

# City of Newton, Massachusetts Five Year Financial Forecast FY2015 – FY2019



**CITY OF NEWTON, MASSACHUSETTS**

**Setti D. Warren, Mayor**

**21 October 2013**





SETTI D. WARREN  
MAYOR

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October 21, 2013

Honorable Board of Aldermen  
Newton, Massachusetts

Ladies and Gentlemen:

I am pleased to submit for your review **The City of Newton FY2015 – FY2019 Five-Year Financial Forecast**. As you will see, this is perhaps the most exciting time in the history of the City of Newton.

With the affirmative vote last March of the Override Package we are now in the process of renovating the Carr School to be used as swing space, preparing final design of the new Angier Elementary School, selecting an architect for the renovated/new Zervas Elementary School, optimistically awaiting an invitation from the Massachusetts School Building Authority (MSBA) to enter into the feasibility study for the Cabot Elementary School, preparing for the temporary location of Station 10 and the Wires Division, and preparing a request for the feasibility study for the new Station #3 and Headquarters buildings.

We have added approximately 50 new teachers to deal with our explosive growth in student enrollment, hired 4 additional police officers to keep our streets and city safe, and paved more than 6 miles of roadways and sidewalks this year alone.

We have eliminated the structural deficit, set aside more than \$13 million in a Rainy Day Reserve Fund, and have begun to address our long term Other Post-Employment Benefits. We have studied our intersections and developed a signalization plan, developed a replanting/pruning plan for our 26,000 street trees, and have developed a 5-year technology vision for the City.

Most importantly we are in the process of creating a livable, sustainable city for the 21<sup>st</sup> century. We have developed a vision and set a course of action that will enable us to meet the needs of the present without compromising the ability of future generations to meet their needs.

Much of this could not have been possible without the faith and trust that you, our citizens, have put in me and my administration. Please join me as we truly "Move Newton Forward".

Sincerely,

Setti D. Warren,  
Mayor



## Executive Summary

*Sustainability - "meeting the needs of the present without compromising the ability of future generations to meet their needs" (Brundtland Report, Our Common Future, 1987)*

### **The City of Newton – a livable, sustainable city for the 21<sup>st</sup> Century**

Defining a vision for the community and setting a course of action that will enable the community to achieve that vision is one of the key responsibilities of municipal leadership to ensure the livability and sustainability of the City for decades to come. The Warren Administration defined that vision in April 2012, through the development of an Outcomes-Based FY2013 Budget. That vision includes eight over-arching desired outcomes which cascade throughout the City's Departments and Functional Clusters and ultimately form the basis for all decisions pertaining to the appropriation of personnel and financial resources.



Yet another key responsibility of municipal leadership is to position the community for long-term fiscal stability by defining policy guidelines, establishing transparent and measurable objectives, providing for consistency of financial management, maintaining the City's Aaa bond rating, instilling public confidence and avoiding setting policy in crisis. This five-year, comprehensive, financial forecast is meant to enable the leadership of the City of Newton to proactively manage projected revenues and expenditures, personnel costs, operating expenditures, capital improvement plans, technology improvement plans, equipment replacement schedules, and debt service schedules for the next five years and beyond to truly enable the development of a livable, sustainable 21<sup>st</sup> century city.

The citizens' affirmative vote to approve the override package, on March 12, 2013, has provided the necessary funding to enable the City to address the deficient conditions, inadequate teaching areas, and capacity issues at the Angier, Cabot, and Zervas Elementary Schools, operational needs to support increasing student enrollment throughout the City, relocation of the Fire Department's Wires Division, replacement of the antiquated Fire Headquarters and Fire Station in Newton Centre improving response times and protecting the City's vital communications system, accelerate pavement schedules of streets and sidewalks, and the addition of public safety personnel dedicated to ensuring the safety and security of the citizens of the City of Newton.

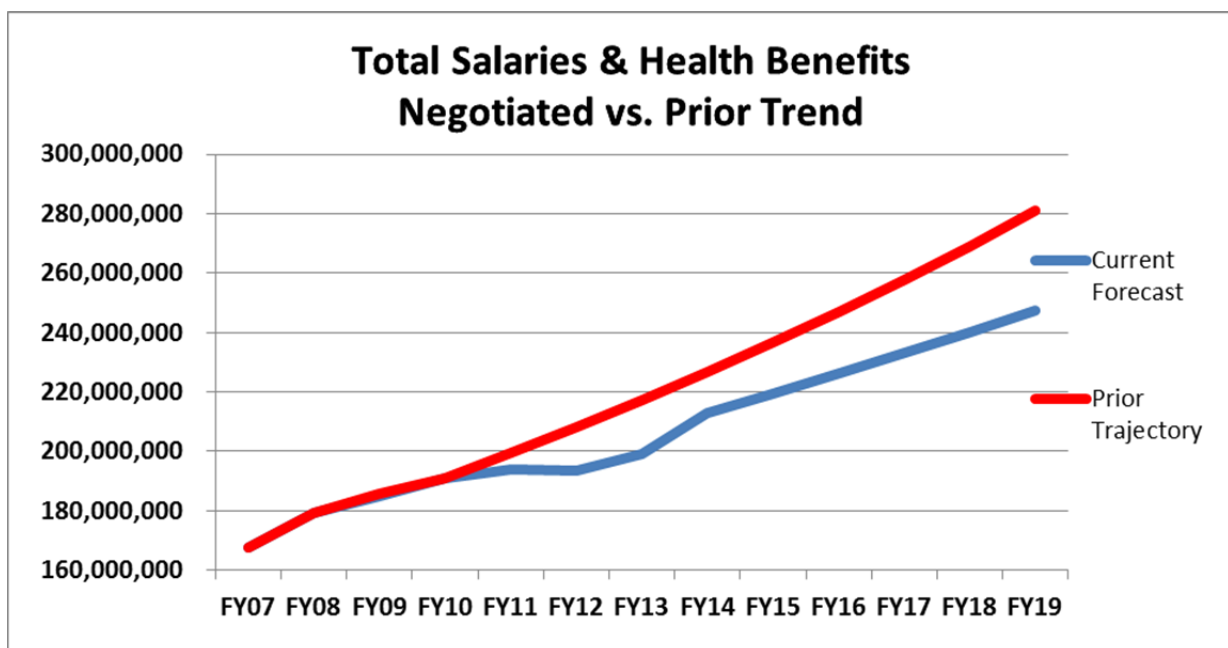
As is evident in the following pages, although the Administration has eliminated the "structural deficit", the preparation of the annual budgets will always remain a challenge. We will always want to provide more services, improve more infrastructure, or satisfy more long term liabilities, however, we must also balance the needs of the City with the amount of taxes that our citizens can afford – and above all else we must remain vigilant in our financial oversight so that the people of the City of Newton can be confident that each and every one of their hard earned tax dollars will be spent wisely.

The Administration will continue to zero-base its budgets, and employ performance management strategies throughout all departments. It is the Administration's intent that this forecast will serve as a guide to both budget and policy decisions as the Honorable Board of Aldermen review future annual draft budgets.

## City of Newton Financial Update and Overview

### Collective Bargaining Agreements

In October 2011, the City entered into three year collective bargaining agreements with all Unions, structuring contracts that have resulted in a combined 2.5% annual growth rate for expenditures related to both employee compensation and health benefits. Collaboration on the part of the Administration and Union leadership allowed these contracts to be structured to create efficiencies and develop parity between the growth rate of both revenue and expenditures. These collective bargaining agreements have had a profound impact on the ability of the City to develop a feasible, viable, and balanced five-year financial forecast. As these contracts reach their term in 2014, the Administration will again begin negotiations with union leadership, and will once again work respectfully and cooperatively to develop contracts that continue to uphold a sustainable budget strategy.

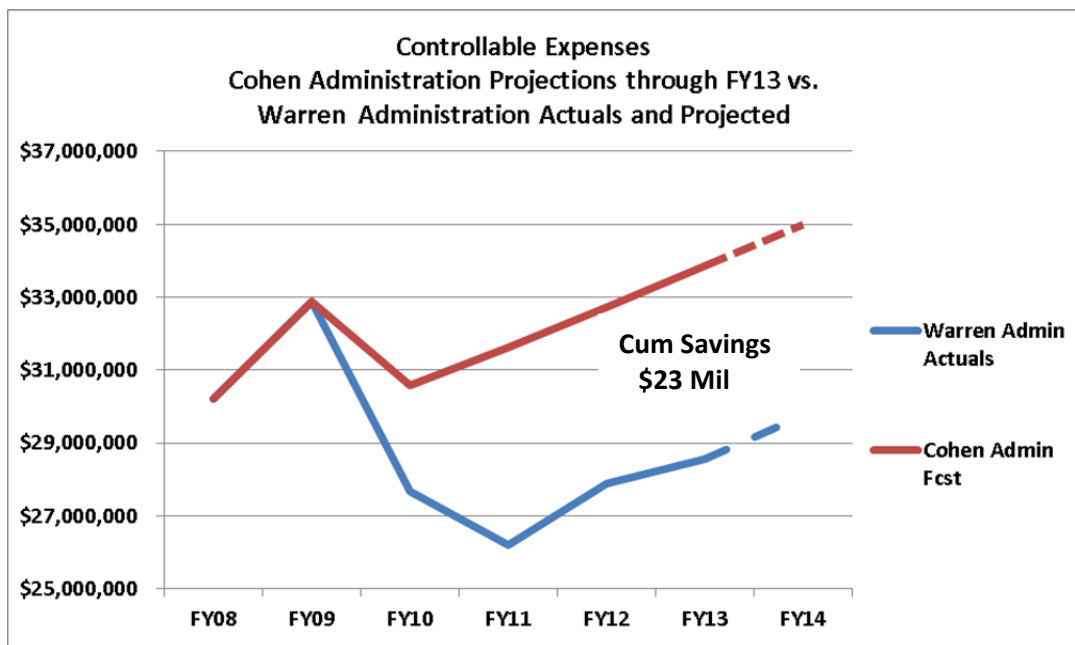


(Please note: Approximately 50 Teachers and 6 Municipal Staff were added in FY14 as a result of the Override)

### Zero-Based Budgeting

The City has utilized zero-based budgeting as the basis for developing its operating budget, thus ensuring that every department function has been reviewed comprehensively, that all expenditures are analyzed, and that planning and decision making is enhanced in order to maximize both administrative and operational efficiencies. The zero-based budgeting process

requires all departments to validate and prioritize all activities and expense items before the city allocates any resources. Zero-based budgeting has directly amounted to efficient allocation of resources, requiring departments to find cost effective ways to improve operations, increase communication and cross department coordination, uncover and eliminate duplicative efforts, and identify opportunities for cost savings. Recent projects and initiatives resulting from zero-basing include the consolidation of city cell phone plans, the establishment of an in-house forestry crew, the advanced refunding of municipal bonds, and the consolidation of the Elections and City Clerk’s departments and have resulted in more than \$2.5 million in savings. It is apparent that future cost savings through this budget strategy are attainable, and therefore the City will continue to utilize this process as the basis for budget preparation, continuing to maximize cost and operational efficiencies citywide.



**Performance Management**

Over the past 4 years, the City has employed performance-based management initiatives across all municipal departments utilizing a systematic approach to outline, analyze and improve city processes. This initiative has made the delivery of core services more efficient, effective, and adaptable to a variable environment. This summer, the Administration has redrafted the published “scorecards” for departments measuring performance in several new and different areas.



