

City of Newton
Long-Range Financial Plan &
Five-Year Financial Forecast
FY2023 – FY2027

Mayor Ruthanne Fuller
October 4, 2021



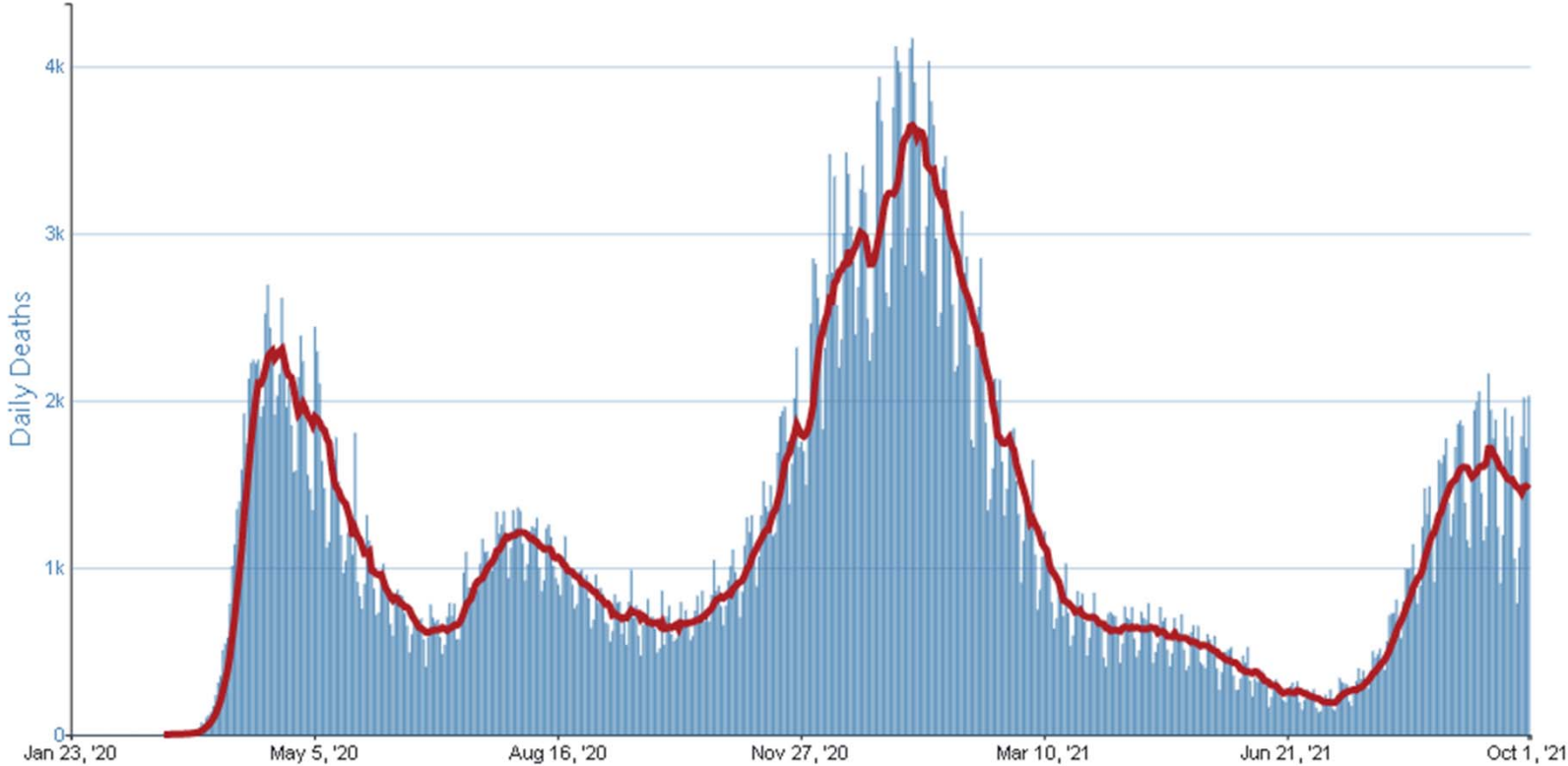
A large, rectangular iceberg with a flat top and steep sides floats in a deep blue ocean. The sky is a clear, bright blue with some light, wispy clouds. The iceberg's surface shows some texture and shadows, suggesting it's made of ice. The water is calm, reflecting the blue of the sky and the white of the iceberg.

ICEBERG STRAIGHT AHEAD

COVID-19

Daily Trends in United States' COVID-19 Deaths Reported to the CDC as of October 1, 2021

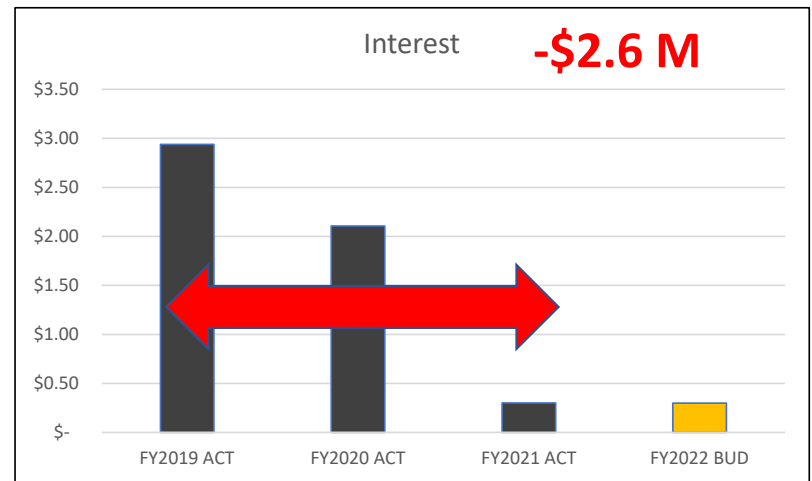
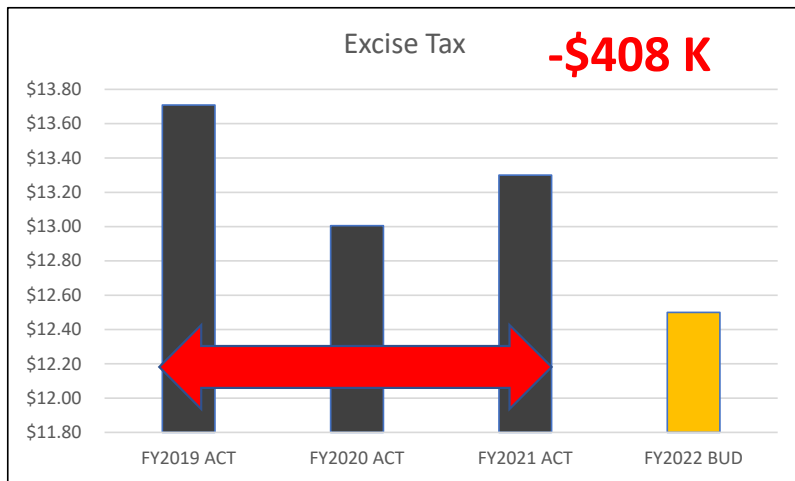
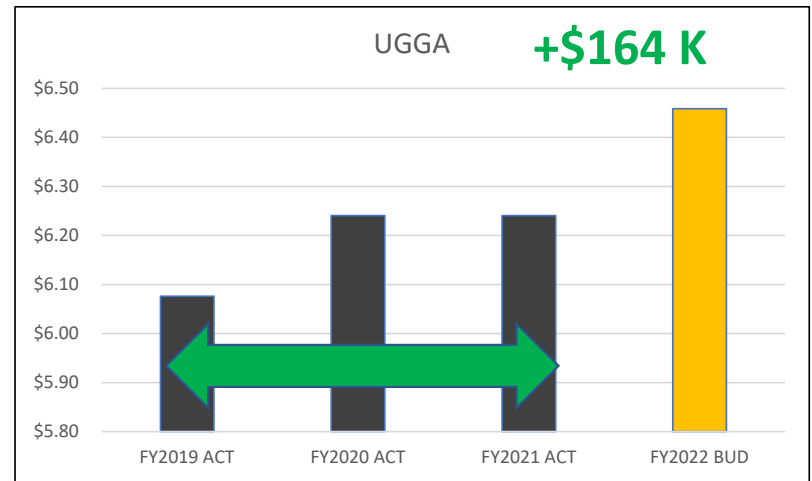
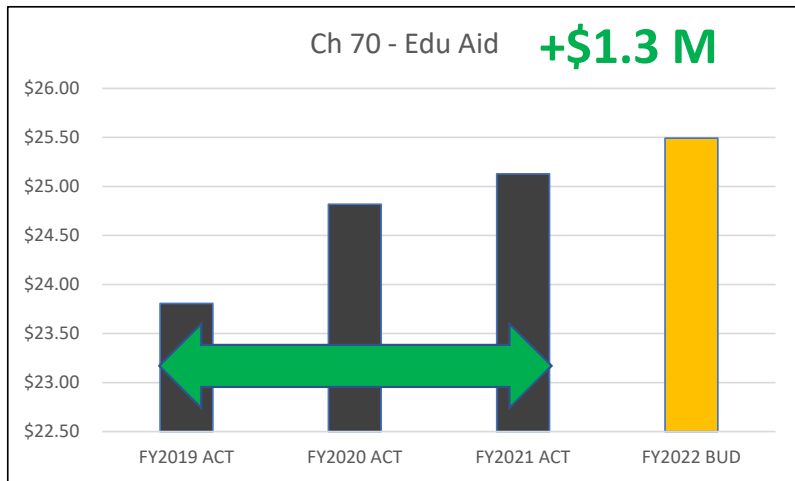
Daily Trends in Number of COVID-19 Deaths in The United States Reported to CDC



