	\$ 15.7	\$ 12.8	\$ 9.6	\$ 6.0	\$ 4.1	\$ 13.2
DEBT SERVICE											
Debt - Currently Issued	\$ 25.1	\$ 24.5	\$ 24.0	\$ 23.6	\$ 22.8	\$ 21.5	\$ 20.3	\$ 19.4	\$ 18.1	\$ 17.6	\$ 17.3
Debt - To Be Issued	\$ -	\$ 0.6	\$ 2.0	\$ 3.4	\$ 4.9	\$ 7.0	\$ 9.2	\$ 11.3	\$ 13.4	\$ 15.4	\$ 17.4
Total Debt	\$ 25.1	\$ 25.2	\$ 26.0	\$ 27.0	\$ 27.7	\$ 28.5	\$ 29.4	\$ 30.7	\$ 31.5	\$ 33.1	\$ 34.8
\$ Increase	\$ 0.7	\$ (0.6)	\$ (0.5)	\$ (0.4)	\$ (0.8)	\$ (1.3)	\$ (1.2)	\$ (0.9)	\$ (1.3)	\$ (0.5)	\$ (0.3)
Annual % Increase	2.69%	-2.27%	-2.10%	-1.74%	-3.30%	-5.87%	-5.75%	-4.28%	-6.52%	-2.71%	-1.75%
Percentage of Revenue	5.71%	5.53%	5.52%	5.56%	5.51%	5.49%	5.48%	5.52%	5.48%	5.57%	5.66%
REVENUE REMAINING (GAP)	\$ 0.0	\$ (2.0)	\$ (3.7)	\$ (7.1)	\$ (9.8)	\$ (12.8)	\$ (16.6)	\$ (21.1)	\$ (25.5)	\$ (28.9)	\$ (21.6)

VIII. Beyond the General Fund: Water, Sewer, Stormwater Enterprise Funds

Newton's Public Works Department through its Utilities Division supplies all water distribution and provides all sewer operations to more than 25,000 households, institutions, and business, and maintains stormwater drainage systems throughout more than 300 miles of roadways. While Newton purchases its water from the Massachusetts Water Resources Authority (MWRA) and sends its sewage to the MWRA treatment facility at Deer Island, the City owns all the pipes, drains, and infrastructure required to supply these critical services.

As is customary in many municipalities, the City of Newton has established a Water Enterprise Fund, Sewer Enterprise Fund, and a Stormwater Enterprise Fund. Through these Enterprise Funds, fees are charged to all property owners to support each of these three different enterprise activities. These funds are separate from the general operating fund of the City (which is supported primarily through tax revenues). Rates are set on an annual basis and must cover all operations of each enterprise activity. Combined fee revenue for all three services for FY2021 exceeds \$57.5 million, with more than \$36 million (62.6%) of that payable to the MWRA.

Several years ago, the City recognized that the aging water, sewer, and stormwater infrastructure needed repair. The capital investment needs for these three enterprise funds exceeds \$100 million. Therefore, the City developed a capital improvement plan and funding schedule with the commitment of maintaining no more than a 3.9% total annual increase in fees in the combination of these three funds.

However, the Coronavirus pandemic is also impacting the City's water and sewer revenues. Boston College, historically the City's largest Water/Sewer customer, was forced to suspend in-person classroom teaching in mid-March while at the present time is providing in-person instructions for the Fall 2020 semester. The City has analyzed the April 2019 vs. April 2020 water utilization by all customers. April 2020 utilization was only 87% of the 2019 utilization. Therefore, we have conservatively proposed FY2021 Water and Sewer Budgets that reflect 15% less water consumption than we proposed for FY2020.

The Mass Water Resources Authority (MWRA) recognizes that many communities will also be faced with declining revenues during FY2021. Therefore, they have approved several measures to assist communities throughout this uncertain time. One such measure is a deferral of all debt payments owed to the MWRA for the remaining two months of FY2020 and all twelve months of FY2021, with all payments due in FY2022. Fortunately, the City has carefully built up healthy reserves in both the Water and Sewer Funds. Therefore, we have made the decision to forego the option of deferring debt payments to the MWRA for the remainder of FY2020 and for FY2021. We will utilize our reserve account in both funds instead to supplement what we hope will be a temporary loss of revenue.

Water Enterprise Fund

The City of Newton has been identifying, evaluating and improving Newton's water distribution system for many years. In fact, in 2016, the Newton Fire Department was rated a "Class 1" agency, the highest possible ranking from the Insurance Service Organization (ISO). Improvements made over the last several years to the City's Water Distribution System played an integral part in this upgrade. The ISO grades on a point system, with fire department operations accounting for 50 percent of the rating, fire flow or available water supply accounting for 40 percent of the grade, and dispatch operations constituting the remaining 10 percent. The City's investment in ensuring excellent water supply from hydrants made a difference.

