



Welcome  
to  
**Newton**  
The Garden City

City of Newton, Massachusetts  
Long-Range Financial Plan &  
Five-Year Financial Forecast  
**FY2023-FY2027**

October 4, 2021



Ruthanne Fuller  
Mayor

## City of Newton, Massachusetts Office of the Mayor

Telephone  
(617) 796-1100  
Fax  
(617) 796-1113  
TDD/TTY  
(617) 796-1089  
Email  
rfuller@newtonma.gov

October 4, 2021

City Council  
Newton City Hall  
1000 Commonwealth Avenue  
Newton, MA 02459

Dear Honorable City Councilors,

A year ago, when we gathered on “zoom,” I presented the Long-Range Financial Plan, Five-Year Financial Forecast, and Capital Improvement Plan for the City of Newton in a very uncertain environment.

At that time, 137 people in Newton, 215,000 in the United States, and 1 million people worldwide had died with COVID-19. The death toll has now grown to 217 Newtonians, more than 700,000 across our country, and more than four and one-half million people worldwide.

Not just the health but also the financial wherewithal of so many people, businesses, non-profits, cities, and states were severely compromised. Countless restaurants and retailers had closed their doors. Entire industries, ranging from travel, hotels and tourism, sports and performing arts, and higher education were ravaged.

One year ago, so many people in Newton were suffering. The impact of COVID-19 upended teaching and learning and the social and emotional health of our children. Residents were laid off or furloughed. People were struggling with food insecurity, and having trouble paying their rent or mortgage. Almost all of us felt helpless, anxious, and isolated at some point.

Climate Change, systemic racism, socio-economic inequality, the health of our democracy, and the impacts of COVID-19 were weighing heavily on us, and still do a year later.

The highly contagious “Delta” variant is hurting our reopening and recovery process and has morphed into, in the words of Newton’s own Rochelle Walensky, “the pandemic of the unvaccinated.”

Across the country, we also are facing labor shortages, supply chain disruptions, cost escalations and cyber insecurity.

While this has been a tremendously challenging time in all of our lives, as we gather together tonight, October 4, 2021, we have good reason for optimism.

Our scientists delivered highly effective and safe vaccines.

Federal and state legislators initially acted with unprecedented speed to funnel much needed financial aid to those who were suffering, and to cities and towns, including Newton.

We are delivering our essential services: teaching our students in-person full-time, picking up the trash and recycling, paving the streets, running our elections, supporting our restaurants and retailers, keeping our promises on retirement benefits to our employees, responding to emergencies, and keeping us safe.

We are supporting the vulnerable.

We are recovering because we have been assiduously investing in Newton: rebuilding our schools (we cut the ribbon at Cabot just two years ago), paving our roads and improving our villages (check out West Newton Square and Newtonville), preserving our green spaces (go for a walk in Webster Woods), and addressing climate change (sign up for 100% green electricity through Newton Power Choice).

Our team has made sure that the City of Newton is rock solid financially and we have developed a Long-Range Financial Plan that shows us the path forward. The investments outlined in the Financial Plan and detailed in the Capital Improvement Plan will help our people, our villages and our City not just recover but thrive.

This past spring, our financial strength allowed me to announce that we would re-start several important capital projects put on hold during the pandemic. The Library Children's Room expansion and the renovation of the former Horace Mann into the permanent new home for our Early Childhood Program are now under construction.

With the important news from the Massachusetts School Building Authority that the Countryside Elementary School was accepted into its Eligibility Phase, I have committed ARPA funds to do our feasibility study.

We have also resumed full feasibility and design work for the Lincoln-Eliot School at 150 Jackson Road. We are beginning to engage with the Franklin, Ward/Underwood, and Horace Mann Elementary School communities as we resume planning for those school buildings. As you can see, we have a lot of exciting work ahead on our aging school buildings.

We also recommitted this year to full funding of our Transportation Network Improvement Program to keep making progress on our roads, bike lanes, sidewalks and traffic calming efforts across the City.

Thankfully, with the leadership of Commissioner Jim McGonagle and Deputy Commissioner Shawna Sullivan in DPW, our paving condition index continues to improve as we pave miles and miles of roads each year; but again, we have a lot of work still in front of us. This includes making our streets safer and smoother for those walking, riding or rolling. Notably, we committed ARPA funds to assist us in creating a first-ever Bike/Pedestrian Plan for the City next year.