Coronavirus Pandemic – Impact on Revenues

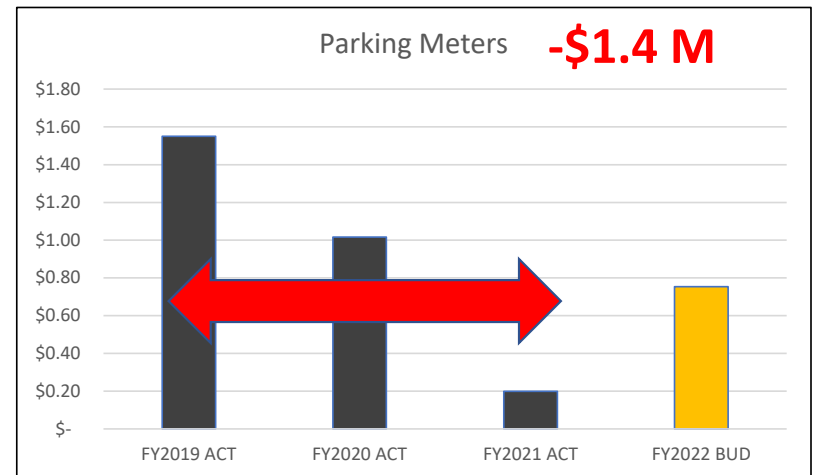
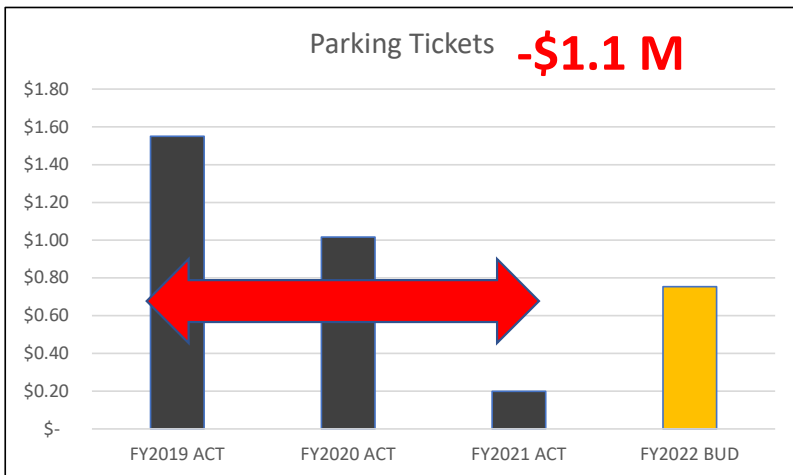
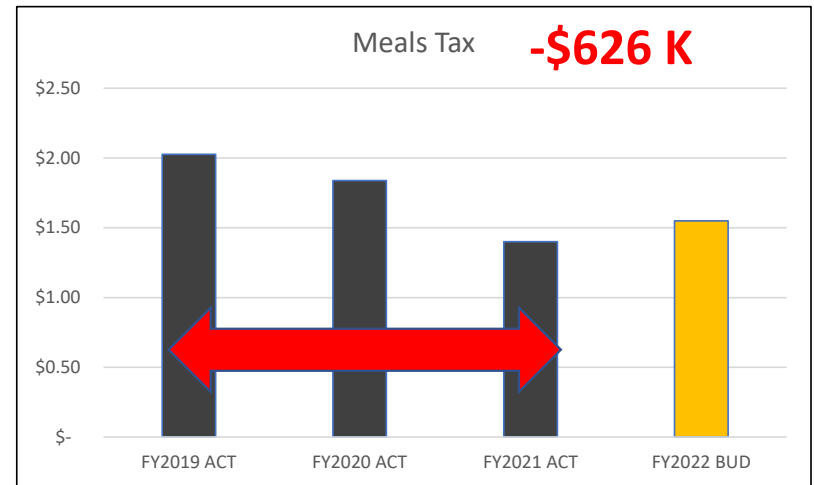
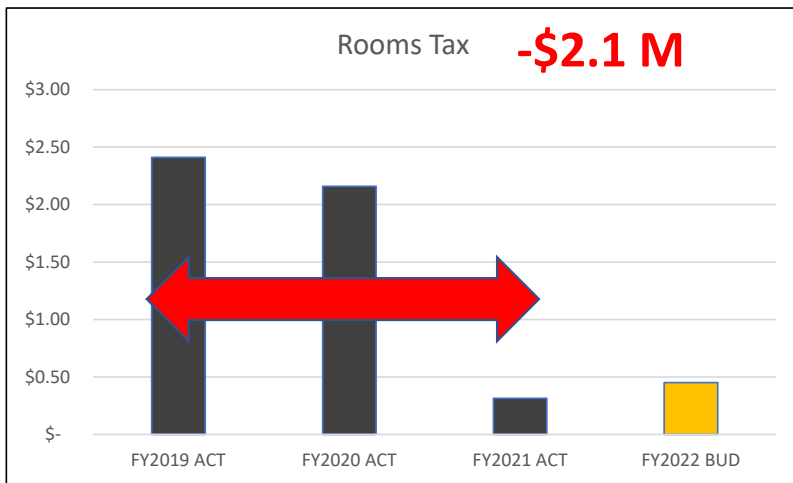
COVID-19 IMPACT ON REVENUE

FY19 ACTUAL VS FY21 ACTUAL

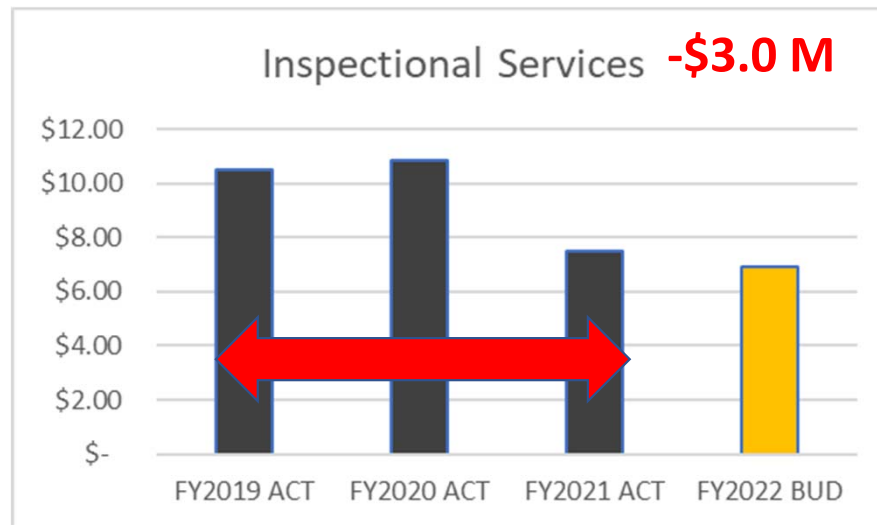


COVID-19 IMPACT ON REVENUE

FY19 ACTUAL VS FY21 ACTUAL



COVID-19 IMPACT ON REVENUE FY19 ACTUAL VS FY21 ACTUAL



LOST REVENUE – THESE 7 REVENUE SOURCES = \$11.2 M

Coronavirus Pandemic – Grants, Reimbursements, and Costs

American Rescue Plan Act – A.R.P.A.

A.R.P.A. FUNDS - \$63.2 M REQUIREMENTS

- A. to respond to the public health emergency with respect to COVID-19 or its negative economic impacts
- B. to respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers
- C. for the provision of government services to the extent of the reduction in revenue of such government due to the COVID-19
- D. to make necessary investments in water, sewer, or broadband infrastructure

A.R.P.A. FUNDS - \$63.2 M

RESTRICTIONS

- A. Funds shall not be used. . . to either directly or indirectly offset a reduction in the net tax revenue . . . that reduces any tax (by providing for a reduction in a rate, a rebate, a deduction, a credit, or otherwise) or delays the imposition of any tax or tax increase.
- B. PENSION FUNDS.—No State or territory may use funds made available under this section for deposit into any pension fund.

A.R.P.A. FUNDS - \$63.2 M

CALCULATING REVENUE LOSSES

1. Identify the most recent fiscal year prior to the COVID-19 public health emergency
2. Calculate FY2019 Total City of Newton Revenue from all sources then adjust for federal funds, bond sale proceeds, interfund transfers and other miscellaneous revenues
3. Determine Appropriate Counterfactual Growth Rate – Dept of Treasury allowed amount or the City's average annual revenue growth over the three full fiscal years prior to COVID-19
4. Calculate the extent of the reduction in revenue as of four points in time: December 31, 2020; December 31, 2021; December 31, 2022; and December 31, 2023

A.R.P.A. FUNDS - \$63.2 M CALCULATING REVENUE LOSSES

1.	Most recent fiscal year	FY 2019
2.	Calculate FY2019 Total Revenue	\$ 491.6 Mil
3.	Conterfactual Growth Rate	4.1 %
4.	Allowable Revenue 12/31/2020	\$ 521.8 Mil
5.	CY 2020 Actual Revenue	\$ 490.8 Mil
6.	Revenue Loss through December 31, 2020	\$ 31.0 Mil

A.R.P.A. FUNDS - \$63.2 M
REVENUE LOSSES AS OF DECEMBER 31, 2020
\$ 31.0 Million

What does this mean???

\$31 Million of our ARPA Projects
QUALIFY
for Category (C)

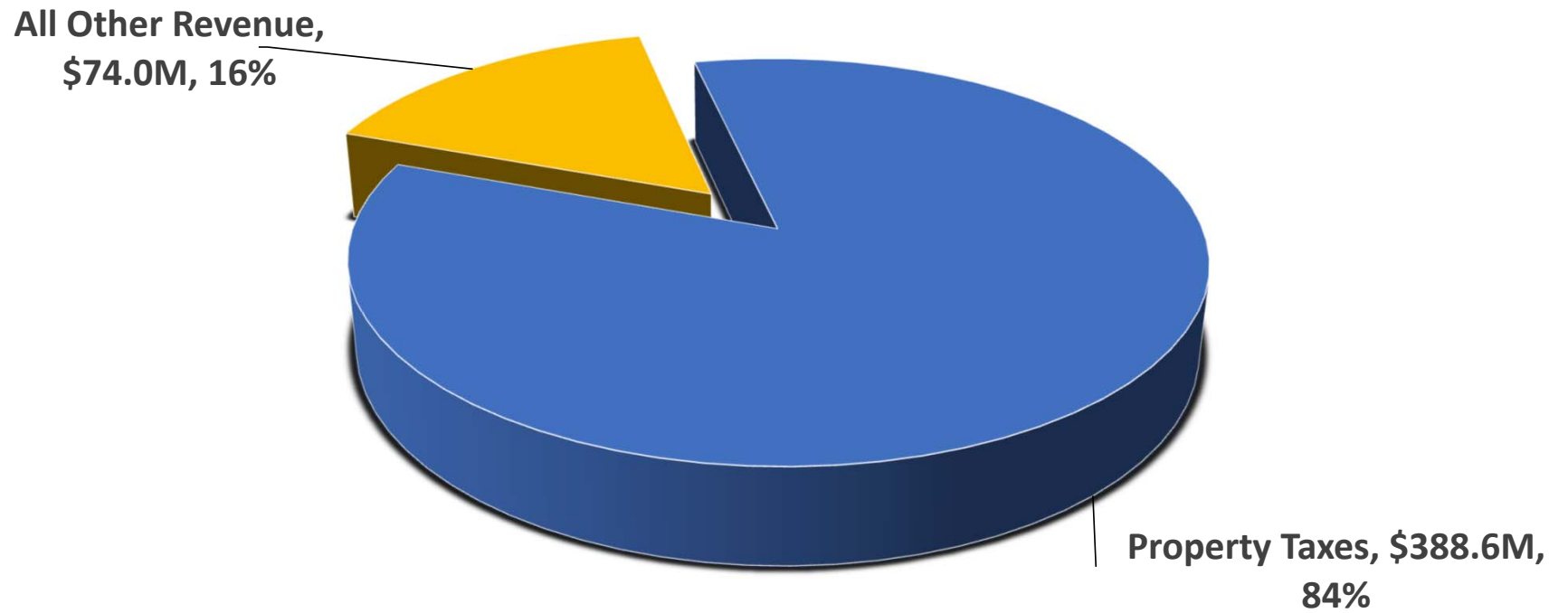
**for the provision of government services to
the extent of the reduction in revenue of
such government due to the COVID-19**

ARPA Eligible Uses Category (A) and Category (C)