The City recognized the need to increase the renewal of the aging water distribution pipe network, much of which dates back to the 1870's, and developed a comprehensive capital improvement program as part of the Water and Sewer Strategic Plan initiative.

From 2013 through 2016, we aggressively targeted water main improvements for fire flow purposes, focusing on replacement of pipes, not just cleaning and lining old pipes. We completed a hydraulic model analysis in 2016, and we redirected our efforts to target and replace leak prone pipes, especially the leak-

prone pipes installed circa World War II. We are currently in the construction phase of year 7 water projects of a 20-year water main cleaning and lining program.

The City utilized a pipe renewal needs forecasting software program to provide a long-range calculation of the anticipated pipe replacement quantities required to keep pace with the expected end of useful service life of pipe assets in the distribution system. The results take the form of a customized pipe replacement needs distribution curve for the City's pipe assets showing by pipe type how much replacement is required annually. The results of the analysis indicate that the City should be replacing or cleaning and lining approximately 4 to 5 miles of water main pipes per year.

In addition, a risk-based ranking system was developed for integrating and managing the water system pipe asset rankings. The ranking takes into account the consequence of the failure of the pipe and the probability of its failure. Consequence of failure takes into account the proximity of the pipe to critical facilities (e.g., hospitals, schools) as well as the potential for flood damage due to breakage. Probability of failure takes into account pipe type, age, joint type, and vibrations under heavy loads (e.g., highways, railroad tracks). The water main assets were then grouped into a risk matrix, by condition and criticality, from low priority to high priority, with recommended actions that range from immediate pipe replacement to acoustic monitoring, advanced in-pipe inspection, as well as cleaning and cement lining.

As is true with all General Fund expenditures, all water work will continue to be evaluated, while we manage the financial impact COVID-19 has had on our water revenues.

More detailed information on the City's water system infrastructure plan can be found in the City's FY2022-FY2026 Capital Improvement Plan.

Sewer Enterprise Fund

Prior to the development of the City's comprehensive strategic plan for the improvement of its sewer infrastructure, it was estimated that more than 60% of the sewage and wastewater that was sent to the Massachusetts Water Resource Authority (MWRA) for processing by the City of Newton was the result of inflow (stormwater from direct illegal connections) and infiltration (groundwater that gets into the sewer pipes through cracks and other imperfections). The additional flow to MWRA in the form of inflow and infiltration was costing the City well in excess of \$5 million per year. Furthermore, back-ups in the sewer lines due to insufficient capacity with the additional groundwater/stormwater resulted in sewer surcharges from some street and park manholes.

The City developed an 11-year program to systematically address the approximately 300 miles of sewer mains and related manhole structures, beginning with those areas known to have significant inflow and infiltration problems, as well as those areas that were experiencing flooding or sewer surcharging problems. The work in each project area is accomplished in 3 steps: Inspection and Assessment, including heavy cleaning; Design of repair work; and Construction, including post-construction flow assessment. The work in each project area is expected to be completed over a 2-year period.

As a result of the financial benefits of recent MWRA sewer assessment increases that are much lower for Newton than most other MWRA communities, but prior to the onset of COVID-19, this program had been accelerated so it would be completed in 10 years. However, based on the economic downturn, and escalating costs of sewer repairs, we will be recommending bifurcating some of the construction of remaining project areas over two construction seasons, rather than one.

Sewer revenue has also been impacted by COVID-19. Some of our largest customers of the sewer system (e.g., hotels and colleges/universities) have dramatically reduced their use, and thus negatively impacted our revenues. Therefore, all intended work and expenditures will continue to be evaluated, while we manage the financial impact of the Coronavirus pandemic has had on our sewer revenues.

More detailed information on the City's sewer system infrastructure plan can be found in the City's FY2022-FY2026 Capital Improvement Plan.

Stormwater Enterprise Fund

Like many communities, Newton's storm water system is old and faces challenges related to storm water quantity and quality, system maintenance and upgrades, and localized flooding. In 2006, the City initiated a Storm Water Fee to help fund necessary improvements.

While the City has completed a number of localized drainage repairs, the Department of Public Works recognized the need to develop a comprehensive plan to identify and address all storm water needs throughout the City and to establish a funding plan to accomplish this work. In addition, the National Pollutant Discharge Elimination System (NPDES) MS4 Permit, which is mandated for all communities by the EPA, took effect on July 1, 2018 and increases requirements for maintaining and improving storm water quality. These needs must also be factored into all storm water planning and funding.