The Capital Improvement Plan clearly shows our strong commitment to making major improvements under the leadership of Commissioner Nicole Banks and Deputy Commissioner Marc Welch, of Parks, Recreation and Culture to our recreational resources, from Gath Pool to athletic fields and to trails and accessibility improvements in our parks and conservation lands.

We also added funding to the CIP to replace the two artificial turf fields at Newton South and another at Newton North as they reach end-of-life. We previously added a project for field lights at North and are now adding another for Newton South's Brandeis Field. With the change to later start times at the high schools, and the durability of these turf field surfaces, we want lighting to maximize playing time for both our school athletes and our youth league teams.

While capital investments are critical to make progress on athletic fields, I also greatly increased annual grounds and athletic field maintenance funding, more than tripling the monies dedicated to fields in the FY2022 Budget.

As we saw during the pandemic, residents of Newton love, and heavily use, our parks and open spaces. I am creating a Trails Advisory Committee, a first for the City, to improve coordination between all the wonderful groups dedicated to trails on parks and conservation lands. I am also using ARPA funds to take care of our expanding tree canopy.

The pandemic showed us how essential arts, culture and community is for nourishing our souls while bringing customers to our village centers. Like the Hyde Center's fabulous performance stage in Newton Highlands, perhaps we can create a pavilion with the help of Paula Gannon, our Director of Cultural Development, at the Newton Centre "Bowl." I have set aside ARPA funds to conduct a feasibility study of such a pavilion.

COVID-19 made us appreciate the importance of ventilation systems. Over the last year we made \$5 million of investments in every school and every classroom. Our school ventilation work is considered the gold standard. We are continuing this work, including our Police Headquarters, City Hall, and Fire Stations #1 and #2.

Just a few weeks ago, the City's inventory of buildings rose from 84 to 85. We bought the West Newton Armory from the Commonwealth for \$1 to transform it into 100% affordable housing. We look forward to sharing with the community the 7 proposals from non-profits hoping to partner with the City on this exciting project.

The Newton Center for Active Living (NewCAL) is moving along very nicely, and our older residents are excited. We have decided on the place – Newtonville – and on a new building. Design work is moving forward with kudos to Senior Services Director Jayne Colino, Public Buildings Commissioner Josh Morse and Deputy Commissioner Alex Valcarce.

Let me go into more detail about the \$63 million that the City is receiving from the American Rescue Plan Act, otherwise known as ARPA.

I have learned a lot from listening sessions and emails. Our City Councilors and School Committee members weighed in. Residents, community groups, business owners and the heads of non-profits have spoken up. Many people sent along thoughtful emails to [ARPAinput@newtonma.gov](mailto:ARPAinput@newtonma.gov).

While I will continue to ask for input as some of the investment decisions of necessity will be made over the next few years, we have clearly made a number of decisions already which will help get these funds invested and make a difference right now.

Here are the principles that are guiding our decisions:

**First**, help those most impacted by the pandemic. This includes people with limited resources, those who are unemployed, our youngest and oldest residents. Focus on diversity, equity and inclusion; invest in helping those needing mental health or other medical resources; ensure access to the internet; and use the funds for outdoor spaces (including trees) and recreational opportunities as during the pandemic they proved vital to physical and mental health as well as shared opportunities for community, friendship and happiness.

Tonight, I want to share that following continued reports of low-income Newton households still struggling with the economic effects of the COVID-19 crisis, I have made the decision to use \$1 million of the City's ARPA funds

to launch a new emergency housing & utility assistance program as a stop gap for those households in need, as they continue to seek additional resources available from the state.

**Second**, help with the recovery and rebuilding of our villages and commercial corridors and our businesses and non-profits; improve our streets, sidewalks and village centers; and invest in arts, culture and community activities. This includes our *Newton Hires* program linking employers to employees.

**Third**, support the operations of the Newton Public Schools and the City in the face of increased needs of our students and residents and revenue losses. Ensure that all our students and staff have the resources they need for achieving of our goals of academic excellence, educational equity, and social and emotional health and wellness.

**Fourth**, ensure we seed those initiatives that will help Newtonians and our City not just stabilize and recover but permanently be more resilient, livable, vibrant, inclusive, and sustainable; use our ARPA investments strategically so as to complement those of State and Federal programs.

We have been granted a unique opportunity with these ARPA funds to help our community recover and to shape the future of this good City.

A word of caution: the financial forecast helped us look at all the initiatives we would like to do and then pause and prioritize.