Public Buildings Department		City of Newton Performance Management Scorecard September 2013						
Traffic Light Key		Trend Key						
Green = actual value meeting or exceeding the target		cumulative						
Yellow = actual value within 10% of meeting target		Year-to-Date						
Red = actual value more than 10% away from meeting target		better than						
		Last Year-to-						
Metrics measured monthly unless otherwise noted								
Metric	Yearly Goal	Monthly				Yearly		
		Avg.	Target	Actual	Result	Last YTD	YTD	Trend
<b>Outcome #1 - Efficient Project Management</b>								
% of Large school construction/renovation projects within budget	Maintain 100% of projects on budget		100	100			100	
% of School Building projects on schedule	Maintain 100% of projects on schedule		100	100			100	
<b>Outcome #2 - Citywide Capital Improvement Plan</b>								
% of Capital projects within budget (municipal and school projects over \$75,000)	Keep % at or above the monthly historical average	82	82	98		88	98	
% of Capital projects on schedule (municipal and school projects over \$75,000)	Keep % at or above the monthly historical average	69	69	97		83	100	
<b>Outcome #3: Effective Maintenance &amp; Operations</b>								
% of Emergency or safety requests completed within 24 hours	Maintain 100% emergency maintenance work completed within 24 hours	100	100	100		100	100	
# of work orders older than 30 days	Reduce number of monthly outstanding work orders-target based on historical monthly average	584	584	570			570	
% of Regular maintenance work requests completed within 7 days	Maintain or increase the % completed within 7 days-target based on historical monthly average	38	38	74		71	72	
<b>Outcome #4: Achieve 20% Improved Energy Efficiency from 2008 Baseline</b>								
% reduction in energy consumption since 2008 in MMBTU <sup>1</sup>	Reduce energy consumption from the previous year	30	30	24		30	24	

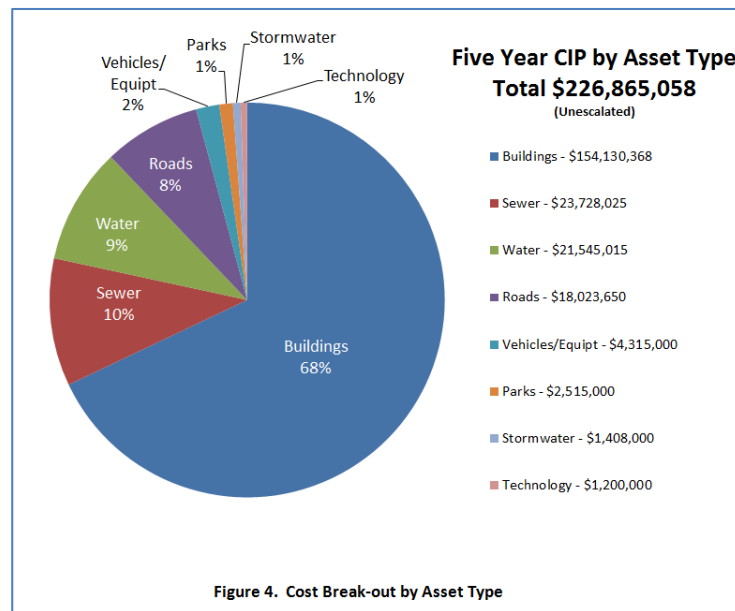
These scorecards, updated to correlate to each department’s budgeted outcomes, will allow the City to track departments’ progress related to performance management and continue to provide transparent and informative data to Newton citizens. This data will enhance budget and operational planning, and will guide the City in making decisions that are both informed and data supported. The process of performance measurement will continue to expand and be an invaluable tool as the Administration strives for continuous improvement in the delivery of services to the citizens of Newton.

### Capital Plan

Yet another chief responsibility of the leadership of the City of Newton is the preservation and maintenance of the community’s school buildings, municipal buildings, roadways, parks, recreation space, and water and sewer facilities. The City’s capital assets include 78 buildings and the technology infrastructure that connects them, approximately 300 miles each of roads, sewer lines, water lines, and storm drains, 58 parks and playgrounds, and over 300 vehicles and pieces of construction equipment. Proper maintenance and investment in these capital assets extends their life and is necessary to support City services to fully achieve the goals outlined in the Fiscal Year 2014 City Budget for each department and the City as a whole. Planning for the funding of the City’s capital infrastructure is crucial in the development of sound financial management.

The FY2015-2019 Capital Improvement Plan (CIP) built on the risk-based prioritization process that has been underway since October of 2011 and has continued to evolve into an expanded 20 year outlook for capital needs across the City. Developing a longer term vision for the City required a holistic review of the City’s capital needs and the life expectancy of all assets and their component parts. The resulting 20 year plan now provides the necessary and appropriate context within which the 5 year CIP can be considered. New additions to the CIP include a comprehensive long range “Vehicle and Motorized Equipment Replacement Plan” and a 5 year “Technology Vision”. These new components aid in the City’s move to proactively plan for future financial needs related to capital equipment and technology, two vital components of city operations.

Once again, the goal of the CIP and the Long Range Plan is to create a logical, transparent and data-driven strategic capital investment strategy that addresses infrastructure needs and school capacity issues, reflects community values, supports city operations, programs and services, and exemplifies sustainable financial and environmental best practices.



### **Economic Development**

After many years of negotiation, collaboration and compromise, the Honorable Board of Aldermen recently approved a special permit for the “Station at Riverside”, one of the largest developments in the history of Newton. The zoning changes and special permit will allow a 580,000 square foot, \$350 million development to move forward, and is expected to proceed after the MBTA completes construction of a new parking garage in the summer of 2015. This project combined with the

Chestnut Hill Square project, scheduled to open within the next few months, will generate approximately \$3 million of real estate tax revenue annually.

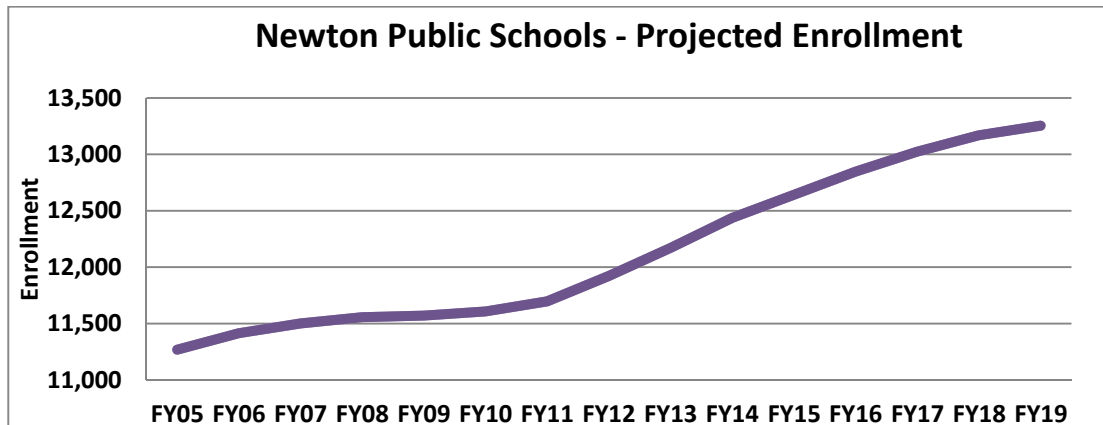
The Administration will continue to work with the Honorable Board to develop innovative strategies for other new development areas including the Austin Street Parking Lot and Needham Street Corridor. These projects will offer the prospect for new affordable housing opportunities, mixed-use development, and will result in remediation funds utilized for pertinent capital projects including for the mitigation of inflow and infiltration in City storm pipes.



The Proposed "Station at Riverside"

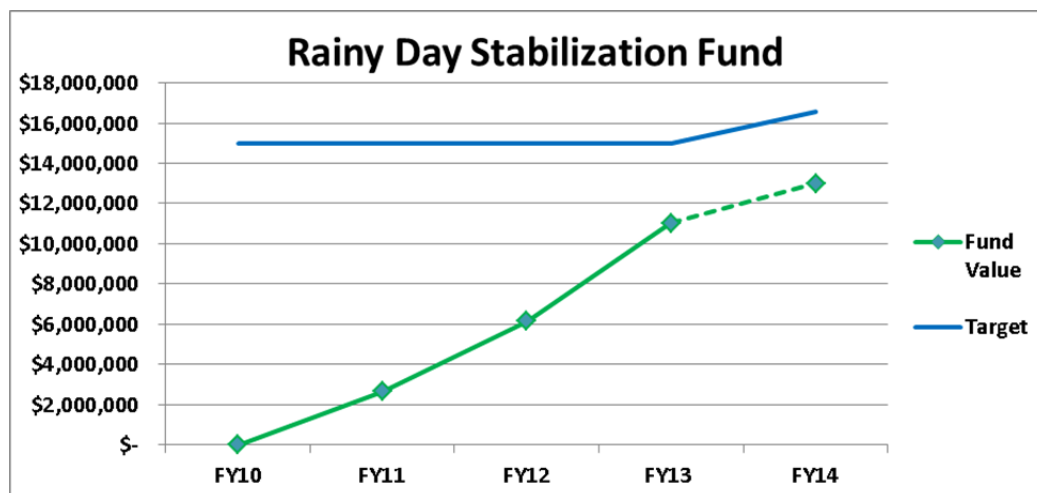
**Growth in Enrollment**

The Newton Public Schools continue to see consistent growth affecting all levels citywide. Accumulated net growth of approximately 1,170 students from 2004-05 through 2013-14, an increase of close to 10%, initially affected the elementary schools and subsequently the population started to arrive at the middle schools in 2008-09 and the high schools in 2010-11. This growth trend is expected to continue over the next five years, with a projected increase of over 800 students, or 6%, for all grade levels. The largest growth over the next five years is expected at the high school level, as the higher populations continue to move up from the middle schools. This year, Newton Public Schools experienced the largest percentage growth increase since the early 1990s and the largest kindergarten class since 1975.



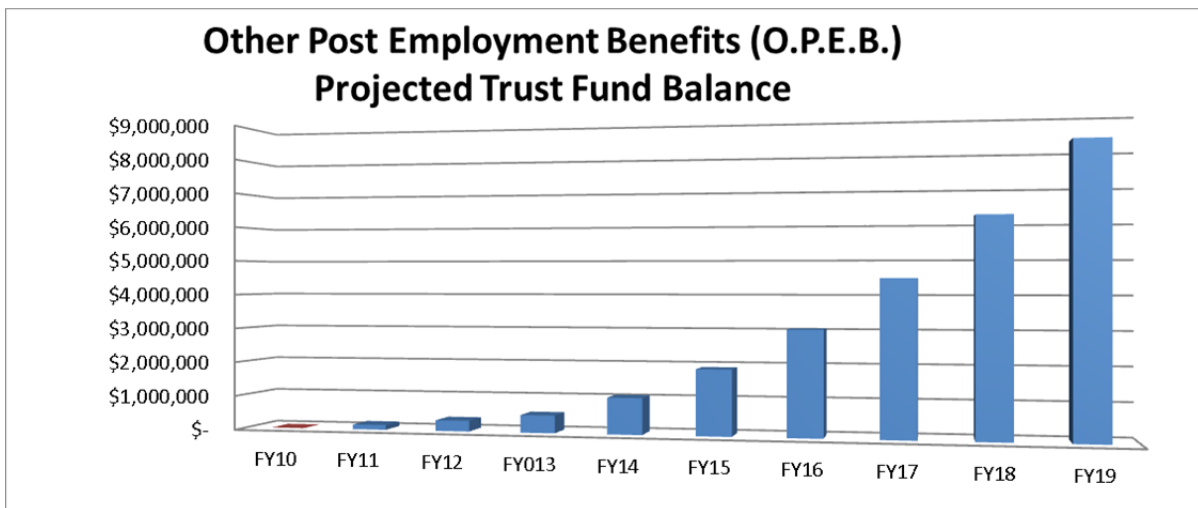
### **Rainy Day Stabilization Fund**

In 2010 the City of Newton established a Rainy Day Stabilization Fund with an initial funding level of \$2,643,271. The Fund was established as a reserve for years 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 City’s control, or an unusually large expenditure resulting from such things as a catastrophic weather event. The primary reason for these segregated funds is not only to prevent these reserves from being depleted for unrelated city needs, but to demonstrate that resources are in fact being set aside specifically for extraordinary and unforeseen revenue disruption or catastrophic expenditure need while creating a growing safeguard to the debt and credit rating vital to the City. It is anticipated that this fund will total more than \$13 million by calendar year end or 4% of the City’s operating budget. It is the Administration’s intent to continue to build this fund until it reaches at least 5% of the City’s operating budget.



### **Other Post-Employment Benefits (O.P.E.B.)**

As a result of the changes made to the City’s Health Insurance Plans and the increase in retirees who are covered under Medicare Complement Plans, the administration has been able to reduce its OPEB liability by almost \$40 million over the past two years. Additionally, working in collaboration with the Honorable Board of Aldermen the City has created an OPEB Irrevocable Trust Fund with more than \$500K appropriated in this year’s budget and a funding schedule that will grow exponentially over the next several years. The Administration will continue to explore its options to reduce the total liability, and will continue to utilize a “pay as you go” philosophy for current retirees.



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

On April 2, 2013, the City of Newton once again received an "Aaa – stable" rating (the highest possible), from Moody's Investor Services for its \$22.735 million General Obligation Municipal Purpose Loan of 2013 bonds. Concurrently, Moody's reaffirmed the Aaa rating assigned to \$196.9 million of outstanding debt. It is important to note that maintaining this rating is vital and saves the City from the additional interest expense associated with a lower bond rating, thus inherently acting as a key player in Newton's future financial stability.