Therefore, the City has undertaken a system-wide assessment to identify its program needs and develop a 20-year Storm Water Infrastructure Improvement Plan. Four primary areas in the plan are Stream Improvements, Localized Flooding, Culvert Maintenance, and National Pollutant Discharge Elimination System (NPDES) compliance. Recommended projects include removal of debris within the stream bed and on nearby embankments; removal of sediment in stream beds, culverts and ponds; structural and capacity evaluation; rehabilitation and maintenance of pipes and culverts; repair of failing retaining walls; and public education.

A methodology and rating criteria is being used to prioritize the list of projects based on probability of failure and consequence of failure. Probability of failure is based entirely on the condition of the asset. Consequence of failure takes into consideration the potential impacts related to the potential failure of the asset including: public health and safety, property damage, cost of deferred maintenance, number of people impacted, and impacts to traffic and development in the City. Combined with regulatory timelines for implementation of projects associated with the pending NPDES MS4 Permit and the financial impacts for each of the identified projects, the City has prioritized the work in the Stormwater Infrastructure Improvement Plan.

As with the Water and Sewer Funds, all intended work and expenditures will continue to be evaluated, while we manage the financial impact of the Coronavirus pandemic has had on our Water/Sewer/Stormwater Revenues.

More detailed information on the City's stormwater system infrastructure plan can be found in the City's FY2022-FY2026 Capital Improvement Plan.

APPENDIX I
Financial Management Guidelines

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 this plan. 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 continue to take several years to fully implement.

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 2018) equalized valuation is approximately \$29 billion, which means that the current statutory debt limit is approximately \$1.4 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.

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 may 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.

Inclement Weather Stabilization Reserve: The Administration has established 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.