Even with the ARPA funds, our Five-Year Financial Forecast transparently shows a gap in each year between revenues and expenses, a gap that our past financial forecasts have also shown. These gaps must be and will be addressed each year just as we did with our FY2022 operating budget. The City of Newton will continue to always have a balanced budget and every taxpayer dollar will be invested prudently.

I want to close with two final thoughts.

First, gratitude. Thank you to all our employees – City and School – as well as our City Councilors and School Committee members. While coping with your own challenges and those of your families, you have been selfless public servants.

I am grateful to Maureen Lemieux, our CFO, who not only led our work on the Long-Range Plan and Forecast but also simultaneously did so much more, including monitoring our revenues and expenditures and ensuring we took advantage of FEMA, CARES, ARPA and other funding sources. Likewise, Jonathan Yeo, our COO, prepared the CIP and oversaw operations in a pandemic. Hattie Kerwin Derrick, our Director of Community Engagement and Inclusion, is moving us forward with meaningful diversity, equity and inclusion efforts as we double down on institutionalizing our core values of respect, diversity, and acceptance leavened with a commitment to compassion, equity and inclusion.

Second, our common wealth.

We Newtonians are passionate. It's one of our strengths. We speak up for our children, our neighbors, our villages, and our planet. As I said a year ago, my commitment to you is:

- To hear all these voices and then speak up for the commonweal,

- To understand our individual needs and then to mold them into actions for the common good, and,
- To bring heart and head, compassion and empathy, managerial know-how and financial acumen to this time of uncertainty to build our common wealth.

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

Warmly,



Ruthanne Fuller  
Mayor

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

# Executive Summary of the Long-Range Plan

## Remarks by

### Mayor Ruthanne Fuller

October 4, 2021

One year ago on October 19, 2020, as the Honorable City Council, members of my administration and several residents gathered on “zoom”, I presented a conservative, long-range financial plan designed to be responsive to a very uncertain environment. Although we had been living with the coronavirus pandemic for seven months, we were all bracing for the impending winter surge that we knew would come.

At that time, we reported that 137 Newtonians, 215,000 Americans, and 1 million people worldwide had perished with COVID-19. Tragically, the death toll of those who have perished with this virus has now grown to 217 Newtonians, more than 685,000 Americans, and more than four and one-half million people worldwide.

One year ago, the health and financial wherewithal of so many individuals, families, businesses, non-profits, cities, states, and countries had been severely compromised. Across the country, countless restaurants and retail establishments had closed their doors permanently. Entire industries, ranging from travel, hotels and tourism, sports and performing arts, and higher education saw revenues plummet.

On that evening, we knew that too many people in Newton were suffering. The impact of COVID-19 on the City’s schoolchildren and their families could not be underestimated, was far-reaching and damaging, and significantly changed the way that all educators had to contemplate the delivery of a quality education. Many of our residents were laid off or furloughed and were just trying to make ends meet. People were struggling with food insecurity, and requests for help from our food pantries and Grab “n” Go Meals program skyrocketed. People were having trouble paying their rent or mortgage and many people felt completely helpless.

One year ago, the unemployment rate was 7.9% or 12.6 million people, after having reached a high of 14.7% or 24.9 million people in May of 2020. As of August 2021, the national unemployment rate still stands at 5.2% or 8.4 million people.

One year ago, COVID tests were not widely available, and the development of a vaccine was not yet within reach.

Although this has been a tremendously challenging and almost unimaginable time in all of our lives, as we gather together tonight, October 4, 2021, once again on “zoom”, many things have changed, and we have good reason for optimism. Three highly effective vaccines have been developed and are widely available, COVID tests have become easily accessible, and federal and state legislators have acted with unprecedented speed to funnel much needed federal and state financial aid to those who were suffering the most.

Yet, the impact of COVID-19, or the Coronavirus Pandemic, still continues to dominate every news cycle. Why? Because the “Delta” variant, a highly contagious and deadly mutation of the original strain of COVID-19, is threatening our reopening and recovery process and has become the pandemic of the unvaccinated.

The role that our municipal government has served during this health pandemic and will continue to serve as we begin to emerge from this medical, financial, social, emotional, and educational crisis is critical. As the leaders of our community, we are the people that our residents look to in times of crisis to be prepared and to respond with the best knowledge, training, and information that we can gather so as to maintain public health and public safety.

This past spring, and again during the past two months, we have worked diligently to craft three plans – a Fiscal Year 2022 City of Newton Budget, Fiscal Year 2023 – 2027 Five-Year Financial Forecast and Long-Range Plan, and a Fiscal Year 2023 – 2027 Five-Year Capital Improvement Plan – plans that are responsive to the needs of our community and reflect the challenges that the City faces.