Per the official statement issued by Moody's:

*The Aaa rating incorporates the city's wealthy and diverse tax base within a strong regional economy, manageable debt profile with moderate future borrowing plans, and the city's historically well-managed, but narrow, financial position with growing rainy day stabilization reserves, which will offset a planned depletion of capital reserves. The stable outlook recognizes the city's improving financial position, conservative forecasting in five-year operating and capital plans and implementation of comprehensive financial policies.*

#### **STRENGTHS**

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

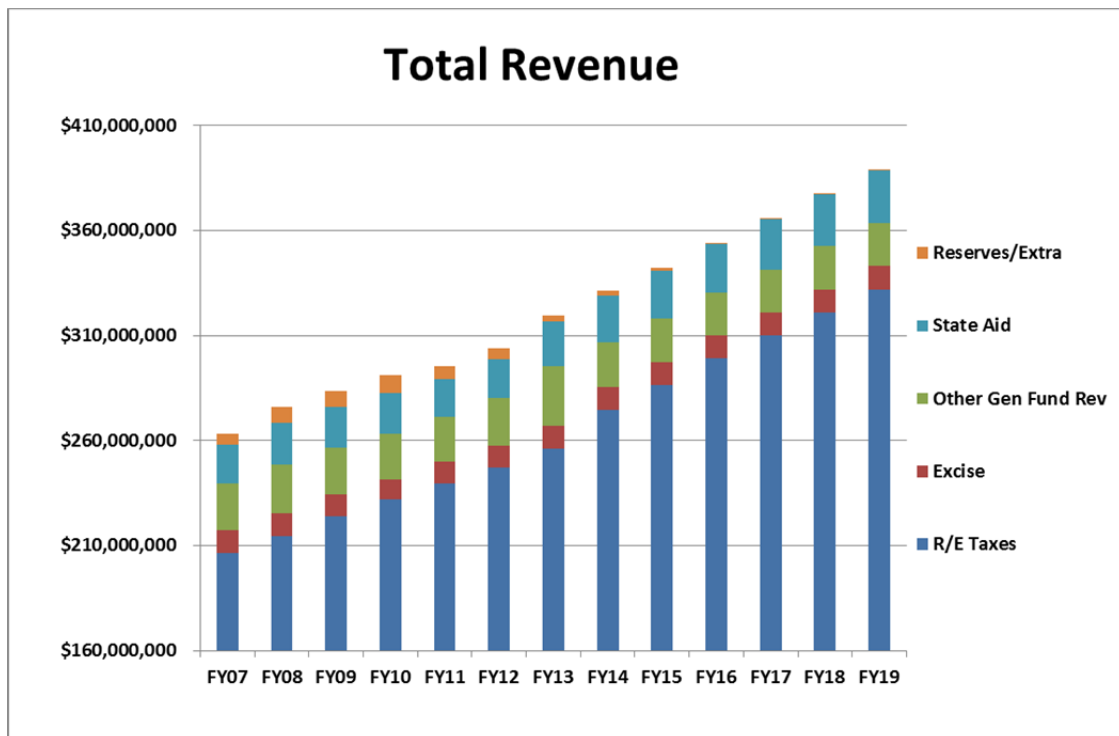
CHALLENGES

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

The City is very pleased to have maintained the Moody's Aaa bond rating issued in April of 2013 and has worked diligently to establish and follow refined, responsible, and forward-looking financial management guidelines.

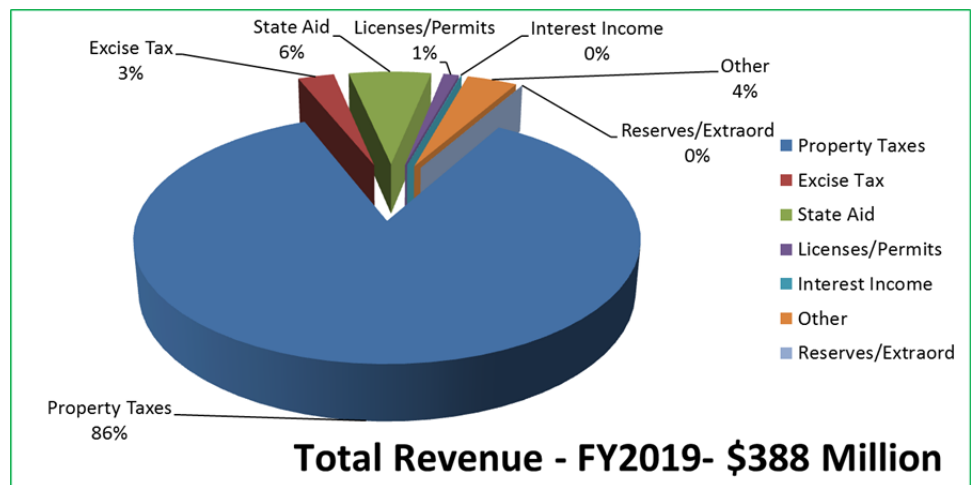
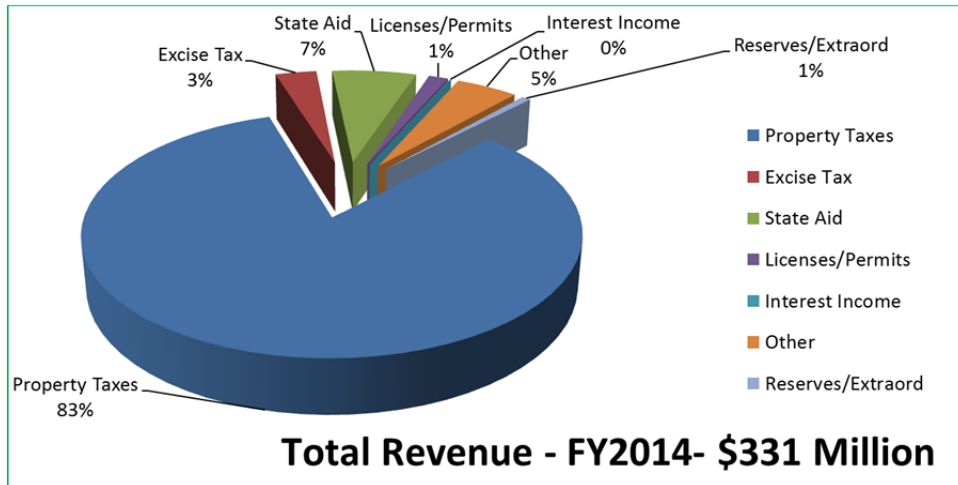
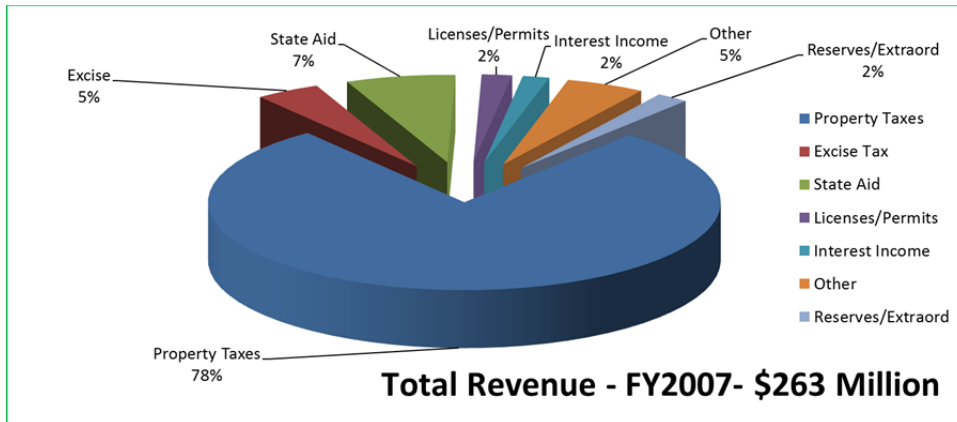
## Revenue Projections

Total annual increase in revenue for the City has averaged 2.3% for the past four years and is projected to remain in the 2.5% to 2.9% range for the next several years. A crucial component in the development of the revenue projections in this five-year forecast was the desire to avoid under budgeting revenues, thereby causing reductions in public safety or education where they were not truly necessary. Therefore, the FY15-FY19 Revenue Projections include funding related to the successful passage of the Operating and Debt Exclusion Overrides, 2.5% annual increase to the property tax levy, at least \$3M of annual additional revenue from “new growth” or “redevelopment”, slight increases in Chapter 70 Education aid due to growing enrollments, and stabilized licensing/permitting fees as a result of an improving economy.



As is apparent from the following comparative charts, in recent years the City has grown to become more and more dependent on Property Tax Revenues to fund city operations, increasing from 78% in FY2007 to a projected 86% by FY2019. With the recent increase in Chapter 70 State Education Aid, State Aid as a percent of Revenues is expected to remain approximate 7%. Concurrently, Investment Income, Licensing & Permitting Fees and Excise Tax have declined in the past few years from more than 9% of total revenue in FY2007 to only 4% by FY2019. As a direct result, the City is relying less and less on outside forces for revenue; this phenomenon has forced the City to become more and more dependent on its citizens and commercial base to support its

operations. The Administration will continue to monitor all revenue streams and make every effort to maximize revenue wherever possible





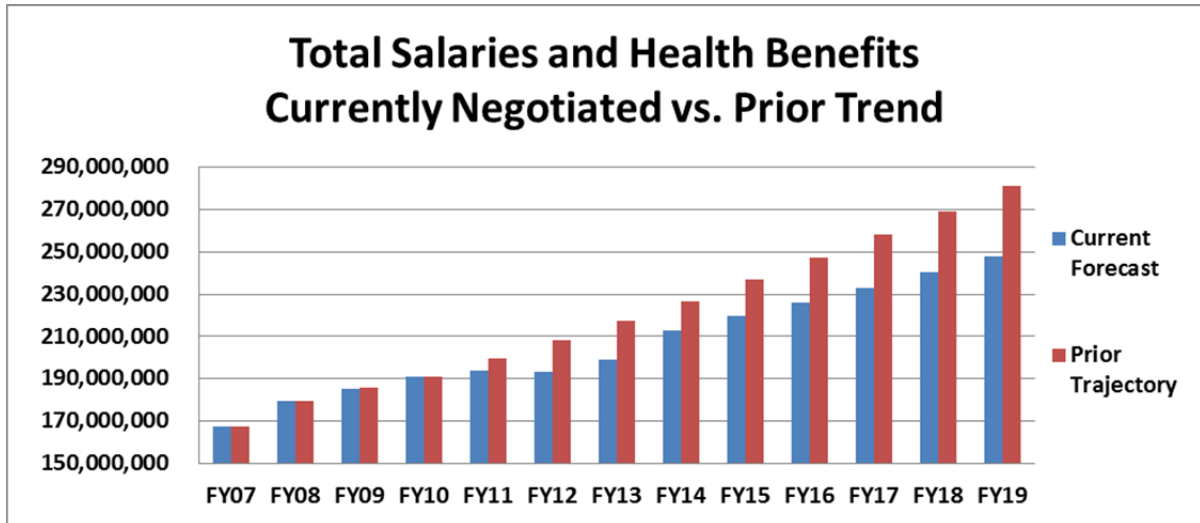
**City of Newton, Massachusetts**  
**Annual General Fund Revenue**  
**FY2013 Actual/FY2014 Budget/FY2015 through FY2019 Forecast**