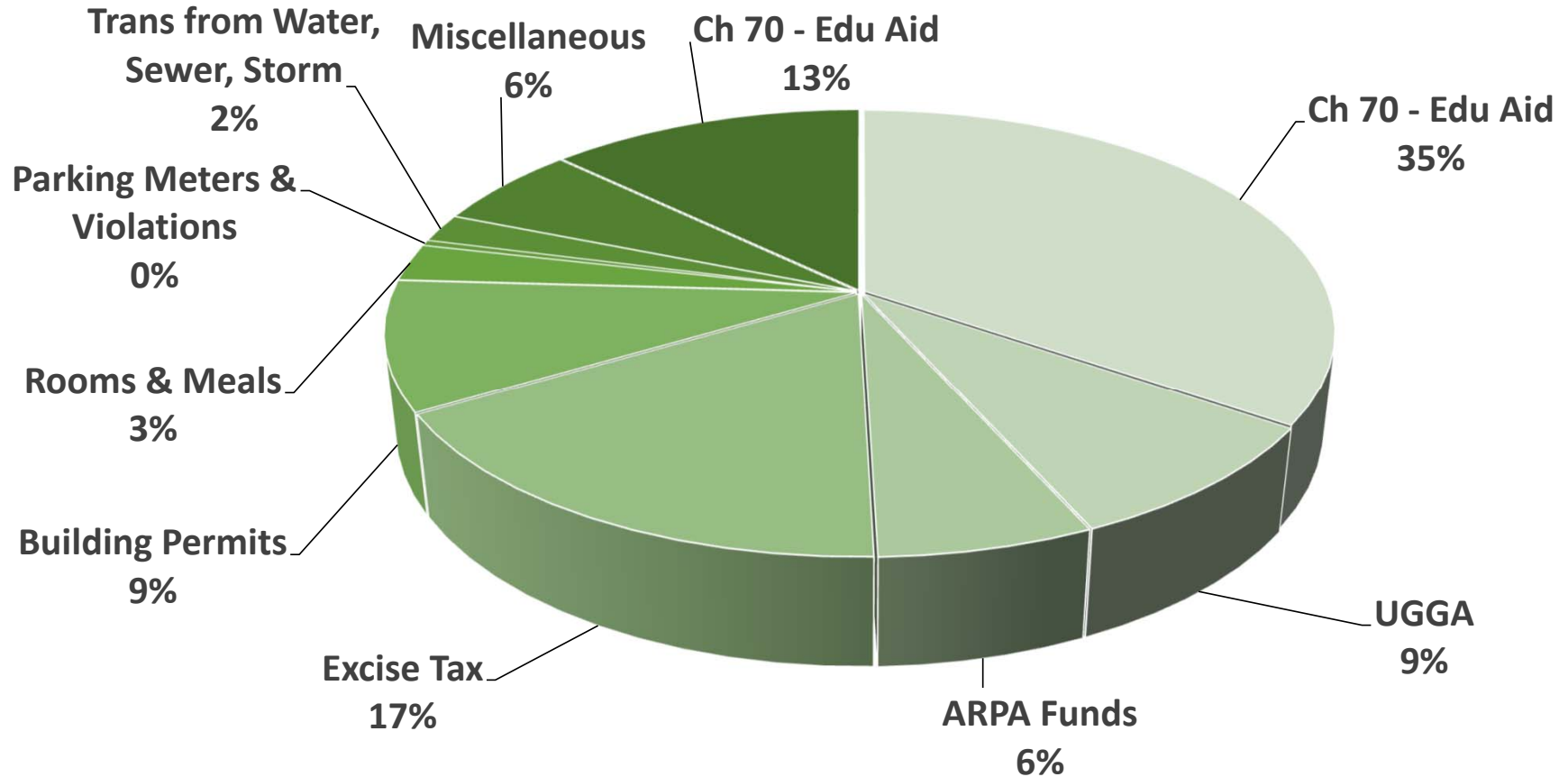
	<u>Category (A)</u>	<u>Category (C)</u>
1. Bicycle/Pedestrian Master Plan		\$ 80,000
2. Feasibility Arts & Culture Pavilion in Newton Centre Bowl		\$ 50,000
3. Revitalize Creative Newton		\$ 75,000
4. NewtonHires	\$ 220,000	
5. Community Needs Assessment	\$ 50,000	
6. Newton Center for Active Living (NewCAL) Design Funds	\$ 500,000	
7. Street Tree Program Investments		\$ 250,000
8. Conservation Trail and Accessible Pathway Improvements		\$ 150,000
9. Library Children's Room Expansion	\$ 2,000,000	
10. Horace Mann Elementary School Playground Expansion	\$ 250,000	
11. Road Repair and Paving		\$ 2,500,000
12. Countryside Renovation/Replacement Feasibility Study		\$ 1,250,000
13. COVID-19 Building Adaptations	\$ 1,800,000	
14. FY2022 City of Newton Operating Budget		\$ 4,603,645

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

Fiscal Year 22 – Property Taxes = \$388.6M



Fiscal Year 22 – All Other Revenues = \$74m



Revenue from “New Growth and Redevelopment”

New Growth as a Percent of Property Tax Levy

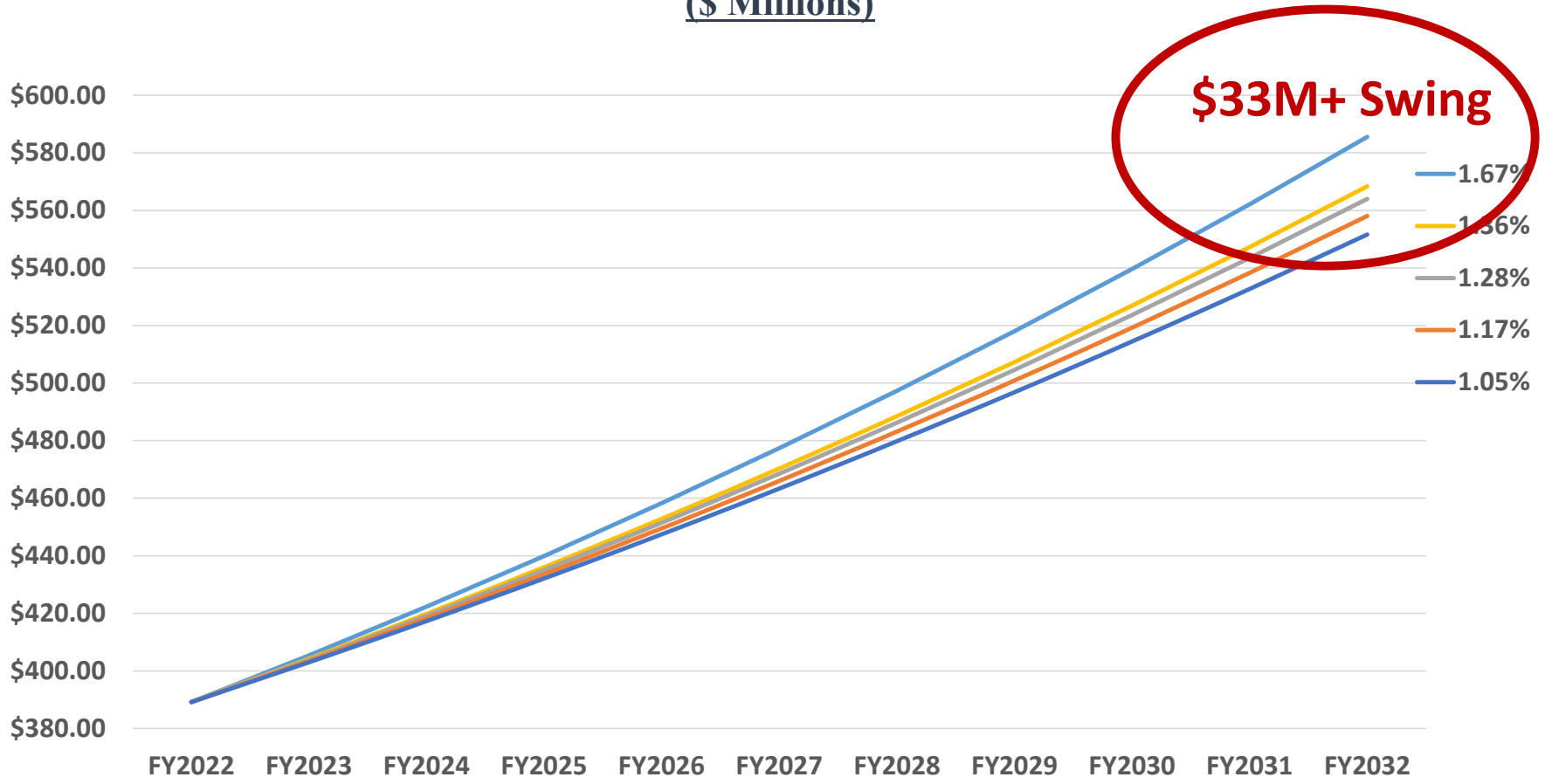
30 Year Average = 1.38%

20 Year Average = 1.46%



9 CONSECUTIVE YEARS OF >1.50%

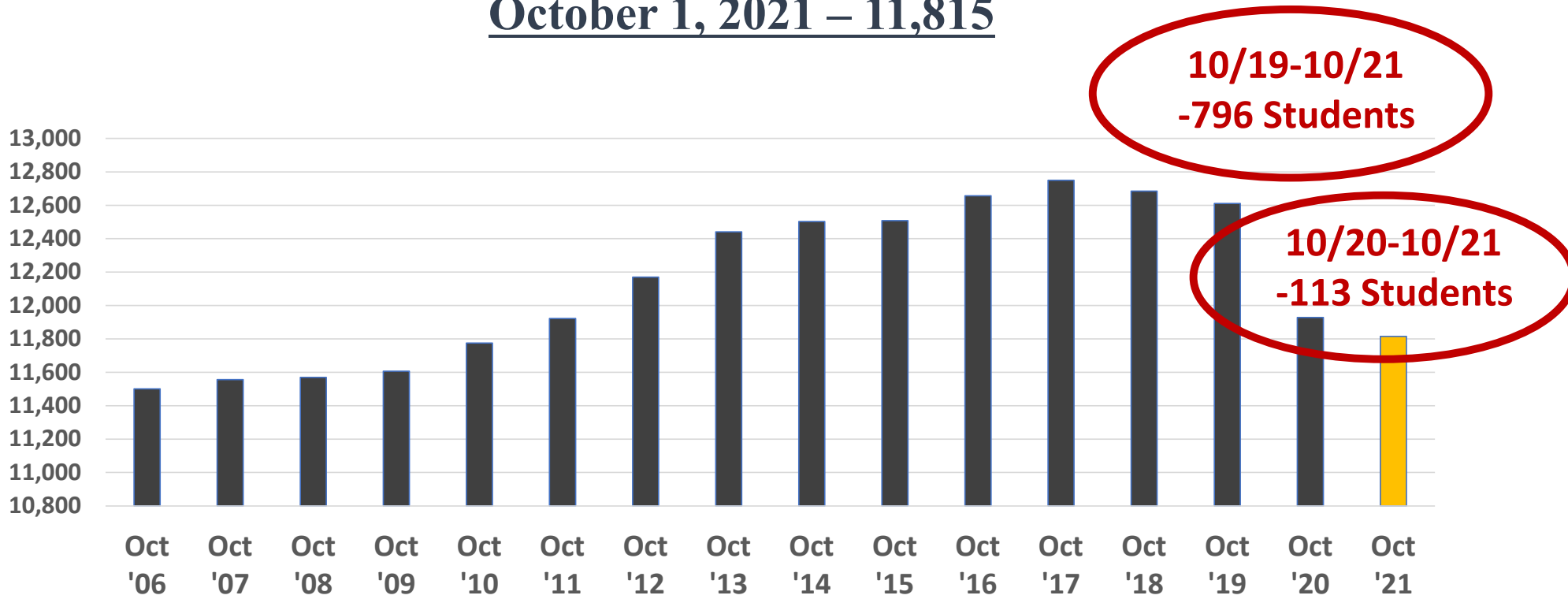
Total Revenue through FY2032
New Growth & Redevelopment Ratios: 1.05% - 1.67%
(\$ Millions)