APPENDIX II.
City of Newton Finance and Budgeting Background Information

City of Newton, Massachusetts												
Annual General Fund Revenue												
FY2016 - FY2020 ACTUAL/FY2021 BUDGET/FY2022 - FY2026 FORECAST												
(\$ millions)	A-C-T-U-A-L					B-U-D-G-E-T		F-O-R-E-C-A-S-T				
	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	
REVENUE FROM OPERATIONS												
Real Estate Tax Revenue	\$ 302.8	\$ 316.2	\$ 331.8	\$ 345.6	\$ 356.6	\$ 371.4	\$ 390.2	\$ 404.1	\$ 418.1	\$ 433.5	\$ 449.4	
Excise Tax Revenues	\$ 12.9	\$ 13.8	\$ 13.5	\$ 13.7	\$ 13.0	\$ 12.5	\$ 12.5	\$ 12.8	\$ 13.0	\$ 13.3	\$ 13.5	
Hotel Room Tax	\$ 2.4	\$ 2.3	\$ 2.4	\$ 2.4	\$ 2.2	\$ 1.0	\$ 1.0	\$ 1.3	\$ 1.5	\$ 1.8	\$ 2.0	
Meals Tax	\$ 1.9	\$ 1.9	\$ 1.9	\$ 2.0	\$ 1.8	\$ 1.0	\$ 1.0	\$ 1.3	\$ 1.5	\$ 1.8	\$ 2.0	
Payments In Lieu Of Taxes	\$ 0.4	\$ 0.4	\$ 0.5	\$ 0.4	\$ 0.6	\$ 0.3	\$ 0.3	\$ 0.2	\$ 0.2	\$ 0.3	\$ 0.3	
Interest/Dividend Income	\$ 0.3	\$ 0.6	\$ 1.4	\$ 2.9	\$ 2.1	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.5	\$ 0.5	
Permitting Revenue - ISD	\$ 8.1	\$ 8.2	\$ 7.1	\$ 10.5	\$ 10.8	\$ 5.9	\$ 6.2	\$ 6.4	\$ 6.4	\$ 5.9	\$ 5.9	
Parking Meter Receipts	\$ 1.5	\$ 3.5	\$ 1.6	\$ 1.5	\$ 1.1	\$ 0.8	\$ 0.5	\$ 0.7	\$ 0.9	\$ 0.9	\$ 0.9	
Parking Violations Revenues	\$ 1.5	\$ 1.4	\$ 1.4	\$ 1.3	\$ 1.1	\$ 0.8	\$ 0.5	\$ 0.8	\$ 1.0	\$ 1.0	\$ 1.0	
Medicare D/NPS SPED Medicaid	\$ 1.7	\$ 1.9	\$ 1.7	\$ 1.2	\$ 1.1	\$ 0.9	\$ 1.1	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	
Water/Sewer/Storm to Gen'l Fund	\$ 1.4	\$ 3.1	\$ 3.7	\$ 3.8	\$ 4.1	\$ 4.3	\$ 4.4	\$ 4.6	\$ 4.7	\$ 4.9	\$ 5.0	
Other Miscellaneous Accounts	\$ 12.7	\$ 6.3	\$ 8.8	\$ 7.3	\$ 8.2	\$ 5.8	\$ 5.9	\$ 6.1	\$ 6.1	\$ 6.1	\$ 6.1	
REVENUE FROM OPERATIONS	\$ 347.8	\$ 359.7	\$ 375.9	\$ 392.8	\$ 402.6	\$ 405.0	\$ 423.8	\$ 439.3	\$ 454.7	\$ 470.8	\$ 487.7	
REVENUE FROM STATE AID												
Chapter 70 - Education Aid	\$ 20.2	\$ 21.2	\$ 23.2	\$ 24.0	\$ 24.8	\$ 25.6	\$ 25.1	\$ 25.1	\$ 25.1	\$ 25.5	\$ 25.9	
Unrestricted General Gov't Aid - UGGA	\$ 5.4	\$ 5.7	\$ 5.5	\$ 6.1	\$ 6.2	\$ 4.8	\$ 4.7	\$ 4.7	\$ 4.8	\$ 4.9	\$ 5.0	
REVENUE FROM STATE AID	\$ 25.6	\$ 26.8	\$ 28.7	\$ 30.1	\$ 31.1	\$ 30.4	\$ 29.8	\$ 29.8	\$ 29.9	\$ 30.4	\$ 30.9	
OPERATING REVENUE	\$ 373.4	\$ 386.5	\$ 404.6	\$ 422.9	\$ 433.6	\$ 435.4	\$ 453.6	\$ 469.1	\$ 484.7	\$ 501.2	\$ 518.5	
% Increase		-3.49%	4.68%	4.53%	2.54%	0.42%	4.16%	3.43%	3.31%	3.42%	3.45%	
REVENUE FROM TRANSFERS												
Capital Stabilization Fund	\$ 0.6	\$ 2.4	\$ 0.4	\$ 1.6	\$ 0.2	\$ 0.1	\$ 0.1	\$ -	\$ -	\$ -	\$ -	
Free Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4.0	\$ 1.5	\$ 1.4	\$ 1.3	\$ 1.2	\$ 1.1	
REVENUE FROM TRANSFERS	\$ 0.6	\$ 2.4	\$ 0.4	\$ 1.6	\$ 0.2	\$ 4.1	\$ 1.6	\$ 1.4	\$ 1.3	\$ 1.2	\$ 1.1	
TOTAL REVENUE	\$ 374.0	\$ 388.9	\$ 405.0	\$ 424.4	\$ 433.8	\$ 439.5	\$ 455.1	\$ 470.5	\$ 486.0	\$ 502.4	\$ 519.6	
% Increase		3.98%	4.14%	4.81%	2.21%	1.32%	3.55%	3.38%	3.28%	3.39%	3.42%	