<u>OPERATING REVENUE</u>	<u>&lt;-ACTUAL-&gt;</u>	<u>&lt;-BUDGET-&gt;</u>	<u>-----FORECAST-----&gt;</u>				
	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Real Estate Tax Revenue	\$ 255,856,303	\$ 274,744,479	\$ 286,499,341	\$ 298,904,324	\$ 309,892,308	\$ 320,954,990	\$ 331,994,240
Excise Tax Revenue	\$ 10,914,807	\$ 10,700,000	\$ 10,900,000	\$ 10,925,000	\$ 10,950,000	\$ 10,975,000	\$ 11,000,000
Hotel Room Tax	\$ 2,051,414	\$ 2,100,000	\$ 2,125,000	\$ 2,167,500	\$ 2,210,850	\$ 2,255,067	\$ 2,300,168
Meals Tax - 0.75%	\$ 1,407,803	\$ 1,425,000	\$ 1,450,000	\$ 1,486,250	\$ 1,523,406	\$ 1,561,491	\$ 1,600,529
Payments In Lieu of Taxes	\$ 255,547	\$ 334,000	\$ 335,000	\$ 335,000	\$ 335,000	\$ 335,000	\$ 335,000
Interest/Divident Income	\$ 167,201	\$ 175,000	\$ 175,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
License/Permit-ISD,Fire,H&HS	\$ 7,565,365	\$ 5,084,950	\$ 5,097,700	\$ 4,897,700	\$ 4,897,700	\$ 4,897,700	\$ 4,697,700
Parking Meter Receipts	\$ 1,681,650	\$ 1,700,000	\$ 1,700,000	\$ 1,650,000	\$ 1,650,000	\$ 1,650,000	\$ 1,650,000
Parking Violations	\$ 1,572,867	\$ 1,550,000	\$ 1,550,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
Medicare D/SPED Medicaid	\$ 1,662,557	\$ 1,525,000	\$ 1,600,000	\$ 1,600,000	\$ 1,575,000	\$ 1,575,000	\$ 1,575,000
Water/Sewer Gen'l Fund Adm	\$ 1,640,260	\$ 1,983,994	\$ 2,033,594	\$ 2,084,434	\$ 2,136,545	\$ 2,189,958	\$ 2,244,707
Premium from Sale of Bonds	\$ 590,740	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other/Miscellaneous Revenue	\$ 9,990,705	\$ 5,468,882	\$ 4,470,651	\$ 4,417,151	\$ 4,419,071	\$ 4,421,393	\$ 4,429,122
<b>REVENUE FROM OPERATIONS</b>	<b>\$ 295,357,219</b>	<b>\$ 306,791,305</b>	<b>\$ 317,936,286</b>	<b>\$ 330,167,359</b>	<b>\$ 341,289,879</b>	<b>\$ 352,515,600</b>	<b>\$ 363,526,466</b>
<b>REVENUE FROM STATE AID</b>							
Unrestricted Gen'l State Aid	\$ 4,970,628	\$ 4,970,628	\$ 5,088,123	\$ 5,088,123	\$ 5,088,123	\$ 5,088,123	\$ 5,088,123
Chapter 70 State Education Aid	\$ 16,173,153	\$ 16,973,153	\$ 17,903,779	\$ 18,403,779	\$ 18,903,779	\$ 19,403,779	\$ 19,903,779
<b>REVENUE FROM STATE AID</b>	<b>\$ 21,143,781</b>	<b>\$ 21,943,781</b>	<b>\$ 22,991,902</b>	<b>\$ 23,491,902</b>	<b>\$ 23,991,902</b>	<b>\$ 24,491,902</b>	<b>\$ 24,991,902</b>
<b>OPERATING REVENUE</b>	<b>\$ 316,501,000</b>	<b>\$ 328,735,086</b>	<b>\$ 340,928,188</b>	<b>\$ 353,659,261</b>	<b>\$ 365,281,781</b>	<b>\$ 377,007,502</b>	<b>\$ 388,518,368</b>
<b>% Increase</b>		<b>3.87%</b>	<b>3.71%</b>	<b>3.73%</b>	<b>3.29%</b>	<b>3.21%</b>	<b>3.05%</b>
<b>REVENUE - FROM TRANSFERS</b>							
New Falls Settlement In Lieu of	\$ 62,256	\$ 40,000	\$ 70,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
Capital Stabilization Fund	\$ 2,700,000	\$ 2,048,111	\$ -	\$ -	\$ -	\$ -	\$ -
Free Cash	\$ -	\$ -	\$ 1,000,000	\$ 500,000	\$ -	\$ -	\$ -
Overlay Surplus	\$ -	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ -
<b>REVENUE FROM TRANSFERS</b>	<b>\$ 2,762,256</b>	<b>\$ 2,338,111</b>	<b>\$ 1,070,000</b>	<b>\$ 540,000</b>	<b>\$ 40,000</b>	<b>\$ 40,000</b>	<b>\$ 40,000</b>
<b>TOTAL REVENUE</b>	<b>\$ 319,263,256</b>	<b>\$ 331,073,197</b>	<b>\$ 341,998,188</b>	<b>\$ 354,199,261</b>	<b>\$ 365,321,781</b>	<b>\$ 377,047,502</b>	<b>\$ 388,558,368</b>
<b>% Increase</b>		<b>3.70%</b>	<b>3.30%</b>	<b>3.57%</b>	<b>3.14%</b>	<b>3.21%</b>	<b>3.05%</b>

## Expenditure Projections

### Salaries, Compensation and Health Benefits

Sixty-five percent of the general fund operating budget is comprised of salaries, compensation, and health benefits for the City’s active employees. Therefore, these expenditures together comprise the single most important cost driver.

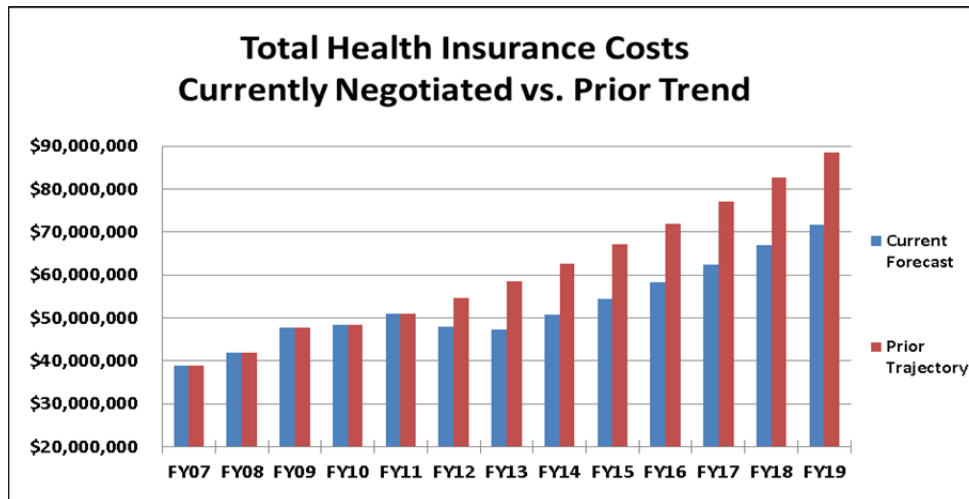


During the prior administration the average increase in salaries, compensation, and health care benefits for active employees for the period FY2006 through FY2010 was 4.37%. As previously mentioned, that rate of growth was unsustainable and contributed in large part to the City’s “structural deficit”.

As a result of the collaborative effort on the part of the Administration as well as Union Leadership, the City negotiated Collective Bargaining Agreements with all 17 Bargaining Units through FY2014 that contained the rate of increases to “not more than 2.5%” per year in salaries, compensation, and health care benefits for active employees. This collaboration has helped protect the city from the cost volatility associated with unstructured contracts, while ensuring city employees are guaranteed salaries and benefits at predictable and viable rates. Successfully negotiating these contracts has had a major impact on this important cost driver – having saved the City more than \$50 million over the term of the contracts and an additional \$150 million through FY2019 when compared to the prior trending rate. This philosophy of developing compensation packages that mirror the constraints of Proposition 2 ½ is the single most important factor ensuring the future financial stability of the City of Newton.

## Health Insurance Benefits

An integral part of the negotiation process was a detailed analysis of the projected plan design cost trends for the “status quo” plan designs, an analysis of the projected cost trends for the State run Group Insurance Commission, or G.I.C., and projected cost trends associated with plan design changes that could be pursued during the negotiation process. In the end, the City and Union Leadership mutually agreed to maintain the current self-insured structure, but with significant plan design changes. These plan design changes were intended not only to accomplish savings for the City in the form of “cost transference” by having employees absorb additional costs of their health benefits, but also in the form of “overall cost reduction” by encouraging behavioral changes that would result from some of the changes in plan design. The City estimated that these plan design changes which included the implementation of deductibles, higher co-payments for office visits, specialists and emergency room visits, increased contribution rates for all new employees, and significantly higher contribution rates for all employees who select higher cost plan designs would generate approximately \$50 million of the projected \$150 million in savings over the next five years – 20% of which will be employee savings, while 80% will be City savings.



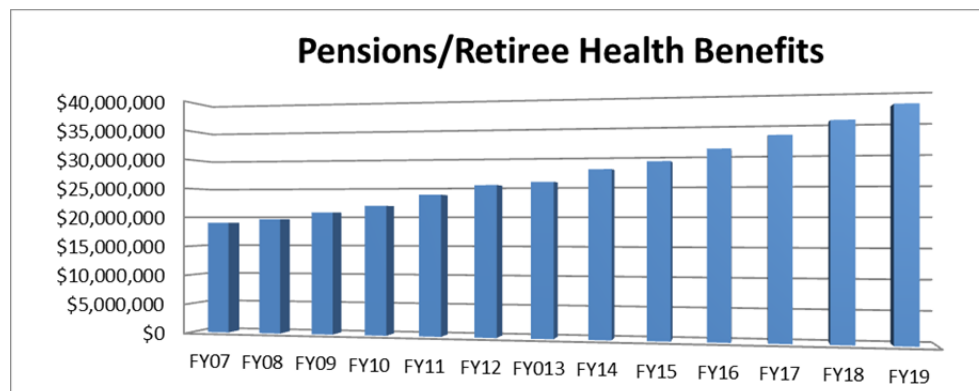
## Impact of Self-Insurance

The comparisons shown above are comparisons of the City’s Actual Total Cost of the Health Insurance Program. Providing health insurance in the City of Newton is far more complicated than an analysis of the City’s Health Insurance Budgets and annual department expenditures would lead one to conclude. Budgeted working rates are only a tool which enables the City to administer its health insurance plan – the “actual” cost of the program is the most important factor.

The City of Newton provides health insurance benefits for more than 2,300 active employees and their dependents, as well as almost 2,700 retirees, with a total insured population of more than 8,500 people. Because the City’s insured population is as large as it is, the City is “Self Insured”. The cost of a Self-Insured Health Insurance Program is comprised of costs in three main areas: the actual cost of claims, the administrative fees charged by the health carriers and the cost of an excess policy to protect the City from exposure due to unusually large claims greater than \$250,000. Rather than paying “premium” rates, the City works with its insurance carriers and health consultants to develop “working” rates. These working rates are projections of costs. If actual costs are less than projected, the City benefits and “saves” money. Conversely, if the actual costs are more than projected, the City must pay the difference. In order to do this, the City maintains a Health Insurance Trust Fund to manage any variances between the projections and actuals. Currently, the City of Newton Health Insurance Trust Fund approximates \$12,500,000.

**Pensions and Retiree Health Benefits**

One area of concern in the five year forecast continues to be the projected escalating cost of pensions and retiree health benefits. The City of Newton Contributory Retirement Plan covers approximately 3,500 active and retired employees. Prior to the recent downturn in the economy the total unfunded actuarial accrued liability was approximately 33%. However, as a result of the less than favorable economic pressures experienced by the fund in the past few years combined with the increased life expectancy of Americans, the total unfunded actuarial accrued liability has increased to almost 48% as of January 1, 2013. This increase in the unfunded liability is not unique to Newton, and consequently the Massachusetts State Legislature passed legislation enabling cities and towns to have until the year 2040 to “fully fund” retirement plans. The City of Newton Contributory Retirement Board voted to implement a funding schedule which will fully fund the Newton Retirement Fund by the year 2038. Therefore, the five year forecast includes an annual increase of 8% for this cost.



Simultaneously, Health Benefits are expected to continue to rise by approximately 6% per year over the next 5 years. In 2009, the City of Newton adopted M.G.L. c32B section 18 which requires all eligible Municipal retirees to enroll in Medicare. This statute allows the City to enroll retirees in health insurance plans that supplement Medicare coverage, reducing coverage costs for both the City and the retiree. This law requires all retirees who are eligible for Medicare Part A to also enroll in Medicare Part B. Since December 2009, the City has notified retirees that they are required to enroll in Medicare or provide proof in the form of a letter from the local Social Security Office indicating that they have not paid into Medicare for the required 10 years and are not eligible. Additionally, employees hired on or after April 1, 1986 are required to pay 1.45% Medicare tax. Employees who have paid this tax for at least 10 years are entitled to Medicare coverage at age 65. Therefore, through attrition, the number of Medicare-eligible retirees is increasing each year.

### **Out-of-District Tuition**

Out-of-District Tuition has also been identified as a chief cost driver in the school department budget increase each year. The Newton Public Schools have taken many proactive steps to control this area by offering a number of programs which reduce the need to send students outside the district to meet their educational needs; even so, tuition costs continue to rise for several reasons. Although out-of-district tuition rates are controlled by the Massachusetts Department of Elementary and Secondary Education, many private schools seek and are granted "extraordinary relief" which allows for a higher rate of tuition increase. A steady increase in the number of out-of-district placements along with growth in the overall population has contributed to cost increases in this area. The Student Services Department continues to look carefully at staffing patterns and to determine through data analysis and program evaluations new initiatives and programs, as well as expansions of current programs, to improve outcomes for students while controlling costs.