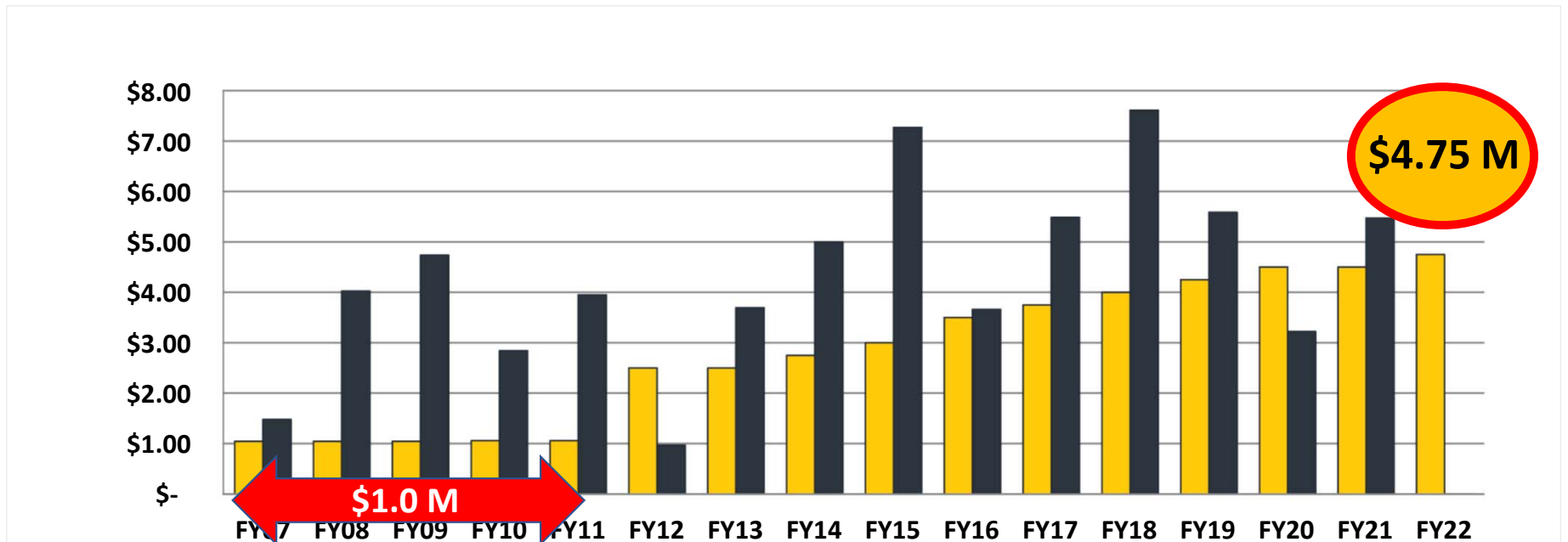
Significant Cost Drivers

Newton Public Schools – Enrollment

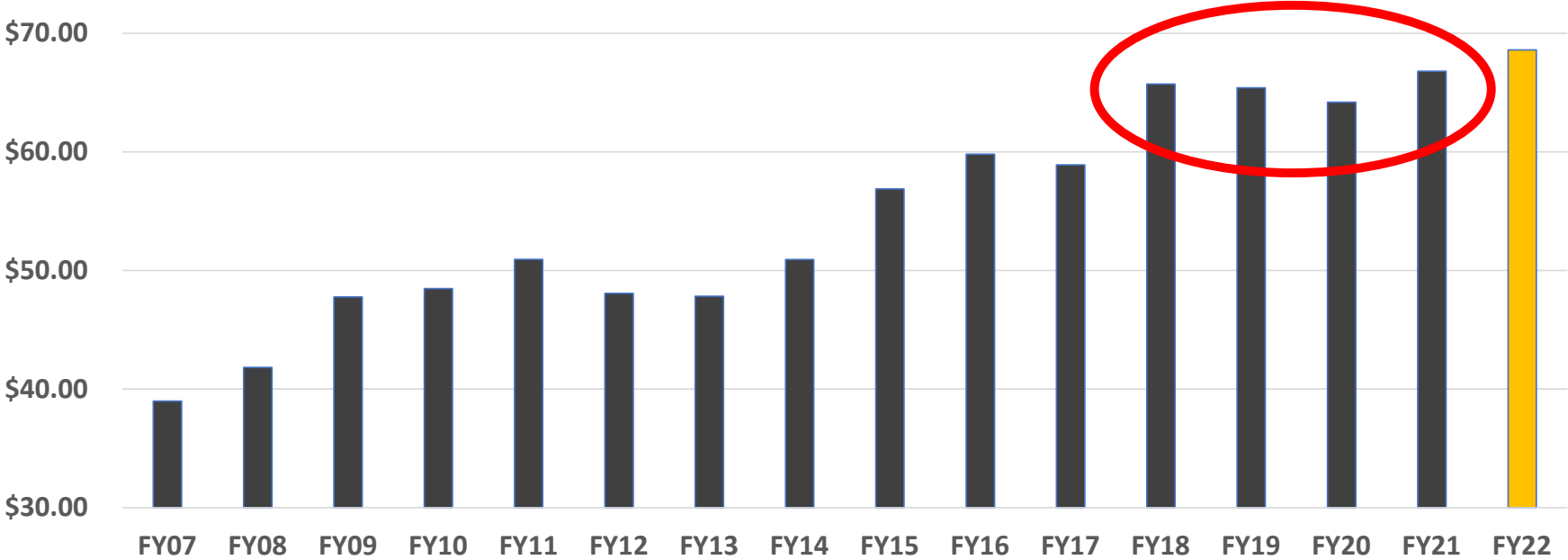
October 1, 2021 – 11,815



Snow & Ice Removal – Current 5 Yr Avg Annual Cost - \$5.5M FY2022 Appropriation - \$4,750,000



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

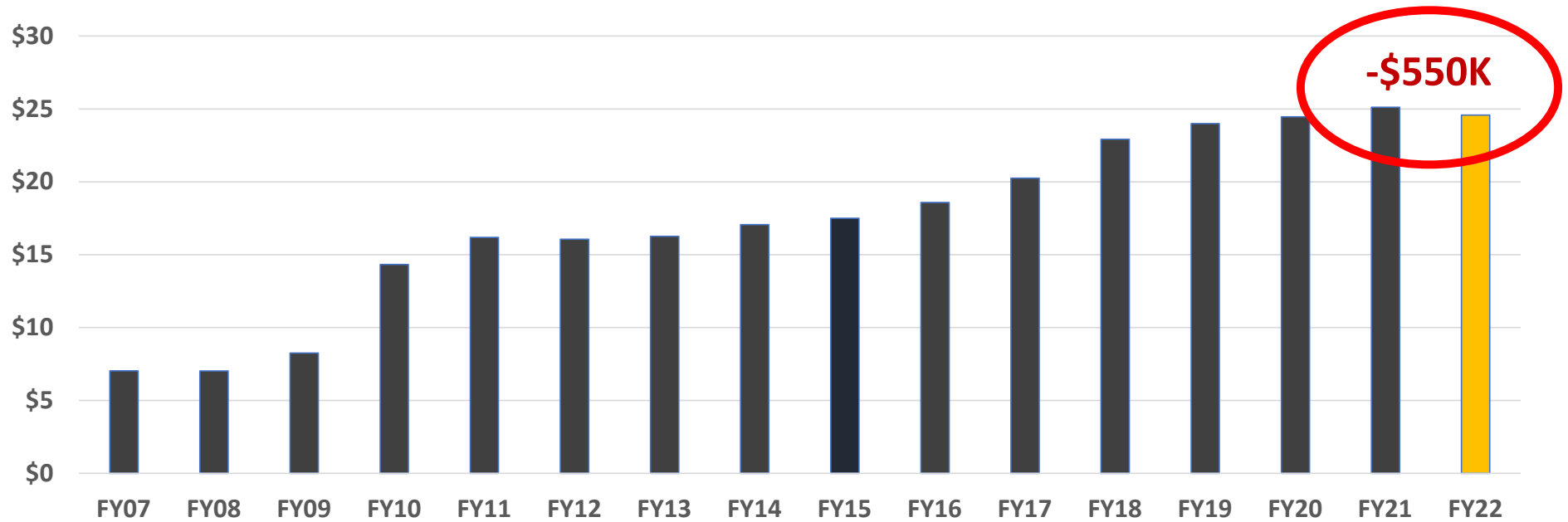


Debt Service

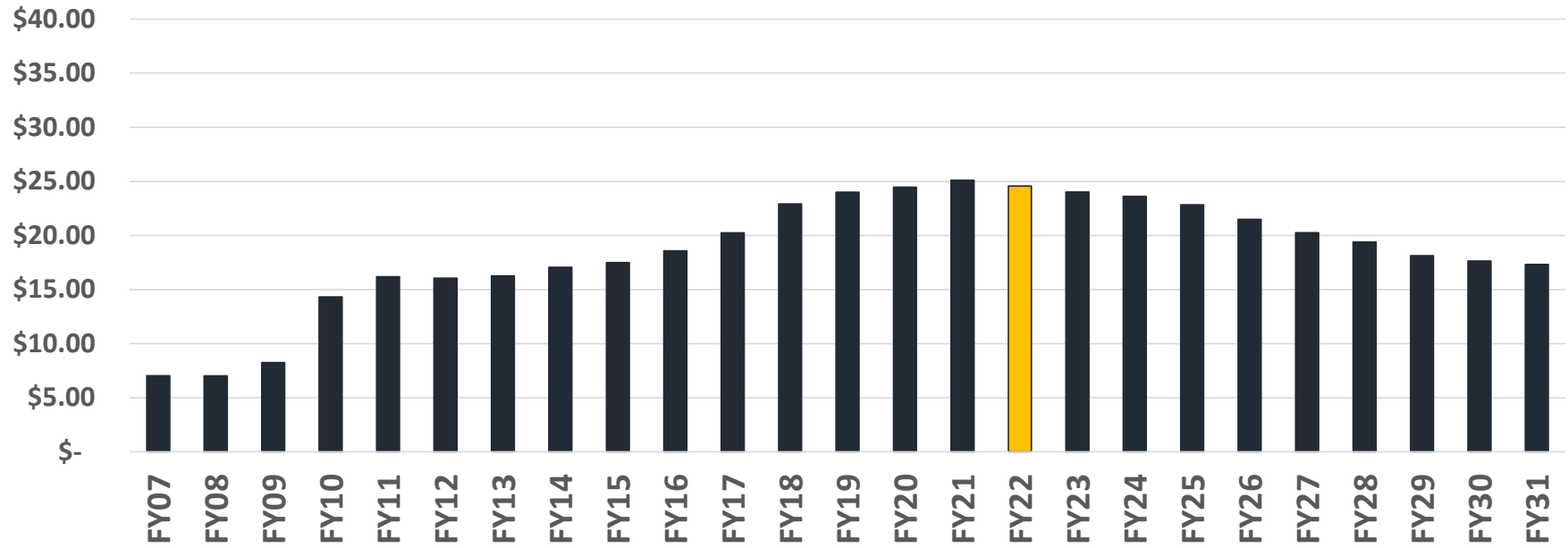
Investment in School & City Buildings, Fleet, Bridges, Equipment, Parks, Transportation Initiatives, Water/Sewer/Stormwater Systems

FY2022 Debt Service - \$24.6M

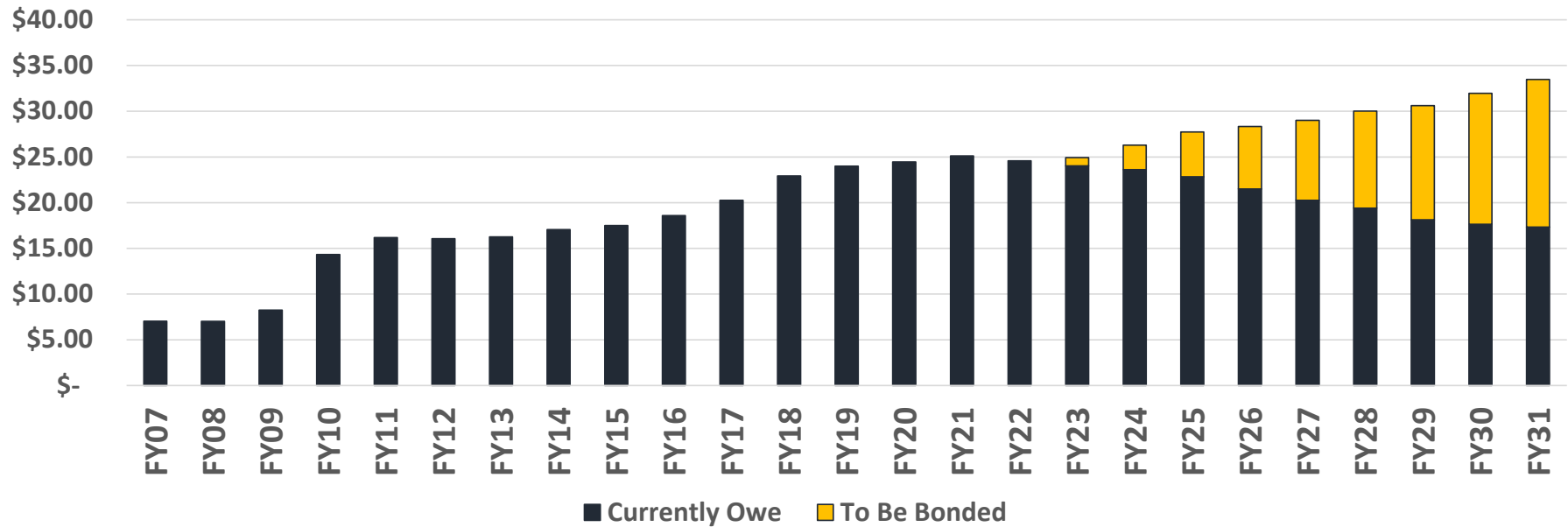
(\$ Millions)