The Long-Range Financial Plan is built on careful assumptions about future revenues and expenditures in this time of tremendous uncertainty. Then based on these assumptions the Capital Improvement Plan and the timing of our very important capital projects are developed.

Projecting future revenue and the amount of increased revenue from “new growth and redevelopment” is perhaps the single most important assumption in the financial forecast and is the basis from which we begin our planning.

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

This Long-Range Financial Plan has been developed with the goal of appropriating not less than a 3.25% increase to the Newton Public Schools’ appropriation for the ten-year period of FY2023 through FY2032.

Costs associated with the removal of snow & ice, increased costs for the disposal of solid waste and recyclables, and funding to maintain our Rainy-Day Stabilization Fund equal to 5% of the total budget are just a few areas that must increase by more than the average rate of inflation, and those factors have been taken into account.

Further, this Long-Range Financial Plan recognizes the importance of investment in our capital infrastructure even during these difficult financial times. While slightly lower than the last four fiscal years, the plan includes a “debt service to revenue ratio” of 5.3% - 5.5% through FY2032. We will continue to review this plan each year to determine whether our financial resources will permit us to sustain (or even increase) this level of investment in capital infrastructure.

This Capital Improvement Plan includes 222 new and continuing projects, with an estimated investment of \$387 million during the FY2023 – FY2027 five-year period (including \$8 million to be docketed during the remainder of this fiscal year which ends on June 30, 2022). The CIP includes 41 projects with all or some funding approved totaling \$127 million.

As many of you know, the City will be receiving just over \$63 million from the American Rescue Plan Act, otherwise known as ARPA.

Upon learning that we would receive these funds, I immediately set up several listening sessions as well as an email account.

Our City Councilors and School Committee members weighed in. Residents, community groups, business owners and the heads of non-profits have spoken up. Many people have sent along thoughtful emails to [ARPAinput@newtonma.gov](mailto:ARPAinput@newtonma.gov).

And while I will continue to ask for input, as many of the investment decisions will be made in the future, here is what we have heard from listening to all who have shared their insights and perspectives so far.

**First**, help those most impacted by the pandemic. This includes people with limited resources, those who are unemployed, our youngest and oldest residents. Focus on diversity, equity and inclusion; invest in helping those needing mental health or other medical resources; ensure that everyone has access to the internet; and use the funds for outdoor spaces (including trees) and recreational opportunities as during the pandemic they proved vital to physical and mental health as well as shared opportunities for community, friendship and happiness.

To address these areas, I have approved funding for the following initiatives:

- \$2,000,000 to increase the size of the Children’s Room at the Library, expand the program space, make family-friendly restrooms, update furniture and add activity stations;
- \$250,000 for a modern replacement of the Horace Mann playground structure and allow for physical and social growth for the children.
- \$500,000 to move from the feasibility phase into the beginning of schematic design for our new senior center – NewCAL
- \$50,000 to conduct a Community Needs Assessment which will specifically focus on hearing from our low-income residents regarding their needs and developing responsive strategies for promoting economic stability.

**Second**, help with the recovery and rebuilding of our village centers and commercial corridors, and businesses and non-profits, improve our streets, sidewalks and village centers, and invest in arts, culture and community activities.

In this area I have approved several exciting initiatives:

- \$2,500,000 for much needed roadwork;
- Up to \$220,000 for our **Newton Hires Program** to link employers to employees as so many sectors are facing staffing shortages and many people who faced layoffs and

shorter hours during the pandemic are looking to re-enter the workforce or get more hours of work.

- \$50,000 to conduct a feasibility study for an outdoor performance venue in Newton Centre;
- A \$75,000 grant program, entitled *Revitalize Creative Newton*, for the arts and culture sector of Newton to cover expenses related to reopening and resuming cultural programming and services.
- \$250,000 to help revitalize our tree canopy;
- \$150,000 to upgrade our conservation trails and accessible pathways so that more residents will be able to enjoy the natural beauty of our wonderful city; and
- \$80,000 to develop a comprehensive, long-term bicycle and pedestrian master plan;

**Third**, support the operations of NPS and the City in the face of increased needs of our students and residents and the continued revenue losses. Ensure that all our students and staff return to school in the fall in-person with the resources they need for achieving of our goals of academic excellence, educational equity and social and emotional health and wellness. Continue to upgrade the ventilation systems in our buildings as well.