### **Pupil Transportation**

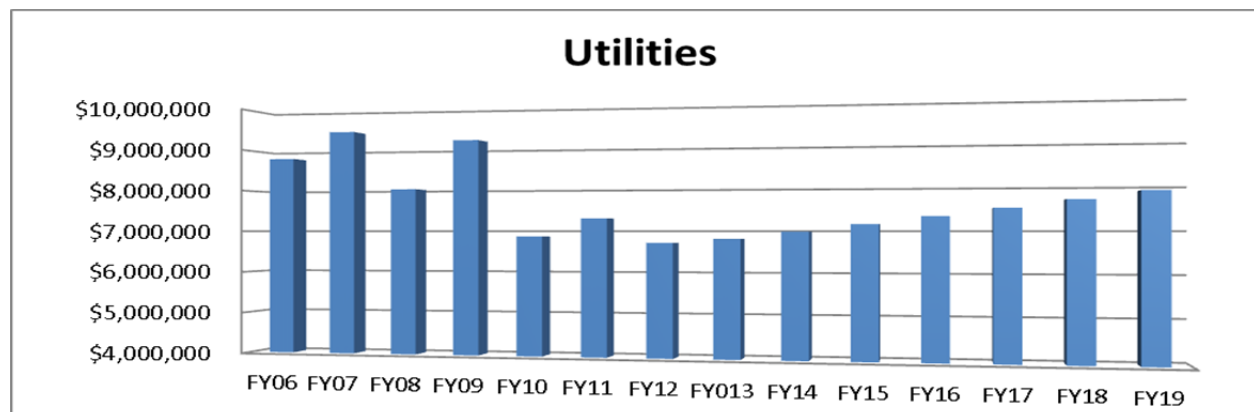
Pupil Transportation is another area where year over year annual cost increases have outpaced revenue increases. In FY2012, the Newton Public Schools successfully undertook a public bid process for regular transportation, resulting in a new five-year contract. The new contract had a first-year increase of 12% in FY13, and annual increases of 2%, 0%, 1% and 1% in FY14 through FY17. Student fees for regular transportation serve as an offset to the full cost of daily busing. Special education transportation is in the first year of a three year contract. It is assumed that there will be annual increases of 6% in future years. All transportation contracts allow for cost increases due to fuel escalation. The Newton Public Schools administration continues to monitor all transportation costs and contracts for possible efficiencies and savings.

## Utilities

The City of Newton continues to aggressively pursue Energy Saving Solutions for the future. Thus, the City has been certified as a ‘green community’, and has minimized commodity costs for such items including gasoline, diesel and heating oil by entering into purchasing cooperatives with surrounding communities and has been able to significantly reduce utility costs such as electricity and natural gas by ‘locking in’ very favorable rates for the next few years.

In the summer of 2011 the City entered into a four year contract (effective November 1, 2011) which reduced the City’s cost of Natural Gas by approximately \$5.00 per dekatherm as compared to the prior contract. The City purchases approximately 100,000 dekatherms of Natural Gas per year, generating a \$2 million savings over the life of the contract as compared to the prior rate. Furthermore, in April 2012, the City entered into a three year contract (effective July 1, 2012) to procure ALL electricity from “Green Energy Sources”. Newton is the first such community in the Commonwealth of Massachusetts to procure 100 percent of the city’s electricity from green and renewable sources. This contract will not only enable the City to reduce its carbon footprint, but will also generate \$300,000 in savings over the next three years as compared to the prior contract.

Additionally, the City continues to invest capitally in sustainable and energy efficient projects. Sustainable energy projects scheduled include: the LED street light conversion, water conversions at municipal and school buildings, and upgrades at facilities to minimize utility consumption yielding reductions in the City’s energy footprint. The Administration will continue to make environmental sustainability a top priority, and is proud to be characterized as a green community, continuing this vision into the future.



## **Technology Vision**

Developing a meaningful five-year municipal technology vision encompassing the explosive rate of advancement in technology is a daunting task. The technological evolution from mainframes, to minicomputers, to personal computers, to the worldwide web, and now to virtual servers and the “cloud” has changed the way business is conducted. And while it is hard to imagine that the technology evolution can continue, it appears we are on the brink of a new technological paradigm.

Current trends include moving applications and software from dedicated servers to virtual servers with storage area networks, in an effort to establish a downsized yet more versatile IT infrastructure that reduces the data center foot print, is easier to administer and significantly reduces energy costs. “Cloud computing” is expected to further shift technology from internal infrastructure solutions to cloud-based strategies that will deliver increased functionality and flexibility using a mix of public and private cloud-based application and platform services. Data security and data privacy will remain paramount requiring automated capabilities that detect, assess, and respond immediately to threats.

During the past several years, technology has become more local, social and mobile, with smart phones capable of acting as standalone computer devices that can take pictures, search the Internet, and send emails and text messages. It is anticipated that a desire for an improved “user experience” will drive the creation of more layered approaches in application design with the emphasis on increasing citizen services and untethering desktop workers by providing wireless devices, increased mobility, and improved efficiency for employees and citizens alike.

Establishing a vision and positioning the City of Newton for the future required an evaluation of current infrastructure, applications, security, and customer interfaces, an understanding of the future of technology, and the development of a blueprint for investments in and modernization of the City’s technology. The financial resources required to fund the Technology Vision as presented in the FY15-FY19 Capital Improvement Plan are incorporated in this Five Year Financial Forecast.

## **Debt Service**

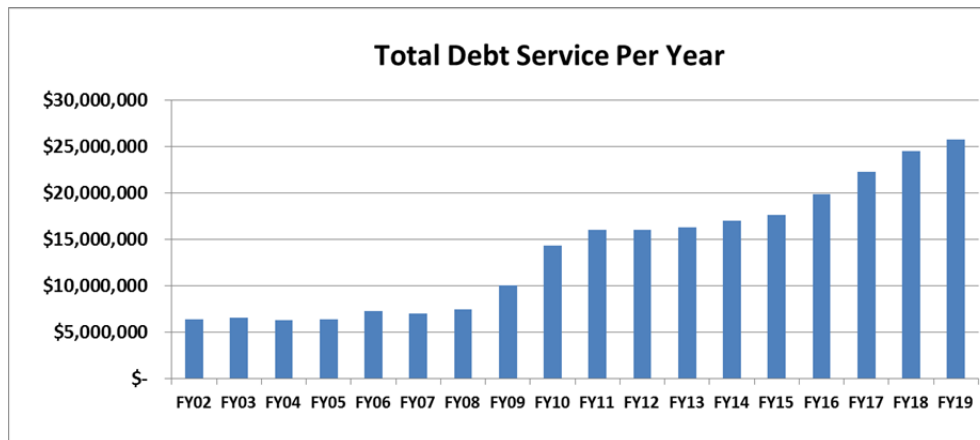
This Five Year Financial Forecast is the counterpart and directly linked to the FY2015-2019 Capital Improvement Plan and 20-Year Long Range Plan which proposes funding in excess of \$225 million in capital improvements over the next five years.

The City is in the process of signing the “Project Scope and Budget Agreement” for the replacement of the Angier Elementary School with the Massachusetts School Building Authority through which the City will receive a grant of at least \$10 million. Additionally, the City has selected the firm of Joslin, Lesser Associates to serve as the Owner’s Project Manager for the Zervas School Project and has submitted the Statement of Interest to the M.S.B.A. for the Cabot School. Concurrently, the City is preparing the Carr School for use as swing space for student use while their respective schools are undergoing major building renovations and additions.

Commitment to continued investment in the City’s Fire Stations, City Buildings and Recreation Facilities are top priorities as well. Projects funded include renovations and new construction at Stations 3, Headquarters, the Wires Division, and Stations 1 and 2, all of which must comply with new seismic building code requirements. Significant projects are also included in this plan for City Hall, the Newton Free Library, and DPW Facilities.

Street rehabilitation is planned and prioritized based on numerous factors which have been taken into consideration. With funds from the override, the City will be able to pave 8 miles of roadways and repair 2.5 miles of sidewalks during FY2014. The projected debt service schedule shown below includes all projected debt service payments associated with all of the projects listed above.

It is important to note that the City will also save approximately \$2.4M over the next several years as a result of the advanced refunding on debt obligations issued in 2005 and an accelerated payment schedule on one of the North High School bonds.



FY07 adjusted by \$2.6 million for firefighters loan liability



### **Summary of Major Cost Drivers**

It is important to note that the projection of major cost drivers is based on prior run rates as well as known conditions. Based on these projections it is clear that controlling cost increases in the areas of Special Education/Out of District Placements, Pupil Transportation, Retiree Pension, Health Care Benefits and funding of the City's O.P.E.B. Liability Trust Fund will continue to challenge the City financially in the years to come.

It is most important to note that the projections DO NOT include cost controlling measures, management decisions, and cost reducing strategies that will be identified over the next few months in preparation for the FY2015 Budget and beyond. The Administration is confident that viable, sustainable, balanced budgets are attainable with the utilization of zero-based budgeting, performance management strategies, and targeted cost control.

**Projected Expenditures by Major Cost Driver**

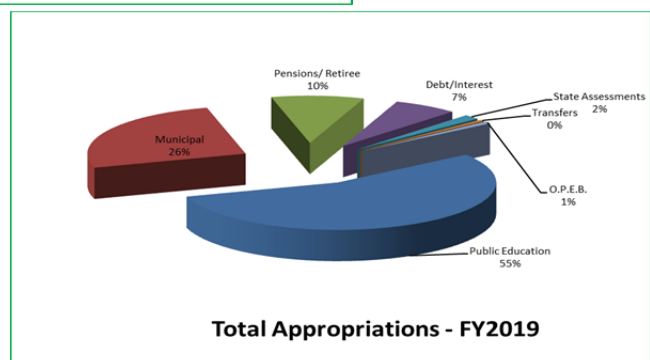
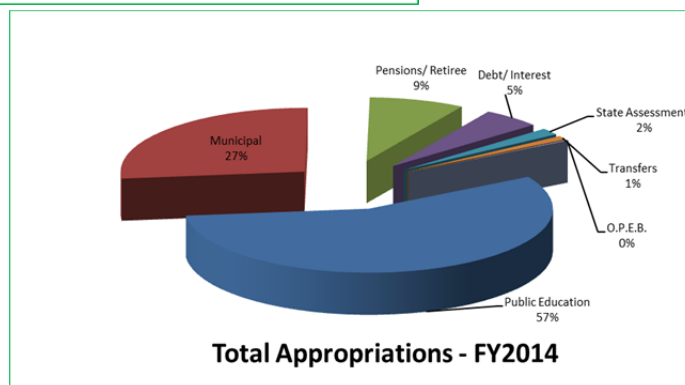
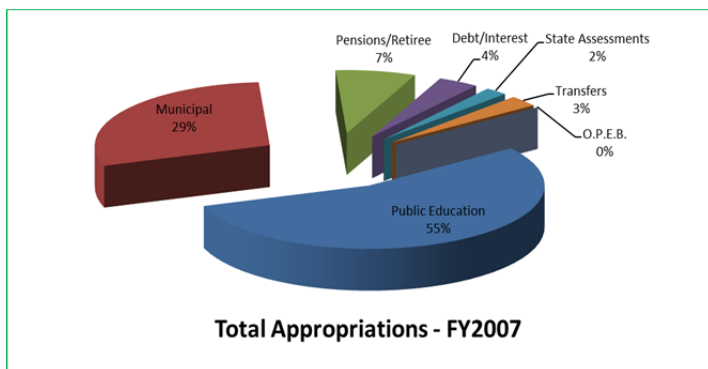
An important aspect of this five year forecast is the projection of major cost drivers, financial trends, changing conditions, and threats to the City's financial stability and perhaps even more importantly the identification of any opportunities that could effect a favorable impact on the trajectory of those cost drivers. Over the years the City has identified several areas that are considered to be "major cost drivers" which must constantly be evaluated so as not to allow any of these cost drivers to jeopardize the City's financial stability. Once again **this table is meant to be used only as a tool** and not meant to suggest that the Administration does not have every confidence that it will be able to manage these projected expenditures and produce sustainable, balanced budgets

**City of Newton, Massachusetts**  
**Expenditure Forecast by Major Cost Drivers - Based on Run Rates**  
**FY2013 Actual/FY2014 Budget/FY2015 through FY2019 Forecast**