Current Debt Service Schedule (What We Already Owe)

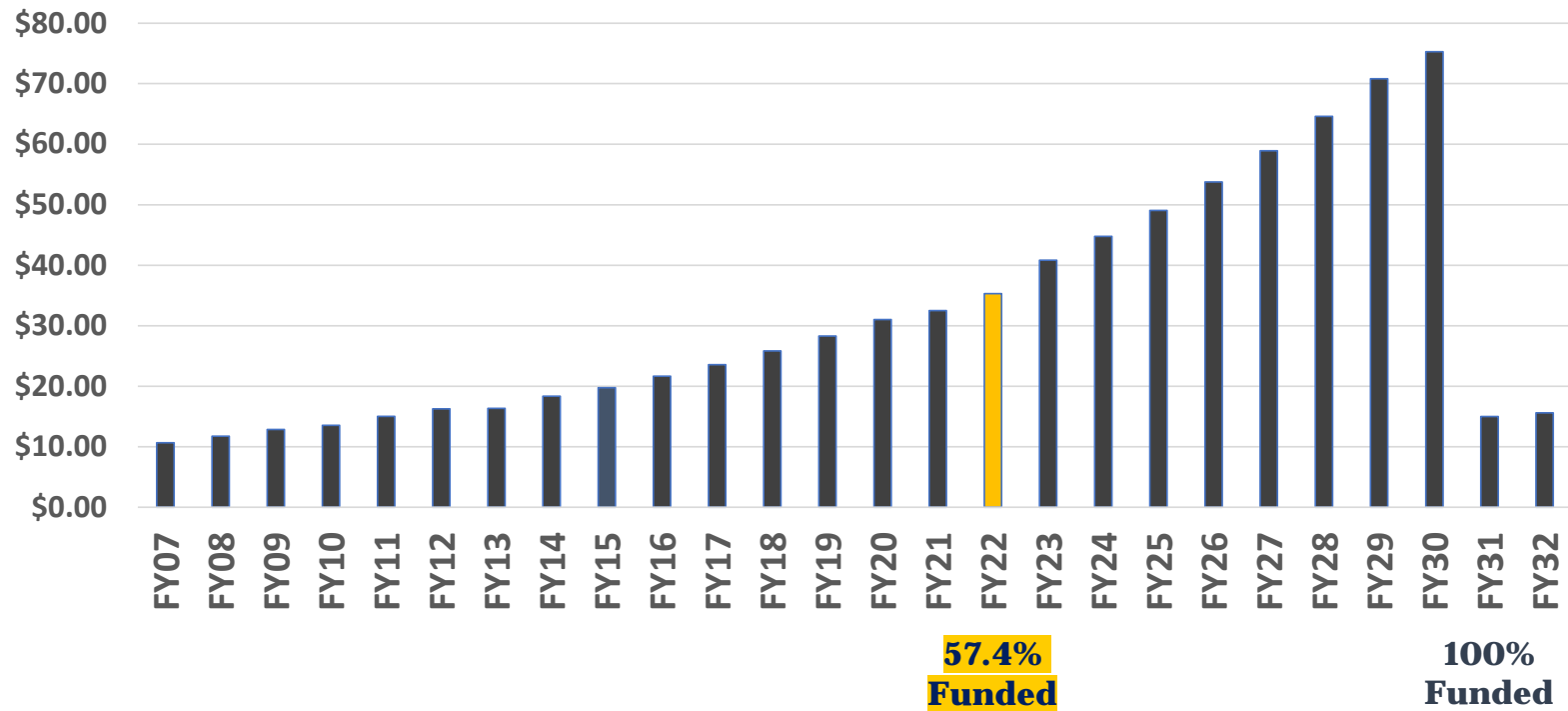


Projected Debt Service Costs
5.3% - 5.5% Debt to Revenue Ratio
(\$ Millions)

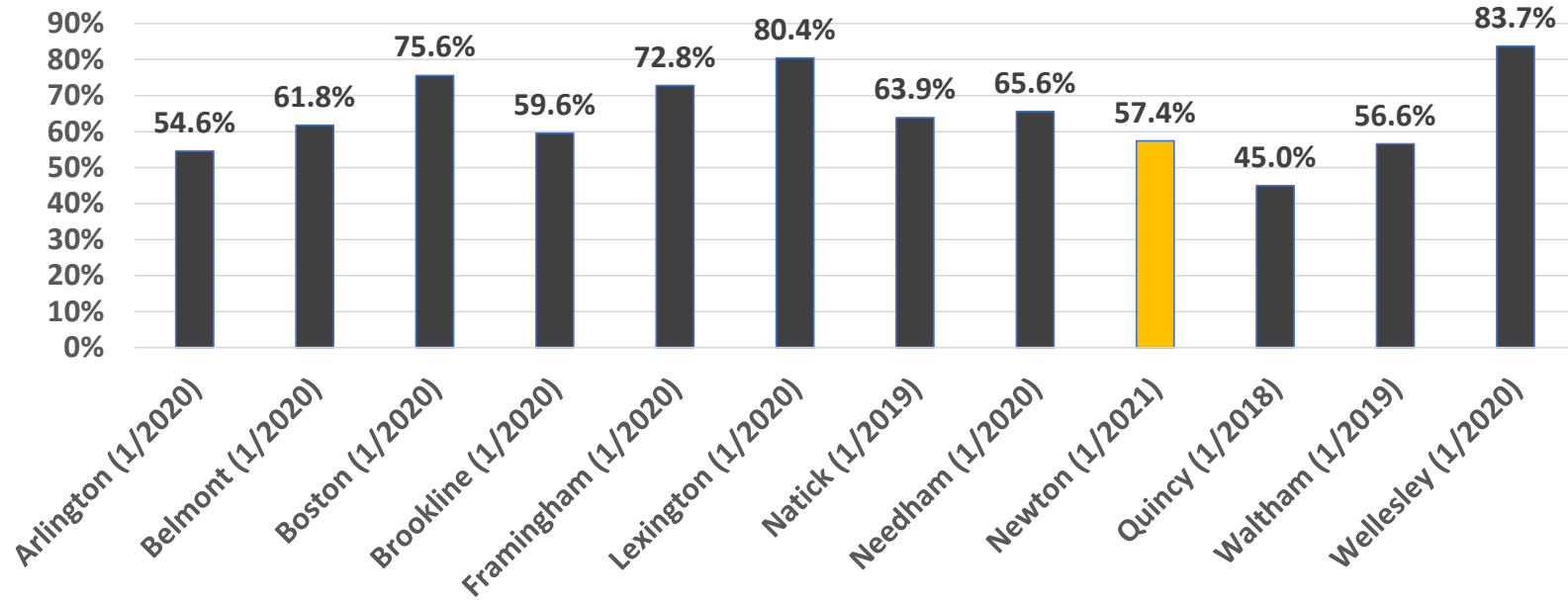


Pension Liability = \$312M

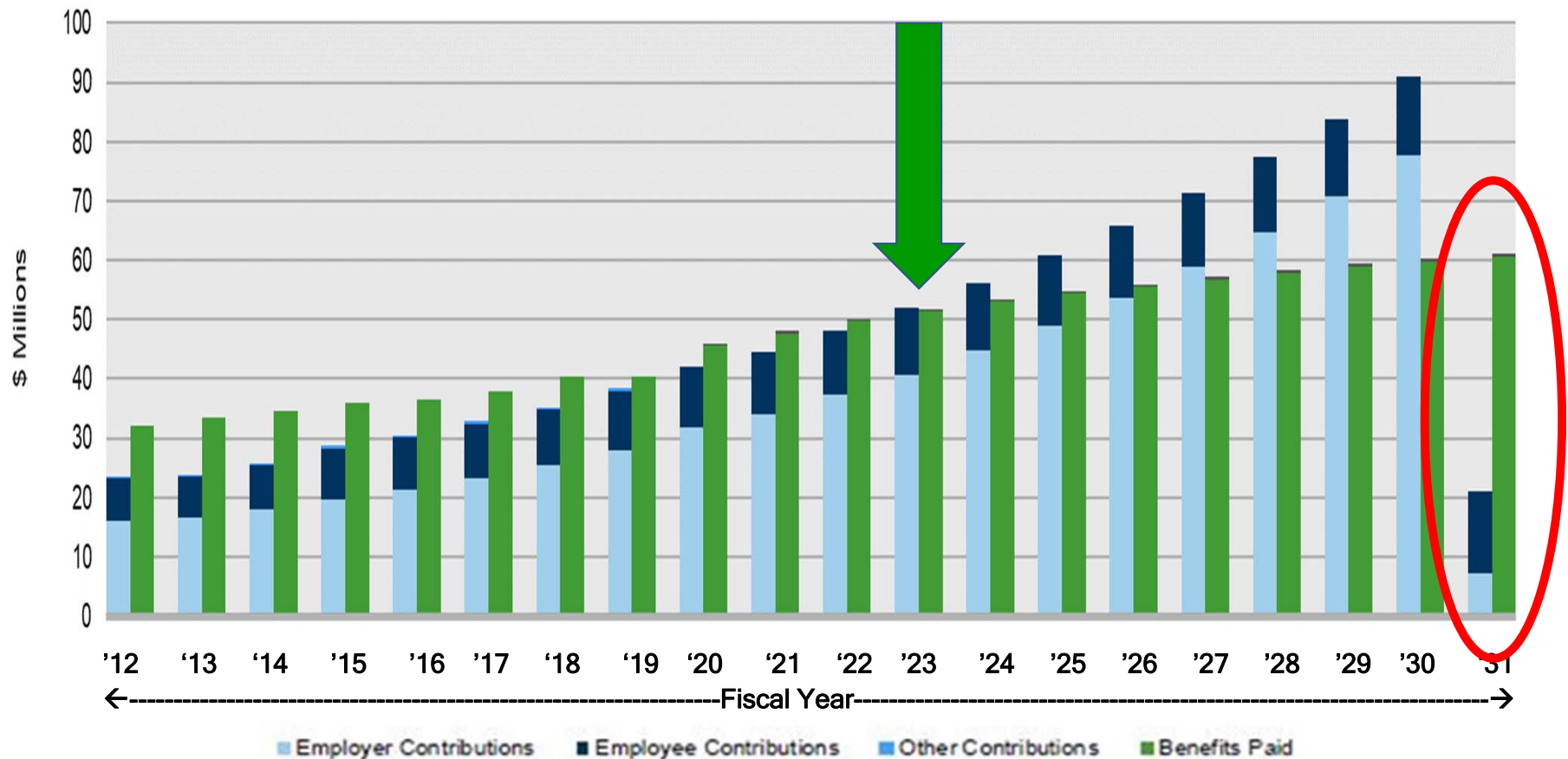
Projected Newton Contributory Retirement System Funding Schedule through 2030 – 9.6% Annual Increase



Current Pension System Funding by Community January 1, 2021 – or Most Recent Available



