

Executive Summary

To ensure the continued health and sustainability of the City of Newton for decades to come, we need a *strategic* financial, management, and investment perspective. As Mayor Fuller has said:

We need a long-term financial plan that quantifies the implications of our qualitative aspirations. If compensation, retiree benefits and/or infrastructure investments increase faster than revenues, then choices will need to be made, hard ones. But with careful analysis and thoughtful deliberations, we can make prudent decisions. We can take actions that will better position the City of Newton to sustain its success and fulfill its mission of being a great place to raise a family, to work and to play, and to retire.

This Long-Range Financial Plan through FY2030 allows us to meet both our current and long-term goals. It satisfies our pension funding schedule by aggressively increasing our annual appropriation by 9.6% until we achieve full funding in FY2030. The plan also establishes financially responsible debt service levels, funding several critical capital projects including complete streets projects in West Newton Square and Newtonville, as well as the future homes for the Newton Early Childhood Program, the Lincoln-Eliot school community, and some or all of the Newton Center for Active Living (NewCAL), depending on the site.

With the help of an additional \$1 million that Mayor Fuller added to the Newton Public Schools FY2020 budget, NPS implemented full day kindergarten in September 2019.

This plan provides the financial wherewithal for the City to begin fully funding its retiree health care or OPEB liabilities in FY2031.

For FY2021 and beyond, after satisfying annual pension and retiree health obligations and debt service investments, this plan provides a 3.15% annual increase in the operating budgets for the municipal departments. This plan also includes a \$7.7 million increase in the Newton Public Schools budget in FY2021 and provides a total increase of \$89 million in the NPS budget by the year 2030. Newton's schools continue to be the largest part of the City budget and increases more than the other municipal services. This translates into a 3.25% annual increase in the NPS budget for staffing, services and compensation for FY2021 through FY2030.

Importantly, the 3.25% annual increase to NPS is a floor, a budget increase Mayor Fuller has guaranteed. This allocation will be there through good times and bad, recessions or spikes in interest rates, decreases in enrollments or cost savings in transportation or energy use.

This forecast is built on thoughtful assumptions for future revenues and expenditures. Based on these assumptions, this forecast transparently and knowingly shows a gap in each year between revenues and expenses. This gap grows from approximately \$1.6 million in FY2021 to as much as \$26 million in FY2029. These gaps must be and will be reevaluated and addressed each year. 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 is designed to enable the leadership of the City of Newton 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 of the City of Newton for decades to come.

For the FY2021 Budget, FY2021-FY2025 Financial Forecast and the Long-Range Financial Plan through FY2030 to be sustainable, 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; fund infrastructure needs; provide for the functions of government; fully fund all liabilities; maintain an appropriate level of reserves and be mindful about the impact of taxes on our residents and businesses.

Achieving these financial and strategic benchmarks 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 in order to 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.