EXP BY COST DRIVER	<-BUDGET->		-----FORECAST----->				
	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Salaries & Health Benefits	\$ 199,297,278	\$ 212,798,429	\$ 219,418,390	\$ 226,203,850	\$ 233,158,946	\$ 240,287,920	\$ 247,595,118
% Increase		6.77%	3.11%	3.09%	3.07%	3.06%	3.04%
			(Adjusted for Additional Teachers due to Growth in Enrollment)				
Energy/Utilities	\$ 6,819,580	\$ 6,947,790	\$ 7,121,485	\$ 7,299,522	\$ 7,482,010	\$ 7,669,060	\$ 7,860,787
% Increase		1.88%	2.50%	2.50%	2.50%	2.50%	2.50%
Services	\$ 12,533,215	\$ 11,289,648	\$ 11,571,889	\$ 11,861,186	\$ 12,157,716	\$ 12,461,659	\$ 12,773,201
% Increase		-9.92%	2.50%	2.50%	2.50%	2.50%	2.50%
Refuse Collection/Disposal	\$ 6,412,329	\$ 6,642,952	\$ 6,908,670	\$ 7,185,017	\$ 7,472,418	\$ 7,771,314	\$ 8,082,167
% Increase		3.60%	4.00%	4.00%	4.00%	4.00%	4.00%
Out of District Tuition	\$ 8,503,507	\$ 9,847,317	\$ 10,832,049	\$ 11,915,254	\$ 13,106,779	\$ 14,417,457	\$ 15,859,203
% Increase		15.80%	10.00%	10.00%	10.00%	10.00%	10.00%
Pupil Transportation	\$ 4,930,451	\$ 5,081,541	\$ 5,386,433	\$ 5,709,619	\$ 6,052,197	\$ 6,415,328	\$ 6,800,248
% Increase		3.06%	6.00%	6.00%	6.00%	6.00%	6.00%
Supplies & Materials	\$ 5,667,284	\$ 5,631,550	\$ 5,772,338	\$ 5,916,647	\$ 6,064,563	\$ 6,216,177	\$ 6,371,581
% Increase		-0.63%	2.50%	2.50%	2.50%	2.50%	2.50%
State Assessments	\$ 5,722,550	\$ 5,790,193	\$ 5,934,948	\$ 6,083,322	\$ 6,235,405	\$ 6,391,290	\$ 6,551,072
% Increase		1.18%	2.50%	2.50%	2.50%	2.50%	2.50%
Unemp, Medicaid, etc.	\$ 6,921,102	\$ 7,254,529	\$ 7,435,892	\$ 7,621,789	\$ 7,812,334	\$ 8,007,642	\$ 8,207,833
% Increase		4.82%	2.50%	2.50%	2.50%	2.50%	2.50%
Pension Contribution	\$ 16,176,894	\$ 17,628,230	\$ 19,038,488	\$ 20,561,567	\$ 22,206,493	\$ 23,983,012	\$ 25,901,653
% Increase		8.97%	8.00%	8.00%	8.00%	8.00%	8.00%
Retiree Health Benefits	\$ 13,985,654	\$ 14,971,021	\$ 16,018,992	\$ 17,140,322	\$ 18,340,144	\$ 19,623,955	\$ 20,997,631
% Increase		7.05%	7.00%	7.00%	7.00%	7.00%	7.00%
Debt Service - Principle & Interest	\$ 16,262,237	\$ 17,057,491	\$ 17,600,000	\$ 19,850,000	\$ 22,250,000	\$ 24,550,000	\$ 25,750,000
% Increase		4.89%	3.18%	12.78%	12.09%	10.34%	4.89%
Capital Outlay/Improvements	\$ 3,380,455	\$ 3,631,438	\$ 3,813,010	\$ 4,003,661	\$ 4,203,844	\$ 4,414,036	\$ 4,634,738
% Increase		7.42%	5.00%	5.00%	5.00%	5.00%	5.00%
Miscellaneous	\$ 1,591,052	\$ 1,630,829	\$ 1,671,599	\$ 1,713,389	\$ 1,756,224	\$ 1,800,130	\$ 1,845,133
% Increase		2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Transfers to Other Funds	\$ 1,474,765	\$ 4,870,240	\$ 6,570,240	\$ 6,570,240	\$ 6,570,240	\$ 6,570,240	\$ 6,570,240
<b>TOTAL FORECAST BASED ON</b>							
<b>RUN RATES OF MAJOR AREAS</b>	<b>\$ 309,678,352</b>	<b>\$ 331,073,198</b>	<b>\$ 345,094,425</b>	<b>\$ 359,635,385</b>	<b>\$ 374,869,312</b>	<b>\$ 390,579,220</b>	<b>\$ 405,800,604</b>
<b>% Increase</b>		<b>6.91%</b>	<b>4.24%</b>	<b>4.21%</b>	<b>4.24%</b>	<b>4.19%</b>	<b>3.90%</b>

### **Projected FY2015 – FY2019 Expenditures by Functional Element**

Additionally, as is evident from the comparative charts below, the financial commitment to Public Education in the City of Newton has remained strong over the years and will continue to grow as the City addresses capital improvements at Angier, Cabot and Zervas Elementary schools. Pensions/Retiree Benefits will continue to consume more and more of the City’s resources as they have increased from 7% in FY2007, to approximately 9% in FY2014 and almost 10% by FY2019. It should be noted that every effort is being made to maintain the proportionality of “Municipal Expenditures”, by increasing known annual operating expenditures with each successive budget. This is a very important fact, if the City is to deliver core City services and invest in much needed infrastructure improvements. It is critical that the City of Newton continue to strive to strike a balance between the many needs and desires of the community and its available revenue.



**Projected FY2015 - FY2019 Needs by Functional Element**

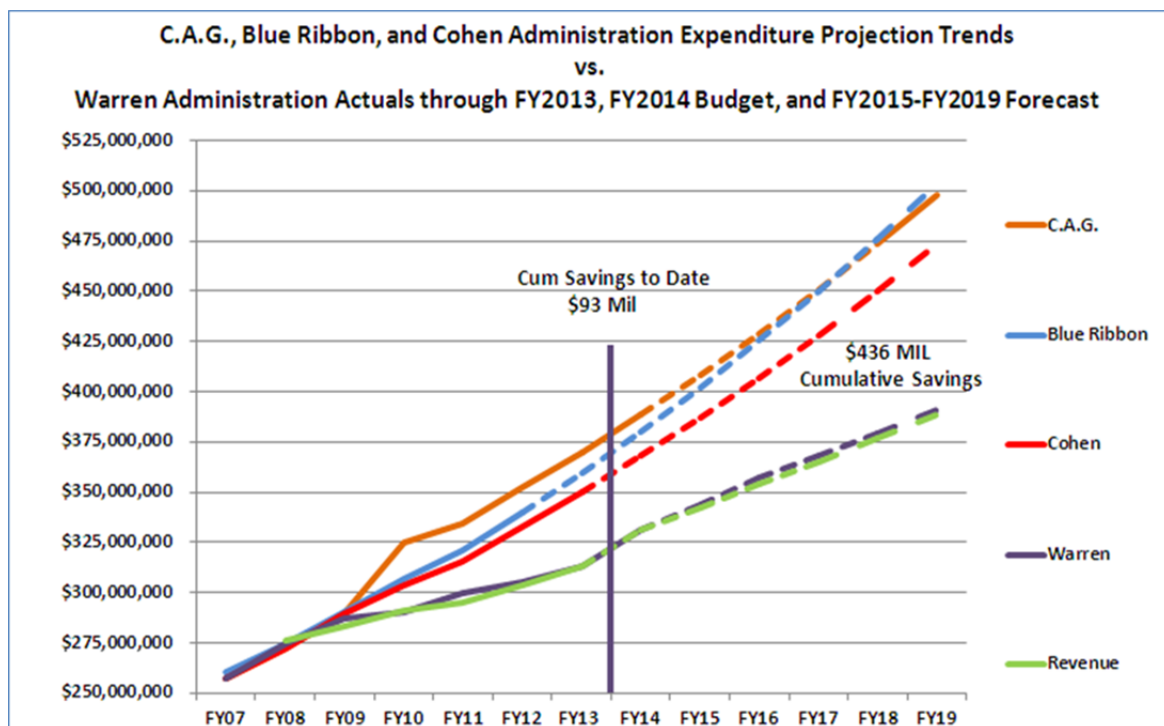
As has been mentioned several times within this report, this five year financial forecast is meant to be a guide in the development of the Municipal Operating Budget for next year and beyond. Consequently, the FY2015 - FY2019 Projected Needs by Functional Element shown below summarizes the projected "needs" based on current enrollment projections, investment income trends, etc. Therefore, if enrollment continues to grow at the projected rates, the Newton Public Schools will need approximately 3% additional funding each year, while retiree benefits are expected to require an additional 7% each year. This forecast should be used as an indication of trends and is meant to depict the areas where the Administration will face challenges in the years ahead. The Administration will continue to strive to increase revenues wherever possible, zero base budgets and implement performance management techniques to control spending.

**City of Newton, Massachusetts  
Five Year Projected Expenditure Needs by Functional Element  
FY2013 Actual/FY2014 Budget/FY2015 through FY2019 Forecast**

EXPENDITURES	<-BUDGET->		<-----FORECAST----->				
	FY13	FY14	FY15	FY16	FY17	FY18	FY19
<b>Education</b>	\$ 176,950,191	\$ 187,671,536	\$ 194,669,000	\$ 201,093,077	\$ 207,326,962	\$ 213,546,771	\$ 219,526,081
% Increase	4.29%	6.06%	3.73%	3.30%	3.10%	3.00%	2.80%
\$ Increase		\$ 10,721,345	\$ 6,997,464	\$ 6,424,077	\$ 6,233,885	\$ 6,219,809	\$ 5,979,310
<b>Debt Service</b>	\$ 16,262,237	\$ 17,057,491	\$ 17,600,000	\$ 19,850,000	\$ 22,250,000	\$ 24,550,000	\$ 25,750,000
% Increase	1.29%	4.89%	3.18%	12.78%	12.09%	10.34%	4.89%
\$ Increase		\$ 795,254	\$ 542,509	\$ 2,250,000	\$ 2,400,000	\$ 2,300,000	\$ 1,200,000
<b>Pensions &amp; Retiree Benefits</b>	\$ 25,835,950	\$ 27,842,189	\$ 29,053,000	\$ 30,975,000	\$ 33,035,000	\$ 35,250,000	\$ 37,620,000
% Increase	1.91%	7.77%	4.35%	6.62%	6.65%	6.71%	6.72%
\$ Increase		\$ 2,006,239	\$ 1,210,811	\$ 1,922,000	\$ 2,060,000	\$ 2,215,000	\$ 2,370,000
<b>State Charges</b>	\$ 5,722,550	\$ 5,790,193	\$ 5,934,948	\$ 6,083,322	\$ 6,235,405	\$ 6,391,290	\$ 6,551,072
% Increase	3.97%	1.18%	2.50%	2.50%	2.50%	2.50%	2.50%
\$ Increase		\$ 67,643	\$ 144,755	\$ 148,374	\$ 152,083	\$ 155,885	\$ 159,782
<b>Transfers to Other Funds</b>	\$ 7,625,408	\$ 3,100,000	\$ 3,937,290	\$ 3,743,000	\$ 1,395,000	\$ (1,195,000)	\$ (1,965,000)
% Increase	10.53%	-59.35%	27.01%	-4.93%	-62.73%	-185.66%	64.44%
\$ Increase		\$ (4,525,408)	\$ 837,290	\$ (194,290)	\$ (2,348,000)	\$ (2,590,000)	\$ (770,000)
<b>Municipal Expenditures</b>	\$ 84,925,936	\$ 89,611,788	\$ 92,450,000	\$ 95,131,050	\$ 97,889,850	\$ 100,728,656	\$ 103,649,787
% Increase	4.31%	5.52%	3.17%	2.90%	2.90%	2.90%	2.90%
\$ Increase		\$ 4,685,852	\$ 2,838,212	\$ 2,681,050	\$ 2,758,800	\$ 2,838,806	\$ 2,921,131
<b>TOTAL EXPENDITURE FCST</b>							
<b>FY15 - FY19 BUDGET</b>	\$ 317,322,272	\$ 331,073,197	\$ 343,644,238	\$ 356,875,449	\$ 368,132,217	\$ 379,271,717	\$ 391,131,940
		4.33%	3.80%	3.85%	3.15%	3.03%	3.13%

## Sustainable Budget Strategy

For any budget or financial plan to be sustainable, it must provide a “balance” of revenue and expenditures while simultaneously addressing infrastructure needs and developing and maintaining an appropriate level of reserves. This five year financial forecast has been designed to eliminate the operating deficit by FY2015, to address the City’s aging infrastructure, fund long-term liabilities, and maintain a cost structure that will not exceed the City’s revenue growth rate. Over the past 4 years, the City has put its financial house in order and has undertaken the task of moving forward as a community. The Administration will continue to refine the zero-based budgeting process while maintaining efficient allocation of resources and exploring new opportunities for fiscal responsibility. This includes efficiently completing large scale capital investments such as improvements to roads and schools on time and on budget, reflecting the Administration’s commitment to recognize the trust the citizens have shown with the passage of the override package. The Administration further plans to continue to employ performance management techniques to streamline operations, implement the conclusions of the comprehensive citywide infrastructure assessment, work to encourage economic development where appropriate, and most importantly, strive to maintain an open and honest dialogue with the residents of the City of Newton.