Comparison of Contributions with Benefits For FY2012 - FY2031



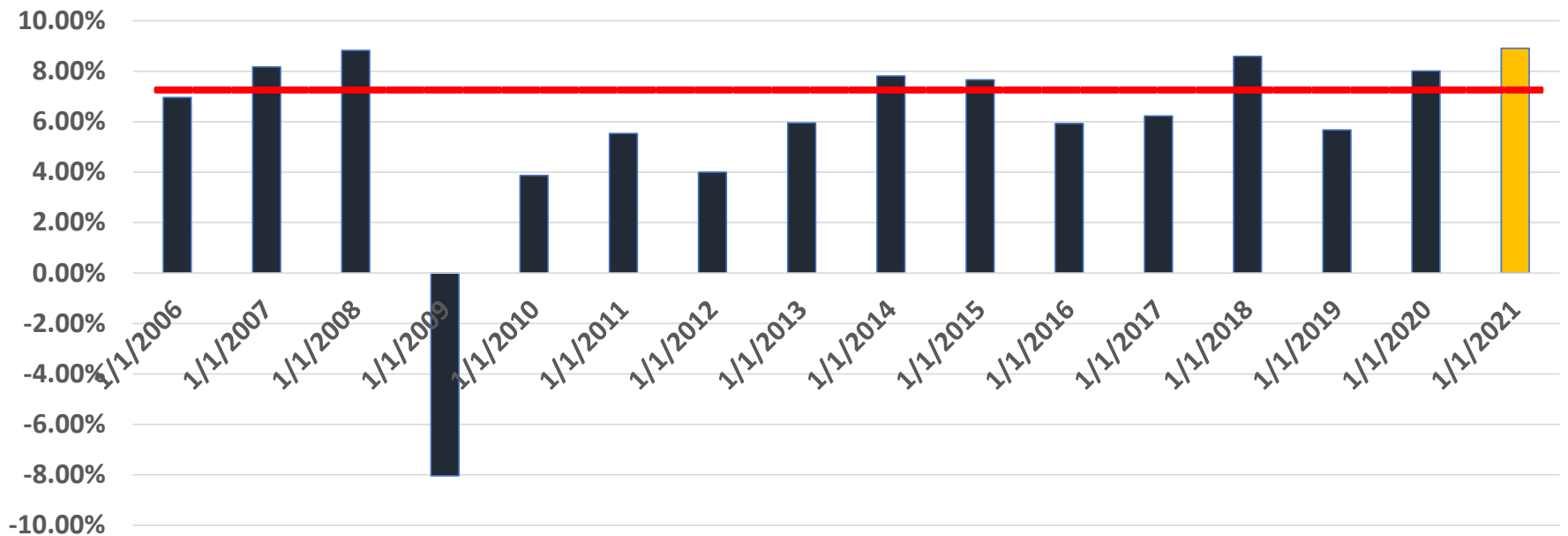
Note: Excludes administrative expenses and administrative expense appropriation.

15-Year Actual Rate of Return

Funding Schedule Projected Rate of Return = 7.25%

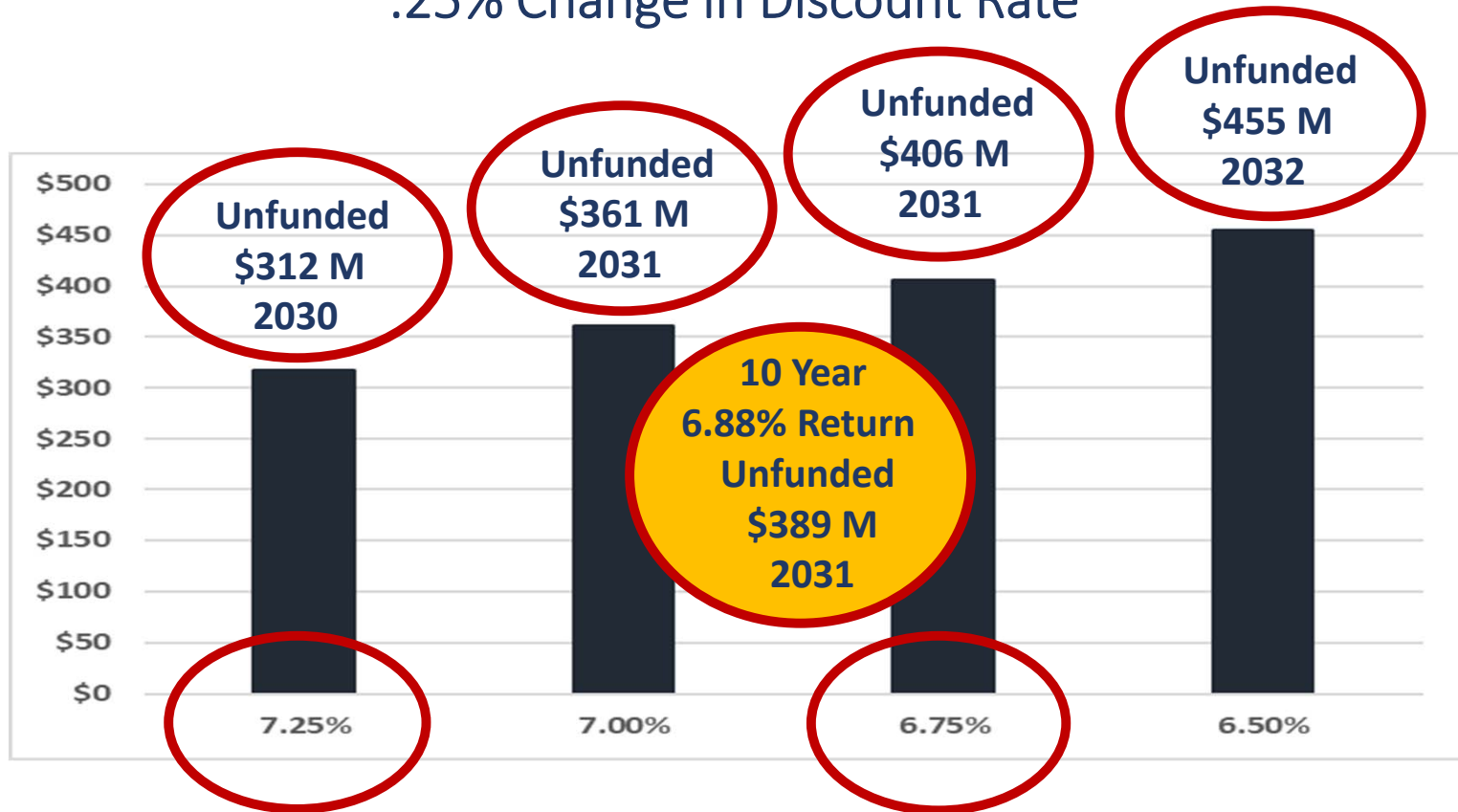
10 YEAR ACTUAL AVERAGE RATE OF RETURN = 6.88%

15 YEAR ACTUAL AVERAGE RATE OF RETURN = 5.81%



7.25%

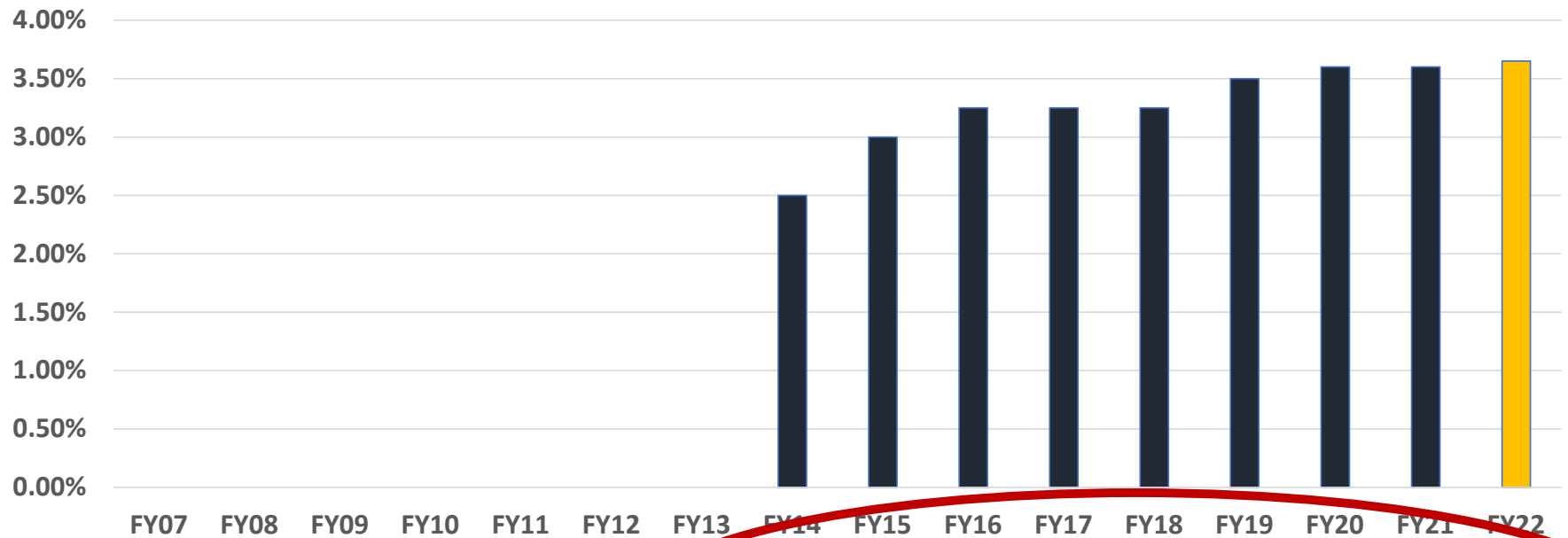
Sensitivity Analysis .25% Change in Discount Rate