To do this, I authorized:

- \$4.6 million to augment our FY22 budgeted revenues to enable the City and School Department to continue supporting the vulnerable, recovering and reopening, and building a better future with strategic investments.
- \$1,800,000 for active and passive ventilation system upgrades in Police Headquarters, City Hall War Memorial, and Fire Stations 1 and 2 to sustain high quality indoor environments for our staff and visitors;
- \$1,250,000 for the Feasibility Study/Schematic Design and City of Newton Site Plan Approval for the Countryside Elementary School;

Each and every one of these initiatives is designed to meet one of our three overarching goals for these funds:

**First**, we should seed those initiatives that will help Newtonians and our City not just stabilize and recover but permanently be more resilient, more livable, more vibrant, more inclusive, and more sustainable.

**Second**, we should invest the funds using the lens of equity, ensuring all geographic areas of Newton, all ages, all ethnicities and all people are supported while we help those hurt by the pandemic.

And, **third**, our ARPA investments should be strategic so as to complement those of State and Federal programs.

We have been granted a unique opportunity to truly shape the future of this good City, and are working diligently to

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

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

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

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

This Long-Range Financial Plan transparently and knowingly shows a gap in each year between revenues and expenses, a gap that our past plans have also shown. This gap grows from approximately \$2.7 million in FY2023 to as much as \$46 million in FY2032. These gaps must be and will be reevaluated and must be and will be addressed each year. The City of Newton will continue to always have a balanced budget. We will continue to identify cost saving measures throughout the departments and look for opportunities for additional revenue.

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

To summarize, a well-managed, fiscally-sound City of Newton is essential to provide exceptional teaching and learning to almost 12,000 students, deliver top-notch city services to

our residents and people who work here, help our residents and businesses rebound, and make important updates to our infrastructure.

## 1.0 Introduction to the Long-Range Financial Plan

### 1.1 Purpose of Long-Range Planning

The City of Newton Long-Range Financial Strategy and FY2023-FY2027 Five-Year Financial Forecast is designed to help the City make informed budgetary and operational decisions in the short term by anticipating long term future revenues and expenditures. The forecasting process also allows us to highlight and consider the City's financial strengths and challenges as well as potential risks, opportunities, and uncertainties.

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

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

- Ensuring academic excellence and educational equity
- Keeping Newton safe
- Making Newton more “all age” friendly with a focus on seniors
- Improving streets, sidewalks, and mobility & public buildings and infrastructure
- Preserving neighborhoods, increasing affordable housing, and diversifying housing options
- Promoting vibrant, walkable and financially robust village centers & commercial corridors
- Addressing climate change and sustaining our environment
- Protecting woods and open spaces & caring for our parks and recreation spaces
- Fostering art, culture & community life
- Facilitating a healthy, accessible and supportive Newton
- Providing excellent and responsive City services
- Meeting COVID-19 needs

### 1.2 Philosophy

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

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

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



The City had been moving methodically toward implementing expenditure budgets sufficient to address not less than 100% of projected operating requirements of the various departments. Although we have made significant progress in this endeavor, much remains to be done. The FY2021 municipal budget, impacted by the financial ramifications of COVID-19, maintained level funding for snow/ice removal while bolstering the City's commitment to the social and mental well-being of Newton's residents of all ages; however, we were unable to increase or even maintain funding levels in many of our building maintenance and infrastructure accounts. As a result of substantial federal funding and our conservative approach in FY2021, we were able to develop a FY2022 Budget that reflects our commitment to the funding necessary for NPS to deliver the educational, social and emotional resources to our school children, provide for unparalleled public safety, and improve both our hardscape and softscape infrastructure while we begin to reopen, recover, and rebuild.

We have given much attention to the City's significant long-term retirement liabilities. As a result of the financial challenges associated with COVID-19, Mayor Fuller met with the Newton Contributory Retirement Board of Trustees in April 2020 and requested a one-time adjustment to the Newton Pension Funding Schedule. She requested a pension system funding increase of \$1.4 million or 4.8%, even in the face of the financial fallout of the pandemic. This increase was smaller than the \$2.8 million or 9.6% increase we had anticipated in our funding schedule prior to the pandemic. On April 22, 2020, the members of the Newton Retirement Board approved the request unanimously. We are pleased to report that, as promised, the pension contribution in the FY2022 Budget has been restored to the prior scheduled amount. Not only did we return to the 9.6% increase in funding, we also funded an additional 4.8% for a total increase of 14.4% over the FY2021 budget, thus fulfilling the funding schedule for FY2022 that we had anticipated prior to the pandemic.