**The following pages contain Revenue Projections,  
Projections by Functional Element and Projections by  
Major Cost Driver for the following time periods:**

**FY2007 – FY2013 Actuals**

**FY2014 Budget**

**FY2015 – FY2019 Forecast**

**City of Newton, Massachusetts**  
**Annual General Fund Revenue**  
**FY2007 - FY2013 Actual/FY2014 Budget/FY15 through FY19 Forecast**

GENERAL FUND REVENUE	A-C-T-U-A-L							<-BUDGET->	F-O-R-E-C-A-S-T				
	FY07	FY08	FY09	FY10	FY11	FY12	FY13		FY14	FY15	FY16	FY17	FY18
Real Estate Tax Revenue	\$206,442,804	\$ 214,497,388	\$223,982,213	\$231,880,254	\$239,709,050	\$ 247,254,734	\$ 255,856,303	\$ 274,744,479	\$ 286,499,341	\$ 298,904,324	\$ 309,892,308	\$ 320,954,990	\$ 331,994,240
Excise Tax Revenue	\$ 10,745,229	\$ 11,008,570	\$ 10,239,711	\$ 9,576,320	\$ 10,008,481	\$ 10,382,197	\$ 10,914,807	\$ 10,700,000	\$ 10,900,000	\$ 10,925,000	\$ 10,950,000	\$ 10,975,000	\$ 11,000,000
Hotel Room Tax	\$ 1,138,921	\$ 1,103,549	\$ 1,108,199	\$ 1,168,095	\$ 1,588,882	\$ 1,814,792	\$ 2,051,414	\$ 2,100,000	\$ 2,125,000	\$ 2,167,500	\$ 2,210,850	\$ 2,255,067	\$ 2,300,168
Meals Tax - 0.75%	\$ -	\$ -	\$ -	\$ 382,934	\$ 1,308,191	\$ 1,403,261	\$ 1,407,803	\$ 1,425,000	\$ 1,450,000	\$ 1,486,250	\$ 1,523,406	\$ 1,561,491	\$ 1,600,529
Payments In Lieu of Taxes	\$ 230,857	\$ 231,373	\$ 406,418	\$ 316,177	\$ 300,261	\$ 477,395	\$ 255,547	\$ 334,000	\$ 335,000	\$ 335,000	\$ 335,000	\$ 335,000	\$ 335,000
Interest/Divident Income	\$ 4,425,105	\$ 3,933,619	\$ 2,283,822	\$ 874,757	\$ 417,144	\$ 244,319	\$ 167,201	\$ 175,000	\$ 175,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
License/Permit-	\$ 5,041,880	\$ 4,556,132	\$ 3,885,054	\$ 3,805,987	\$ 4,723,631	\$ 4,991,582	\$ 7,565,365	\$ 5,084,950	\$ 5,097,700	\$ 4,897,700	\$ 4,897,700	\$ 4,897,700	\$ 4,697,700
Parking Meter Receipts	\$ 852,832	\$ 1,130,000	\$ 1,140,000	\$ 1,142,645	\$ 1,740,000	\$ 1,325,000	\$ 1,681,650	\$ 1,700,000	\$ 1,700,000	\$ 1,650,000	\$ 1,650,000	\$ 1,650,000	\$ 1,650,000
Parking Violations	\$ 1,439,010	\$ 1,534,407	\$ 1,704,087	\$ 1,764,064	\$ 1,580,087	\$ 1,675,117	\$ 1,572,867	\$ 1,550,000	\$ 1,550,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
Medicare D/SPED	\$ 1,249,579	\$ 1,334,846	\$ 1,143,439	\$ 1,123,135	\$ 1,791,041	\$ 1,814,072	\$ 1,662,567	\$ 1,525,000	\$ 1,600,000	\$ 1,600,000	\$ 1,575,000	\$ 1,575,000	\$ 1,575,000
Water/Sewer Gen'l Fund	\$ 1,228,831	\$ 1,264,968	\$ 1,457,225	\$ 1,376,187	\$ 1,396,335	\$ 1,429,518	\$ 1,640,280	\$ 1,983,994	\$ 2,033,594	\$ 2,084,434	\$ 2,136,545	\$ 2,189,968	\$ 2,244,707
Premium from Sale of Bonds	\$ 90,087	\$ 235,056	\$ 1,557,255	\$ 815,357	\$ 168,147	\$ 131,379	\$ 590,740	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other/Miscellaneous Revenue	\$ 6,865,283	\$ 7,639,373	\$ 7,411,929	\$ 8,760,550	\$ 6,318,788	\$ 7,412,537	\$ 9,990,705	\$ 5,468,882	\$ 4,470,651	\$ 4,417,151	\$ 4,419,071	\$ 4,421,393	\$ 4,429,122
<b>REVENUE FROM CITY OPERATIONS</b>	<b>\$239,750,418</b>	<b>\$ 248,469,281</b>	<b>\$256,319,352</b>	<b>\$262,986,463</b>	<b>\$271,050,037</b>	<b>\$ 280,355,902</b>	<b>\$ 295,357,219</b>	<b>\$ 306,791,305</b>	<b>\$ 317,936,286</b>	<b>\$ 330,167,359</b>	<b>\$ 341,289,879</b>	<b>\$ 352,515,600</b>	<b>\$ 363,526,466</b>
<b>REVENUE FROM STATE AID</b>													
Unrestricted Gen'l State Aid	\$ 7,224,573	\$ 7,314,042	\$ 6,601,316	\$ 5,177,738	\$ 4,970,628	\$ 4,970,628	\$ 4,970,628	\$ 4,970,628	\$ 5,088,123	\$ 5,088,123	\$ 5,088,123	\$ 5,088,123	\$ 5,088,123
Chapter 70 State Education	\$ 10,966,835	\$ 12,754,101	\$ 12,939,869	\$ 14,171,395	\$ 13,343,502	\$ 13,504,221	\$ 16,173,153	\$ 16,973,153	\$ 17,903,779	\$ 18,403,779	\$ 18,903,779	\$ 19,403,779	\$ 19,903,779
<b>TOTAL REVENUE FROM STATE AID</b>	<b>\$ 18,191,408</b>	<b>\$ 20,068,143</b>	<b>\$ 19,541,185</b>	<b>\$ 19,349,133</b>	<b>\$ 18,314,130</b>	<b>\$ 18,474,848</b>	<b>\$ 21,143,781</b>	<b>\$ 21,943,781</b>	<b>\$ 22,991,902</b>	<b>\$ 23,491,902</b>	<b>\$ 23,991,902</b>	<b>\$ 24,491,902</b>	<b>\$ 24,991,902</b>
<b>OPERATING REVENUE</b>	<b>\$257,941,826</b>	<b>\$ 268,537,424</b>	<b>\$275,860,537</b>	<b>\$282,335,596</b>	<b>\$289,364,167</b>	<b>\$ 298,830,750</b>	<b>\$ 316,501,000</b>	<b>\$ 328,735,086</b>	<b>\$ 340,928,188</b>	<b>\$ 353,659,261</b>	<b>\$ 365,281,781</b>	<b>\$ 377,007,502</b>	<b>\$ 388,518,368</b>
		4.11%	2.73%	2.35%	2.49%	3.27%	5.91%	3.87%	3.71%	3.73%	3.29%	3.21%	3.05%
<b>EXTRAORDINARY INCOME/RESERVES</b>													
Stark Street Settlement	\$ 2,850,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
New Falls Settlement In Lieu	\$ 53,751	\$ -	\$ 53,254	\$ 2,703,300	\$ 38,494	\$ 73,059	\$ 62,256	\$ 40,000	\$ 70,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
School Building Assistance	\$ 2,377,843	\$ 7,040,446	\$ 4,914,768	\$ 4,941,992	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Stabilization Fund	\$ 82,449	\$ 216,700	\$ 2,592,020	\$ 1,179,046	\$ 5,776,562	\$ 4,800,000	\$ 2,700,000	\$ 2,048,111	\$ -	\$ -	\$ -	\$ -	\$ -
Free Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000	\$ 500,000	\$ -	\$ -	\$ -
Overlay Surplus	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL EXTRAORDINARY INCOME/RESERVES</b>	<b>\$ 5,364,043</b>	<b>\$ 7,257,146</b>	<b>\$ 7,560,042</b>	<b>\$ 8,824,337</b>	<b>\$ 5,815,056</b>	<b>\$ 4,873,059</b>	<b>\$ 2,762,256</b>	<b>\$ 2,338,111</b>	<b>\$ 1,070,000</b>	<b>\$ 540,000</b>	<b>\$ 40,000</b>	<b>\$ 40,000</b>	<b>\$ 40,000</b>
<b>TOTAL REVENUE</b>	<b>\$263,305,869</b>	<b>\$ 275,794,570</b>	<b>\$283,420,579</b>	<b>\$291,159,933</b>	<b>\$295,179,224</b>	<b>\$ 303,703,809</b>	<b>\$ 319,263,256</b>	<b>\$ 331,073,197</b>	<b>\$ 341,998,188</b>	<b>\$ 354,199,261</b>	<b>\$ 365,321,781</b>	<b>\$ 377,047,502</b>	<b>\$ 388,558,368</b>
<b>% Increase</b>		4.74%	2.77%	2.73%	1.38%	2.89%	5.12%	3.70%	3.30%	3.57%	3.14%	3.21%	3.05%

**Five Year Expenditure Forecast - by Functional Element**  
**FY2007 - FY2013 Actual/FY2014 Budget/FY15 through FY19 Forecast**

14-Oct-13

	A-C-T-U-A-L							<BUDGET>	F-O-R-E-C-A-S-T				
	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
<b>EXPENDITURES</b>													
<b>Education</b>	\$ 140,824,276	\$ 152,871,129	\$ 156,010,151	\$ 163,283,643	\$ 166,260,251	\$ 169,673,728	\$ 176,950,191	\$ 187,671,536	\$ 194,669,000	\$ 201,093,077	\$ 207,326,962	\$ 213,546,771	\$ 219,526,081
% Increase		8.55%	2.05%	4.66%	1.82%	2.05%	4.29%	6.06%	3.73%	3.30%	3.10%	3.00%	2.80%
\$ Increase		\$ 12,046,853	\$ 3,139,022	\$ 7,273,492	\$ 2,976,608	\$ 3,413,477	\$ 7,276,463	\$ 10,721,345	\$ 6,997,464	\$ 6,424,077	\$ 6,233,885	\$ 6,219,809	\$ 5,979,310
% of Total Budget	54.74%	55.71%	54.25%	56.17%	55.40%	55.65%	55.76%	56.69%	56.65%	56.35%	56.32%	56.30%	56.13%
<b>Debt Service</b>	\$ 9,631,312	\$ 7,426,543	\$ 10,009,160	\$ 14,332,264	\$ 16,009,264	\$ 16,055,273	\$ 16,262,237	\$ 17,057,491	\$ 17,600,000	\$ 19,850,000	\$ 22,250,000	\$ 24,550,000	\$ 25,750,000
% Increase		-22.89%	34.78%	43.19%	11.70%	0.29%	1.29%	4.89%	3.18%	12.78%	12.09%	10.34%	4.89%
\$ Increase		\$ (2,204,769)	\$ 2,582,617	\$ 4,323,104	\$ 1,677,000	\$ 46,009	\$ 206,964	\$ 795,254	\$ 542,509	\$ 2,250,000	\$ 2,400,000	\$ 2,300,000	\$ 1,200,000
% of Total Budget	3.74%	2.71%	3.48%	4.93%	5.33%	5.27%	5.12%	5.15%	5.12%	5.56%	6.04%	6.47%	6.58%
<b>Pensions &amp; Retiree Benefits</b>	\$ 19,043,013	\$ 19,666,614	\$ 20,827,227	\$ 21,932,507	\$ 23,774,440	\$ 25,352,632	\$ 25,835,950	\$ 27,842,189	\$ 29,053,000	\$ 30,975,000	\$ 33,035,000	\$ 35,250,000	\$ 37,620,000
% Increase		3.27%	5.90%	5.31%	8.40%	6.64%	1.91%	7.77%	4.35%	6.62%	6.65%	6.71%	6.72%
\$ Increase		\$ 623,601	\$ 1,180,613	\$ 1,105,280	\$ 1,841,933	\$ 1,578,192	\$ 483,318	\$ 2,006,239	\$ 1,210,811	\$ 1,922,000	\$ 2,060,000	\$ 2,215,000	\$ 2,370,000
% of Total Budget	7.40%	7.17%	7.24%	7.55%	7.92%	8.32%	8.14%	8.41%	8.45%	8.68%	8.97%	9.29%	9.62%
<b>State Charges</b>	\$ 5,375,365	\$ 5,512,027	\$ 5,453,169	\$ 5,619,317	\$ 5,472,487	\$ 5,503,956	\$ 5,722,550	\$ 5,790,193	\$ 5,934,948	\$ 6,083,322	\$ 6,235,405	\$ 6,391,290	\$ 6,551,072
% Increase		2.54%	-1.07%	3.05%	-2.61%	0.58%	3.97%	1.18%	2.50%	2.50%	2.50%	2.50%	2.50%
\$ Increase		\$ 136,662	\$ (58,858)	\$ 166,148	\$ (146,830)	\$ 31,469	\$ 218,594	\$ 67,643	\$ 144,755	\$ 148,374	\$ 152,083	\$ 155,885	\$ 159,782
% of Total Budget	2.09%	2.01%	1.90%	1.93%	1.82%	1.81%	1.80%	1.75%	1.73%	1.70%	1.69%	1.69%	1.67%
<b>Transfers to Other Funds</b>	\$ 7,167,220	\$ 9,464,685	\$ 8,723,736	\$ 3,146,879	\$ 5,461,830	\$ 6,899,051	\$ 7,625,408	\$ 3,100,000	\$ 3,937,290	\$ 3,743,000	\$ 1,395,000	\$ (1,195,000)	\$ (1,965,000)
% Increase		32.06%	-7.83%	-63.93%	73.66%	26.31%	10.53%	-59.35%	27.01%	-4.93%	-62.73%	-185.66%	64.44%
\$ Increase		\$ 2,297,465	\$ (740,949)	\$ (5,576,857)	\$ 2,314,951	\$ 1,437,221	\$ 726,357	\$ (4,525,408)	\$ 837,290	\$ (194,290)	\$ (2,348,000)	\$ (2,590,000)	\$ (770,000)
% of Total Budget	2.79%	3.45%	3.03%	1.08%	1.82%	2.26%	2.40%	0.94%	1.15%	1.05%	0.38%	-0.32%	-0.50%
<b>Municipal Expenditures</b>	\$ 75,217,900	\$ 79,454,144	\$ 86,531,595	\$ 82,359,424	\$ 83,156,349	\$ 81,416,273	\$ 84,925,936	\$ 89,611,788	\$ 92,450,000	\$ 95,131,050	\$ 97,889,850	\$ 100,728,656	\$ 103,649,787
% Increase		5.63%	8.91%	-4.82%	0.97%	-2.09%	4.31%	5.52%	3.17%	2.90%	2.90%	2.90%	2.90%
\$ Increase		\$ 4,236,244	\$ 7,077,451	\$ (4,172,171)	\$ 796,925	\$ (1,740,076)	\$ 3,509,663	\$ 4,685,852	\$ 2,836,212	\$ 2,681,050	\$ 2,758,800	\$ 2,838,806	\$ 2,921,131
% of Total Budget	29.24%	28.96%	30.09%	28.33%	27.71%	28.70%	26.76%	27.07%	28.90%	26.69%	26.59%	26.56%	26.50%
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	\$ 257,259,086	\$ 274,395,142	\$ 287,555,038	\$ 290,674,034	\$ 300,134,621	\$ 304,900,913	\$ 317,322,272	\$ 331,073,197	\$ 343,644,238	\$ 356,875,449	\$ 368,132,217	\$ 379,271,717	\$ 391,131,940
% Increase		6.66%	4.80%	1.08%	3.25%	1.59%	4.07%	4.33%	3.80%	3.85%	3.15%	3.03%	3.13%
<b>POTENTIAL GAP</b>								\$ 0	\$ (1,646,050)	\$ (2,676,188)	\$ (2,810,436)	\$ (2,224,215)	\$ (2,573,572)