O.P.E.B. Liability

Other Post Employment Benefits/Retiree Health Insurance

O.P.E.B. FY2022 - 3.65%
of
Employees Newly Insured since 7/1/2012



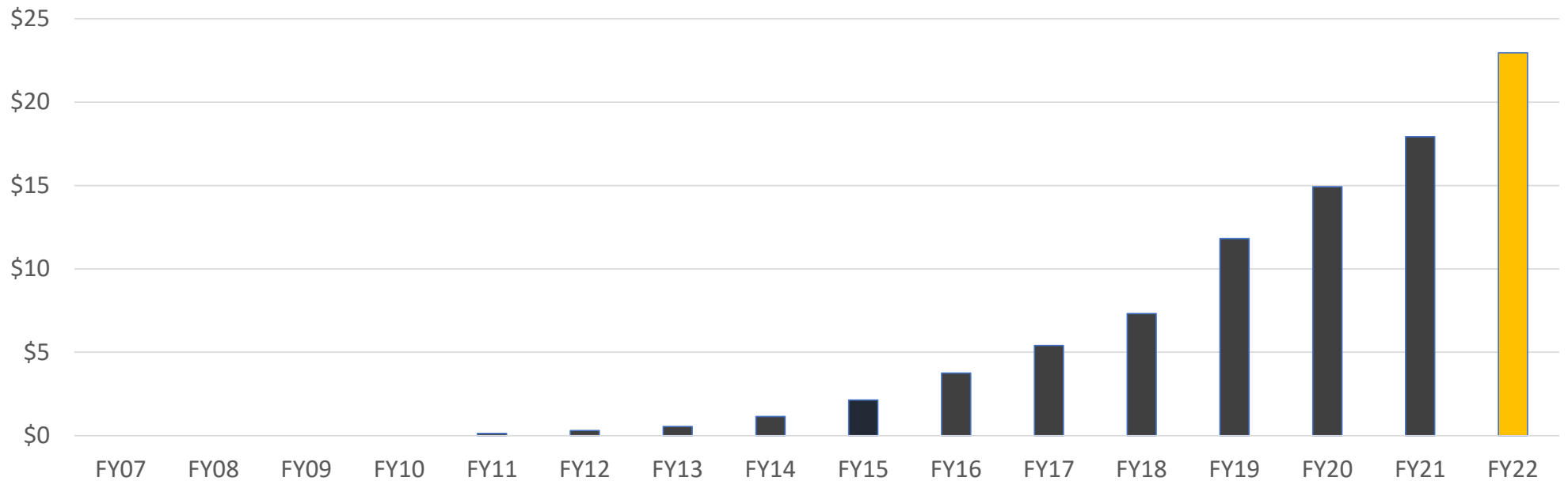
Annual Appropriation

of Employees

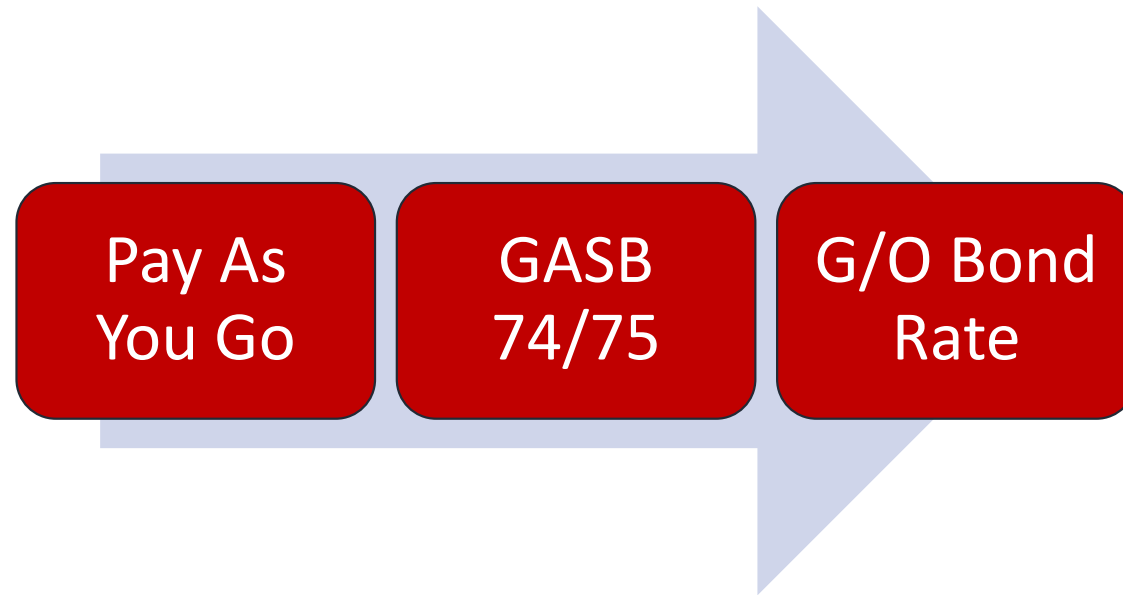
\$0.6m \$1.0m \$1.4m \$1.8m \$2.1m \$2.6m \$3.0m \$3.3m \$3.6m

400 645 789 942 1,041 1,179 1,254 1,395 1,400

O.P.E.B. Actual Trust Fund Total – June 30, 2021 - \$22.96M
Balances effective July 1, of each FY
FY2022 Budget \$3.55 Million