We continue to need significant additional investments in many buildings, including schools, parks and recreation facilities, the Senior Center, City Hall and the Library. We need to invest more in maintenance, including our roads, playgrounds, fields, and trees. We have not yet fully incorporated the entire likely costs of snow removal or complete streets repairs into the operating budget. In each of these areas, we are committed to increasing the funding gradually in each fiscal year budget in line with the economy's recovery.

### 1.3 Methodology

The Long-Range Financial Forecast projects out ten years from Fiscal Year 2023 to Fiscal Year 2032. The next ten years are pivotal because of the critical need and important decision to fund fully the City's significant pension liability by 2030 and then continue by using those monies to fund the City's retiree health care or OPEB liabilities through the 2030s and into the 2040s.

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

History has shown us that although the 20-year average increase in City revenues from new growth and redevelopment approximates 1.45%, slower economic times can yield additional tax revenues from new growth and redevelopment as low as only 1.0%. We have developed our revenue forecast average accordingly. We have assumed a 1.35% growth rate in FY2023 through FY2032. This significantly impacts our forecast of revenues, and thus, the amount that we can appropriately spend.

Funding the Newton Public Schools is extraordinarily important as supporting our children and their education is a bedrock value. Moreover, the Newton Public Schools is by far our largest department and expenditure line item. This forecast has been developed with the goal of appropriating not less than a 3.25% increase to the NPS FY2023 – FY2032 Budgets, an increase of 0.25% for FY23 over last year. Although enrollments have declined and are expected

to continue to do so based on projected demographic trends, we recognize that our students of all ages have been impacted by the coronavirus pandemic and must be supported. Because municipal services absorbed a much greater financial impact in the FY2021 Budget due to COVID uncertainties, there are some municipal accounts that needed to increase to maintain our City's sustainability. Reserves for costs associated with the removal of Snow & Ice, increased costs for the disposal of Solid Waste and Recyclables, and provisions to maintain a Rainy Day Stabilization Fund equal to 5% of the total budget are just a few areas that must continue to increase each year until we fund 100% of the projected costs.

Funding our Long-Term Liabilities (Pensions and OPEB) must remain a priority for the City, and therefore, this forecast resumes increasing the Pension appropriation by 9.6% annually, in line with the funding schedule approved by the Newton Contributory Retirement System Board of Trustees, as well as providing increases in the percentage appropriated for OPEB, especially starting in FY2031.

Further, this forecast recognizes the importance of investment in our capital infrastructure and is predicated on the assumption that we will maintain a debt to revenue ratio of 5.5% through FY2032.

We will review this plan each year to determine if our financial resources will permit us to sustain these goals.

This forecast shows a deficit in each year, ranging from approximately \$1.5 million in FY2023 to as much as \$26.6 million in FY2030. A deficit of this magnitude has been included in Newton's Long-Range Financial Plan for more than a decade. We acknowledge this gap. We will continue to manage our annual budgets and long-term commitments to personnel costs, debt service and new initiatives accordingly and will always have a balanced budget that ensures the financial health of the City. Revenues may be higher than expected throughout the next decade. If not, expenditures will need to be curtailed. In addition, unexpected cost increases may occur, also requiring cost cutting in other parts of the budget.

## 2.0 Background Information

### 2.1 The City of Newton

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

The City has a population of 88,923 (2020) and occupies a land area of 18.33 square miles. The City is principally suburban-residential in character. Unlike many communities that are established around a single Main Street or downtown, Newton is comprised of thirteen distinctive villages – Auburndale; Chestnut Hill; Newton Centre; Newton Corner; Newton Highlands; Newton Lower Falls; Newton Upper Falls; Newtonville; Nonantum; Oak Hill; Thompsonville; Waban; and West Newton. We pride ourselves on being known as "The Garden City" and open space comprises 21% of the City's total land area, of which 62% is publicly owned.

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

The City provides a complete range of services to our residents. This includes education, public safety, public works, curbside trash and recycling, recreation, library, cultural, and health and human services. The Massachusetts Water

Resources Authority provides public water supply and sewage treatment services and the City operates water, sewer and stormwater systems.

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

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

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

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

The Department of Public Works maintains over 300 miles of public streets, sidewalks, water mains, sewer lines and storm water drains, collects and disposes of more than 18,000 tons of municipal solid waste and 9,400 tons of recyclable materials annually, and plows or treats the City's roadways during an average of 25 snow and ice events each winter season.