City of Newton, Massachusetts											
Annual General Fund Expenditures											
FY2016 - FY2020 ACTUAL/FY2021 BUDGET/FY2022 - FY2026 FORECAST											
(\$ millions)	A-C-T-U-A-L					B-U-D-G-E-T	F-O-R-E-C-A-S-T				
	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
TOTAL REVENUE	\$ 374.0	\$ 388.9	\$ 405.0	\$ 424.4	\$ 433.8	\$ 439.5	\$ 455.1	\$ 470.5	\$ 486.0	\$ 502.4	\$ 519.6
TOTAL EXPENDITURES											
NEWTON PUBLIC SCHOOLS	\$ 204.7	\$ 211.9	\$ 219.4	\$ 227.6	\$ 236.4	\$ 243.1	\$ 250.4	\$ 258.0	\$ 266.3	\$ 275.0	\$ 283.9
\$ Increase		\$ 7.2	\$ 7.5	\$ 8.1	\$ 8.8	\$ 6.8	\$ 7.3	\$ 7.5	\$ 8.4	\$ 8.7	\$ 8.9
Annual % Increase		3.51%	3.55%	3.70%	3.87%	2.87%	3.00%	3.00%	3.25%	3.25%	3.25%
Percentage of Revenue	54.74%	54.50%	54.19%	53.61%	54.49%	55.32%	55.03%	54.82%	54.81%	54.73%	54.64%
REVENUE REMAINING	\$ 169.3	\$ 176.9	\$ 185.5	\$ 196.9	\$ 197.4	\$ 196.4	\$ 204.7	\$ 212.6	\$ 219.6	\$ 227.4	\$ 235.7
MUNICIPAL SERVICES	\$ 102.2	\$ 108.6	\$ 112.0	\$ 114.0	\$ 114.3	\$ 113.8	\$ 117.9	\$ 121.8	\$ 125.6	\$ 129.5	\$ 133.6
\$ Increase		\$ 6.4	\$ 3.4	\$ 2.0	\$ 0.3	\$ (0.4)	\$ 4.0	\$ 3.9	\$ 3.8	\$ 3.9	\$ 4.1
Annual % Increase		6.25%	3.15%	1.77%	0.28%	-0.38%	3.53%	3.33%	3.14%	3.10%	3.13%
Percentage of Revenue	27.32%	27.92%	27.65%	26.85%	26.34%	25.90%	25.90%	25.88%	25.85%	25.78%	25.70%
REVENUE REMAINING	\$ 67.1	\$ 68.4	\$ 73.6	\$ 82.9	\$ 83.2	\$ 82.6	\$ 86.8	\$ 90.8	\$ 94.0	\$ 97.9	\$ 102.1
SNOW REMOVAL AND SOLID WASTE/RECYCLING	\$ 10.4	\$ 12.4	\$ 13.9	\$ 13.1	\$ 11.8	\$ 14.1	\$ 15.2	\$ 15.9	\$ 16.8	\$ 17.9	\$ 18.9
\$ Increase		\$ 2.0	\$ 1.6	\$ (0.8)	\$ (1.3)	\$ 2.3	\$ 1.1	\$ 0.7	\$ 1.0	\$ 1.0	\$ 1.1
Annual % Increase		18.89%	12.61%	-6.06%	-9.84%	19.49%	7.63%	4.61%	6.24%	6.12%	6.01%
Percentage of Revenue	2.78%	3.18%	3.44%	3.08%	2.72%	3.20%	3.33%	3.37%	3.47%	3.56%	3.65%
REVENUE REMAINING	\$ 56.7	\$ 56.0	\$ 59.6	\$ 69.9	\$ 71.4	\$ 68.5	\$ 71.7	\$ 74.9	\$ 77.2	\$ 80.1	\$ 83.2
PENSIONS AND MUNICIPAL RETIREE HEALTH	\$ 31.0	\$ 33.2	\$ 35.3	\$ 39.4	\$ 41.1	\$ 43.4	\$ 48.5	\$ 52.7	\$ 57.2	\$ 62.1	\$ 67.5
\$ Increase		\$ 2.2	\$ 2.2	\$ 4.1	\$ 1.6	\$ 2.3	\$ 5.1	\$ 4.2	\$ 4.5	\$ 4.9	\$ 5.4
Annual % Increase		6.96%	6.51%	11.51%	4.18%	5.61%	11.87%	8.57%	8.60%	8.62%	8.65%
Percentage of Revenue	8.29%	8.53%	8.73%	9.29%	9.46%	9.87%	10.66%	11.19%	11.77%	12.37%	12.99%
REVENUE REMAINING	\$ 25.7	\$ 22.9	\$ 24.3	\$ 30.4	\$ 30.3	\$ 25.1	\$ 23.2	\$ 22.3	\$ 20.0	\$ 17.9	\$ 15.7
DEBT SERVICE											
Debt - Currently Issued	\$ 18.6	\$ 20.3	\$ 22.6	\$ 24.0	\$ 24.5	\$ 25.1	\$ 24.5	\$ 24.0	\$ 23.6	\$ 22.8	\$ 21.5
Debt - To Be Issued	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.6	\$ 2.0	\$ 3.4	\$ 4.9	\$ 7.0
Total Debt	\$ 18.6	\$ 20.3	\$ 22.6	\$ 24.0	\$ 24.5	\$ 25.1	\$ 25.2	\$ 26.0	\$ 27.0	\$ 27.7	\$ 28.5
\$ Increase		\$ 1.7	\$ 2.4	\$ 1.4	\$ 0.5	\$ 0.7	\$ (0.6)	\$ (0.5)	\$ (0.4)	\$ (0.8)	\$ (1.3)
Annual % Increase		8.97%	11.61%	6.18%	1.92%	2.69%	-2.27%	-2.10%	-1.74%	-3.30%	-5.87%
Percentage of Revenue	4.97%	5.21%	5.58%	5.65%	5.64%	5.71%	5.53%	5.52%	5.56%	5.51%	5.49%
REVENUE REMAINING	\$ 7.1	\$ 2.6	\$ 1.7	\$ 6.4	\$ 5.9	\$ 0.0	\$ (2.0)	\$ (3.7)	\$ (7.1)	\$ (9.8)	\$ (12.8)