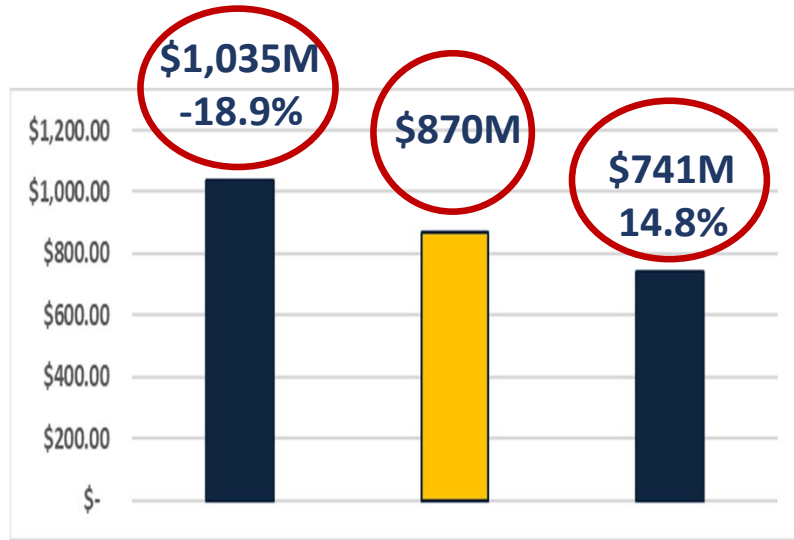
GASB 74/75



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

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

Sensitivity Analysis 1% Change in Discount Rate



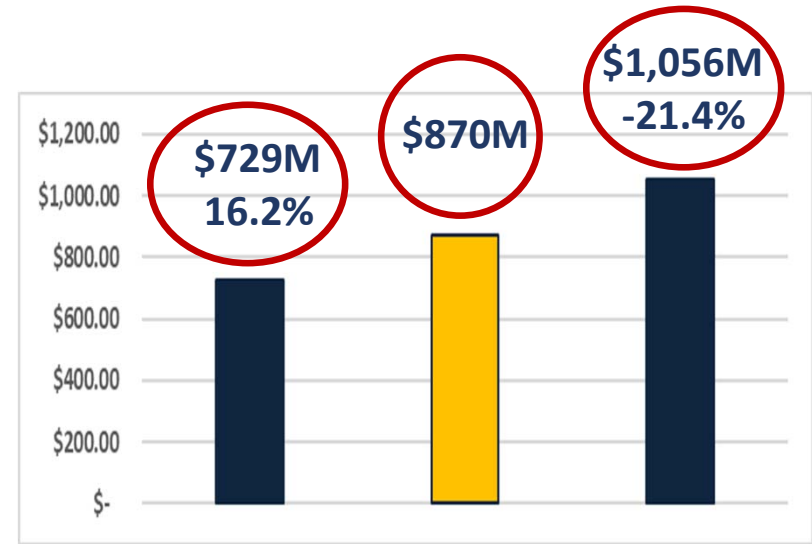
-\$165M

If Discount Rate
Goes Down by 1.0%

\$129M

If Discount Rate
Goes Up by 1.0%

Sensitivity Analysis 1% Change in Health Insurance Trend Rates



\$141M

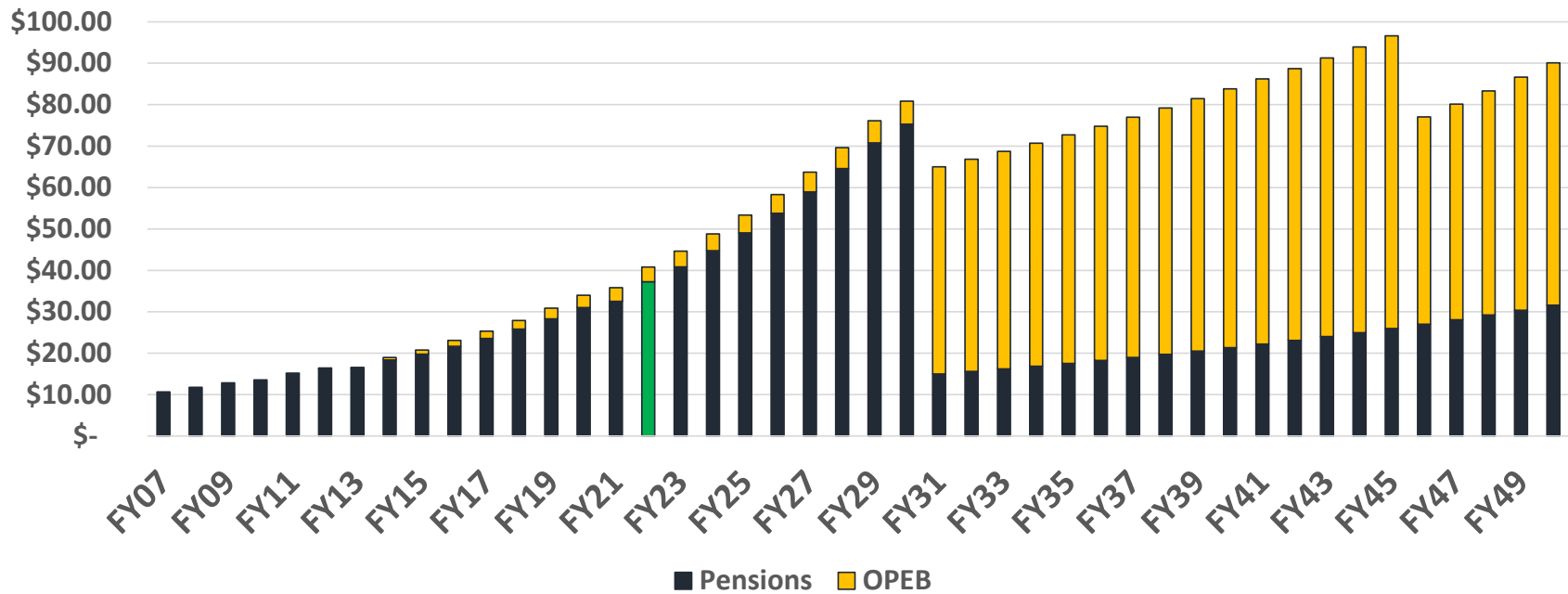
If Health Costs
Go Down by 1.0%

-\$186M

If Health Costs
Go Up by 1.0%

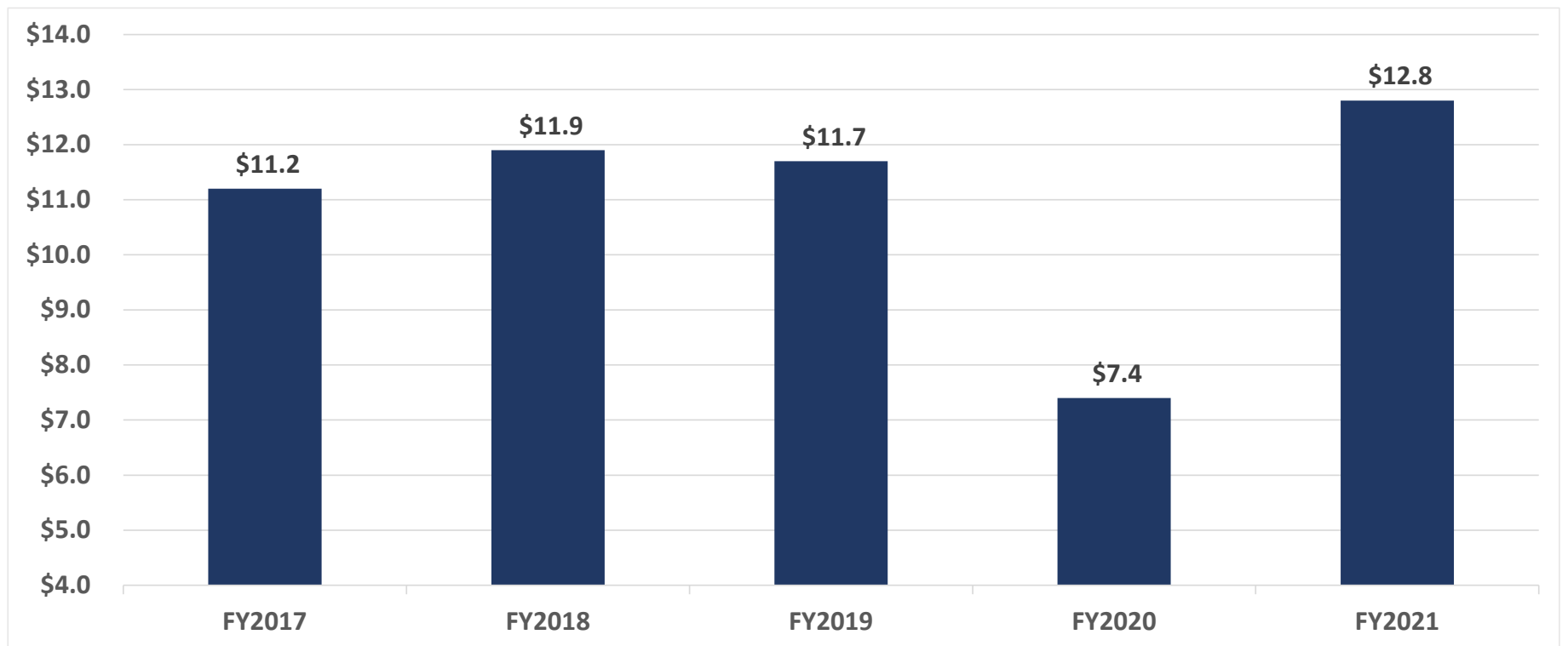
OPEB Funding Strategy

The Challenge is Getting to FY2030 and FY2045



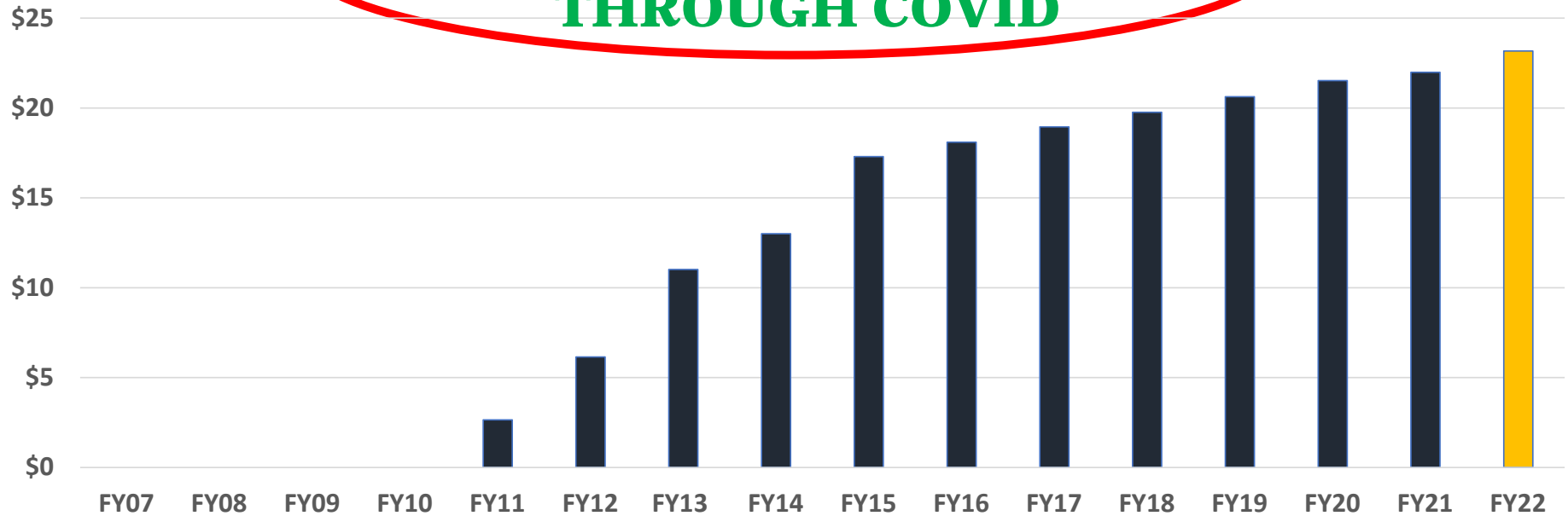
Important Financial Statistics, As of October 4, 2021

Free Cash (\$ Millions)

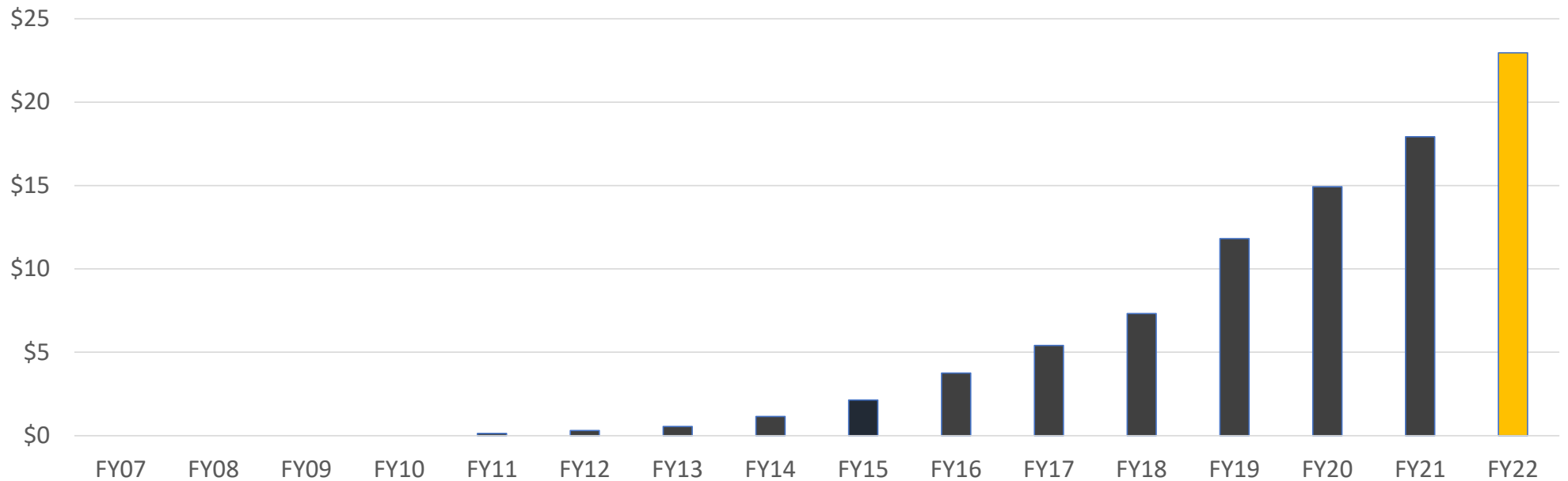


**Rainy Day Stabilization Fund
Balances effective July 1, of each FY
(\$ Millions)**

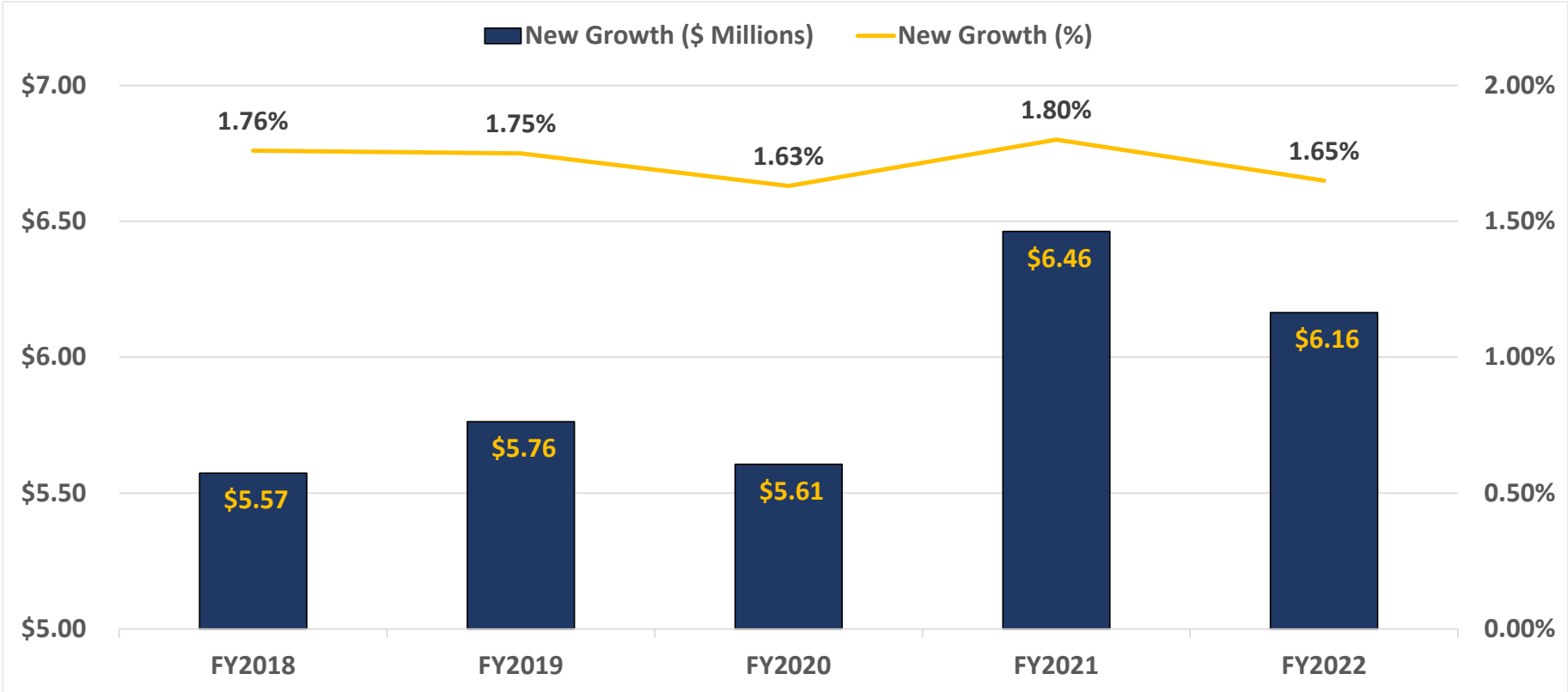
**MAINTAINED 5% OF BUDGET
THROUGH COVID**



O.P.E.B. Actual Trust Fund Total – June 30, 2021 - \$22.96M
Balances effective July 1, of each FY
FY2022 Budget \$3.55 Million



New Growth



THE OVERRIDE – MARCH 12, 2013

Projected October 2012

	<u>Total Project</u>	<u>MSBA</u>	<u>Projected City Cost</u>
1. Angier Elementary	\$ 37.5 M	\$ 10.0 M	\$ 27.5 M
2. Zervas Elementary	\$ 40.0 M	-	\$ 40.0 M
3. Station 3, Headquarters, and Wires Division	\$ 17.5 M	-	\$ 17.5 M
4. Cabot Elementary	\$ 45.0 M	\$ 10.0 M	\$ 35.0 M
Projected Total Cost	\$ 140.0 M	\$ 20.0 M	\$ 120.0 M

Angier Elementary

Projected City Cost
\$27.5 M

Actual City Cost
\$26.4 M



Station 3, Headquarters & Wires Division

Projected City Cost*
Adj \$20.5 M

Actual City Cost
\$22.45 M



*Station #3 Cost Adjusted for Retaining Wall, Heated Driveway, Newton Centre Traffic Signals, and Public System Radio System Upgrades

Zervas Elementary

Projected City Cost
\$40.0 M

Actual City Cost
\$38.5 M



Cabot Elementary

Projected City Cost
\$35.0 M

Actual City Cost
\$34.5 M



THE OVERRIDE – MARCH 12, 2013

Projected 2012 vs Actuals 2021

	<u>Projected City Cost</u>	<u>Actual City Cost</u>
1. Angier Elementary	\$ 27.5 M	\$ 26.4 M
2. Zervas Elementary	\$ 40.0 M	\$ 38.5 M
3. Cabot Elementary	\$ 35.0 M	\$ 34.5 M
4. Station 3, HQ, Wires – Adj	\$ 17.5 M	\$ 22.4 M
Total School Override	\$ 120.0 M	\$ 121.9 M



Addressing Climate Change & Sustaining Our Environment

Providing Academic Excellence and Educational Equity

Keeping Newton Safe

Weather Events

Promoting Village Centers and Commercial Corridors

**Do All of This
While
Maintaining Financial Sustainability**

Maintaining Roads, Snow Plowing, Solid Waste

Economic Downturn & Interest Rate Spikes

Preserving Neighborhoods and Creating Affordable Housing

Protecting Parks, Recreation, and Open Space

Providing Excellent City Services

Arts, Culture & Community Life

“Accessible” and “Supportive” City

Settling Union Contracts
Providing Fair Employee Compensation and Benefits

Making Newton “All Age Friendly”

Long Term Liabilities
Pension & OPEB

Video Footage taken from Smithsonian Institute