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

## 2.2 Demographic Profile

Newton's overall population has grown in the last 20 years, from 83,826 in 2000 to 88,923 residents today.<sup>1</sup> However, the number of households has decreased slightly, from 31,201 in 2000 to 30,657 households. Newton's peak population occurred in the 1960s at 92,384 residents. Approximately 72% of all households in Newton are families – defined as households with two or more people related by blood, marriage, adoption, or other operation of law. Close to half of these family households have children under 18.<sup>2</sup>

Recent data indicates that the population of older adults continues to grow in Newton. According to the city's 2016 Housing Strategy, between 2000 and 2013 Newton saw substantial growth in households with a head of household

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<sup>1</sup> U.S. Census Bureau, 2020 Census of Population and Housing

<sup>2</sup> U.S. Census Bureau, American Community Survey 2019 5-Year Estimates

who is 45 years to 64 years of age, which was generally consistent with the data at the surrounding regional and state levels. In 2013, heads of household between 45 and 64 years comprised 41.7% of the households in the city.<sup>3</sup> Current data shows that households headed by people age 65 and older constitutes 31% of all Newton households. Of the city's total population, approximately 28% are 19 years old or younger; 28% are 20 to 44 years old; 21% are 45 to 59 years old; 16% are 60 to 74 years old; and approximately 8% are 75 years and older.<sup>4</sup>

The number of school-age children in Newton has fluctuated throughout the years. During the 1979-1980 school year, there were 15,195 total school-age children (K-12) living in Newton, including both public and private school students. During the 1999-2000 school year, that number dropped to 13,638.<sup>5</sup> The number increased by the 2019-2020 school year, with a total of 15,510 school-age children living in Newton, approximately 17.5% of the total Newton population.<sup>6</sup>

Racial and ethnic diversity has continued to increase in Newton. That said, Newton's 88,923 residents are still predominantly White (71%), with 16.5% identifying as Asian and 3% as Black or African American and 5% as Hispanic or Latino.<sup>7</sup> Approximately 26% of the City's population today speaks a language other than English at home, of which 30% do not speak English very well. Based on data provided by the U.S. Department of Housing & Urban Development's (HUD) Office of Community Planning and Development (CPD), a majority of Asian households reside in the Auburndale, Newton Highlands, and Newton Upper Falls/Oak Hill villages (Census Tracts 3747, 3741, 3740, and 3738). Approximately 18-24% of the households in each of these four census tracts identified as Asian. In addition, the majority of Black / African American households in the City of Newton live in the Newton Corner, Newton Upper Falls/Oak Hill, Nonantum, and West Newton villages (Census Tracts 3731, 3733, 3745, and 3740). Approximately 5-8% of households in these four census tracts identified as Black / African American.<sup>8</sup>

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

Newton has a significant number of wealthy residents, with a median household income across the city of \$151,068. At the same time, approximately 17% of Newton's households have an annual income of less than \$50,000. By comparison, the median household income in Massachusetts is \$81,215.<sup>10</sup> The City of Newton does not have any racially and ethnically concentrated areas of poverty (where a census tract must have a non-white population of 50% or more, and 40% or more of the population is living at or below the poverty line). HUD data indicates that Newton has one census tract (#3741, in Newton Upper Falls) with a disproportionate percentage of non-white

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<sup>3</sup> Housing Needs Analysis and Strategic Recommendations, City of Newton, MA, June 2016, Chapter 1, Demographic Trends, RKG Associates

<sup>4</sup> U.S. Census Bureau, American Community Survey 2019 5-Year Estimates

<sup>5</sup> Newton Public Schools, "NPS Enrollment Analysis Report, December 2019"

<sup>6</sup> Newton Public Schools

<sup>7</sup> U.S. Census Bureau, 2020 Census of Population and Housing

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

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

<sup>10</sup> U.S. Census Bureau, American Community Survey 2019 5-Year Estimates

households living in poverty compared to non-Hispanic white counterparts. Of the households living in census tract 3741, 23% are Asian and 11% of those are living at or below the poverty line. <sup>11</sup>

*The above data comes from the U.S. Census Bureau American Community Survey 2019 5-Year Estimates, unless otherwise specified.*

## 2.3 Economic Profile

According to the most recent available data from 2019, Newton's economic base consisted of approximately 4,000 businesses employing approximately 56,500 people. The top industry sectors for Newton remained health care and social assistance with 11,000 jobs and education services with 10,000 jobs. From 2019 to 2020, the number of employed persons in Newton dropped from 47,362 to 43,070, corresponding to an average unemployment rate of 2.2% in 2019 to an average unemployment rate of 5.9% for 2020, reflecting the impact of COVID-19 on the economy. Recent data from May 2020 to May 2021 suggests that Newton as part of the greater Boston metropolitan region likely benefited from an overall job growth of 161,00 new jobs in the Boston area.