**City of Newton, Massachusetts**  
**Expenditure Forecast by Major Cost Drivers - Based on Run Rates**  
**FY2007 - FY2013 Actual/FY2014 Budget/FY15 through FY19 Forecast**

	←-----ACTUAL----->							<-BUDGET->	←-----F-O-R-E-C-A-S-T----->				
	FY07	FY08	FY09	FY10	FY11	FY12	FY13		FY14	FY15	FY16	FY17	FY18
<b>EXPENDITURES BY MAJOR COST DRIVER</b>													
Salaries & Health Benefits	\$ 167,687,612	\$ 179,352,807	\$ 185,019,891	\$ 191,084,759	\$ 193,760,550	\$ 193,485,322	\$ 199,297,278	\$ 212,798,429	\$ 219,418,390	\$ 226,203,850	\$ 233,158,946	\$ 240,287,920	\$ 247,595,118
% Increase		6.96%	3.16%	3.28%	1.40%	-0.14%	3.00%	2.50%	3.11%	3.09%	3.07%	3.06%	3.04%
									(Adjusted for Additional Teachers due to Growth in Enrollment)				
Energy/Utilities	\$ 9,438,791	\$ 8,023,401	\$ 9,202,424	\$ 6,872,653	\$ 7,305,514	\$ 6,723,649	\$ 6,819,580	\$ 6,947,790	\$ 7,121,485	\$ 7,299,522	\$ 7,482,010	\$ 7,669,060	\$ 7,860,787
% Increase		-15.00%	14.69%	-25.32%	6.30%	-7.96%	1.43%	1.88%	2.50%	2.50%	2.50%	2.50%	2.50%
Services	\$ 8,738,802	\$ 10,522,708	\$ 11,074,081	\$ 11,104,429	\$ 10,925,433	\$ 10,608,732	\$ 12,533,215	\$ 11,289,648	\$ 11,571,889	\$ 11,861,186	\$ 12,157,716	\$ 12,461,659	\$ 12,773,201
% Increase		20.41%	5.24%	0.27%	-1.61%	-2.90%	18.14%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Refuse Collection/Disposal	\$ 5,826,945	\$ 5,693,480	\$ 6,111,143	\$ 5,831,566	\$ 5,732,682	\$ 6,143,432	\$ 6,412,329	\$ 6,642,952	\$ 6,908,670	\$ 7,185,017	\$ 7,472,418	\$ 7,771,314	\$ 8,082,167
% Increase		-2.29%	7.34%	-4.57%	-1.70%	7.17%	4.38%	3.60%	4.00%	4.00%	4.00%	4.00%	4.00%
Out of District Tuition	\$ 4,324,157	\$ 6,015,063	\$ 6,506,517	\$ 7,017,814	\$ 8,180,060	\$ 9,467,632	\$ 8,503,507	\$ 9,847,317	\$ 10,832,049	\$ 11,915,254	\$ 13,106,779	\$ 14,417,457	\$ 15,859,203
% Increase		39.10%	8.17%	7.86%	16.56%	15.74%	-10.18%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Pupil Transportation	\$ 3,773,413	\$ 4,128,471	\$ 4,310,400	\$ 4,428,039	\$ 4,233,771	\$ 4,367,163	\$ 4,930,451	\$ 5,081,541	\$ 5,386,433	\$ 5,709,619	\$ 6,052,197	\$ 6,415,328	\$ 6,800,248
% Increase		9.41%	4.41%	2.73%	-4.39%	3.15%	12.90%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Supplies & Materials	\$ 4,719,466	\$ 5,960,650	\$ 6,479,767	\$ 5,788,139	\$ 5,369,207	\$ 5,105,588	\$ 5,667,284	\$ 5,631,550	\$ 5,772,338	\$ 5,916,647	\$ 6,064,563	\$ 6,216,177	\$ 6,371,581
% Increase		26.30%	8.71%	-10.67%	-7.24%	-4.91%	11.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
State Assessments	\$ 5,375,365	\$ 5,512,027	\$ 5,453,169	\$ 5,619,317	\$ 5,472,487	\$ 5,503,956	\$ 5,722,550	\$ 5,790,193	\$ 5,934,948	\$ 6,083,322	\$ 6,235,405	\$ 6,391,290	\$ 6,551,072
% Increase		2.54%	-1.07%	3.05%	-2.61%	0.58%	3.97%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Fringes (Unemp, OPEB, W/Comp, Medicare B, % Increase	\$ 5,397,695	\$ 5,970,624	\$ 6,310,804	\$ 6,360,528	\$ 6,465,724	\$ 6,859,234	\$ 6,921,102	\$ 7,254,529	\$ 7,435,892	\$ 7,621,789	\$ 7,812,334	\$ 8,007,642	\$ 8,207,833
		10.61%	5.70%	0.79%	1.65%	6.09%	0.90%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Pension Contribution	\$ 10,883,161	\$ 11,630,463	\$ 12,523,365	\$ 13,053,138	\$ 14,755,309	\$ 15,759,263	\$ 16,176,894	\$ 17,628,230	\$ 19,038,488	\$ 20,561,567	\$ 22,206,493	\$ 23,983,012	\$ 25,901,653
% Increase		6.87%	7.68%	4.23%	13.04%	6.80%	2.65%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Retiree Health Benefits	\$ 11,572,917	\$ 11,511,675	\$ 12,158,126	\$ 12,875,686	\$ 13,047,076	\$ 14,220,339	\$ 13,985,654	\$ 14,971,021	\$ 16,018,992	\$ 17,140,322	\$ 18,340,144	\$ 19,623,955	\$ 20,997,631
% Increase		-0.53%	5.62%	5.90%	1.33%	8.99%	-1.65%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Debt Service - Principle & Int	\$ 9,631,313	\$ 7,426,543	\$ 10,009,160	\$ 14,332,264	\$ 16,009,264	\$ 16,051,692	\$ 16,262,237	\$ 17,057,491	\$ 17,600,000	\$ 19,850,000	\$ 22,250,000	\$ 24,550,000	\$ 25,750,000
% Increase		-22.89%	34.78%	43.19%	11.70%	0.27%	1.31%	4.89%	3.18%	12.78%	12.09%	10.34%	4.89%
Capital Outlay/Improvements	\$ 1,759,201	\$ 1,755,118	\$ 2,577,412	\$ 2,020,027	\$ 2,129,369	\$ 3,170,719	\$ 3,380,455	\$ 3,631,438	\$ 3,813,010	\$ 4,003,661	\$ 4,203,844	\$ 4,414,036	\$ 4,634,738
% Increase		-0.23%	46.85%	-21.63%	5.41%	48.90%	6.61%	7.42%	5.00%	5.00%	5.00%	5.00%	5.00%
Miscellaneous	\$ 963,029	\$ 1,427,427	\$ 1,095,043	\$ 1,138,796	\$ 1,286,343	\$ 1,859,516	\$ 1,591,052	\$ 1,630,829	\$ 1,671,599	\$ 1,713,389	\$ 1,756,224	\$ 1,800,130	\$ 1,845,133
% Increase		48.22%	-23.29%	4.00%	12.96%	44.56%	-14.44%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Transfers to Rainy Day Fund	\$ -	\$ -	\$ -	\$ -	\$ 2,643,271	\$ 3,500,000	\$ 4,850,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
% Increase					32.41%	38.57%	-100.00%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Transfers to Other Funds	\$ 7,167,220	\$ 9,464,685	\$ 8,723,736	\$ 3,146,879	\$ 2,818,559	\$ 2,074,676	\$ 1,474,765	\$ 4,870,240	\$ 6,570,240	\$ 6,570,240	\$ 6,570,240	\$ 6,570,240	\$ 6,570,240
<b>TOTAL EXPENDITURES</b>	<b>\$ 257,259,086</b>	<b>\$ 274,395,142</b>	<b>\$ 287,555,038</b>	<b>\$ 290,674,034</b>	<b>\$ 300,134,621</b>	<b>\$ 304,900,913</b>	<b>\$ 314,528,352</b>	<b>\$ 331,073,198</b>	<b>\$ 345,094,425</b>	<b>\$ 359,635,385</b>	<b>\$ 374,869,312</b>	<b>\$ 390,579,220</b>	<b>\$ 405,800,604</b>
% Increase		6.66%	4.80%	1.08%	3.25%	1.59%	3.16%	5.26%	4.24%	4.21%	4.24%	4.19%	3.90%

## **Financial Principles**

On April 20, 2011 the Honorable Board of Aldermen adopted a revised set of Financial Management Guidelines. There are several guiding principles that are incorporated into those guidelines which have been included as an integral part of this five year financial forecast. 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 financial forecast estimates are expected to capture 99% of total expected revenue for the year.
- **Expenditure budgeting:** Expenditure budget estimates will be sufficient to address not less than 100% of projected operating requirements of the various departments of the City for the next fiscal year.
- **Capital outlay and improvements:** It is the practice of the City to issue a minimum of \$3.5 million in bonds for capital improvements annually; financing for the associated debt service will come from the General Fund. A minimum of 5% of the annual General Fund operating budget (i.e., the sum of estimated revenues, inter-fund transfers, free cash and other financing sources balances) will be budgeted for capital outlay and improvements.
- **Free Cash:** Free Cash represents the accumulated difference of unrestricted funds between General Fund revenues and expenditures, on a cash basis of accounting. The City expects to generate a limited amount of Free Cash which comes from unanticipated actual revenues in excess of revenue estimates (including overlay surplus), unexpected unspent funds in operating budget line items, and/or unanticipated unexpended free cash from the previous year.
- **Utilization of Free Cash:** Free Cash will be used in the following manner. First, a maximum of \$1.5 million will be used as a general revenue source for the ensuing year's operating budget. Second, Free Cash will be used to replenish Reserve Funds depleted in the previous year. Third, a minimum of forty percent (40%) of the remaining certified Free Cash will be

put in the Rainy Day Stabilization Fund until the Rainy Day Stabilization Fund reaches its target level. Fourth, any additional Free Cash will be used for one-time, non-recurring expenditures.

- **Inclement Weather Stabilization Reserve:** The City will establish an Inclement Weather Stabilization 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.