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

## 2.4 Financial Health

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

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

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

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

Newton's residents and businesses have been hurt significantly from the screeching halt in the economy from COVID-19. Newton's residents, though, were relatively less hurt compared to the state overall. Newton had an unemployment rate of 4.0% compared to the State's unemployment rate of 4.9% according to Massachusetts Department of Labor Statistics for the month of July 2021. Newton's unemployment rate is down from a high of 11.2% in July 2020 which compares to a 2% unemployment rate for August 2019. The pandemic has also had a widespread and damaging impact on Newton businesses, particularly in the restaurant, retail, hotel and service industries. Later in this plan these revenues will be discussed in more depth.

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<sup>11</sup> U.S. Census Bureau American Community Survey 2019 5-Year Estimates

### 3.0 The Coronavirus Pandemic

In the past 18 months, more than 4.5 million (1 million last year) people worldwide and more than 685,000 (215,000 last year) people in the United State have died with COVID-19, a highly infectious disease that had not been identified two years ago.

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

The health of so many people has been compromised as have the financial wherewithal of individuals, businesses, non-profits, cities, states and countries. In August 2021, the unemployment rate dropped to 5.2% or 8.4 million people, after having reached 14.7% or 24.9 million people in May 2020; this is in comparison to the much lower rates of a very steady 3.5% or 5.8 million people for each of the six months prior to the onset of the virus. Across the country, countless restaurants and retail establishments have closed their doors permanently. Entire industries, ranging from travel, hotels and tourism, sports and performing arts, and higher education, saw revenues plummet. And although unemployment rates are declining and people are finding new jobs, statistics show that oftentimes those jobs are at reduced wages and/or benefits.

More than 18 months into this pandemic, too many people in Newton have suffered. Local businesses saw revenues plunge and some have closed. Residents have been laid off or furloughed and are just trying to make ends meet. People have struggled with food insecurity and requests for help from our food pantries and Grab “n” Go Meals skyrocketed. People have had trouble paying their rent or mortgage. As of September 29, 2021, 5,122 (1,004 as of October 7, 2020) Newtonians have had confirmed cases of COVID-19 and 217 (137 last year) have died with it. Many have had loved ones succumb to this virus, or some other condition, alone and afraid with no opportunity to spend final moments together to comfort each other and say “goodbye.”

### 3.1 The “Delta” Variant and Vaccinations

Mayor Fuller firmly believes that her responsibility is to do everything possible to work with our entire community: our municipal and school employees, our residents, our businesses, our institutions of higher learning, our hospital, our congregate living establishments, and our visitors to stop the spread of this virus, especially to our youngest children not yet vaccine eligible but back to in-person learning, and to our neighbors who are immunocompromised or face health challenges.

The science proves that the three vaccines used in the United States are approximately 90% effective against COVID-19 and significantly decrease the risk of infection, hospitalization, and death in the face of the highly contagious Delta variant. The numbers in Massachusetts are clear: Just 0.05% or less than half of one percent of those fully vaccinated have tested positive, and of those people just 0.02% - have been hospitalized. The vaccines are working.

Moreover, being vaccinated helps stop new variants from emerging which could be even more contagious and/or less susceptible to our current vaccines.

While we know some people have deep concerns about the vaccine and are hesitant, the vaccine protects our families, our children and our parents. The vaccine allows us to see our friends, resume work and return to school.

The School Committee (of which Mayor Fuller is a member) voted unanimously on a policy to require vaccination of all Newton Public School educators and school department employees. There are exemptions for some medical and religious reasons, and those who are exempt will be tested weekly.

Our team at City Hall has also developed a plan for having our municipal employees fully vaccinated before the end of November 2021, to protect the health of everyone who works for the City as well as the public whom we serve. This involves bargaining with our unions, and these discussions are well underway.

We know that the vaccines are our most important and effective tool in slowing the spread of the Delta variant and stopping this pandemic. Vaccinations are not only key to our recovery, but also to our long-term economic health and the viability of our city and our quality of life.

### 3.2 Responding to the Coronavirus - Federal, State and Local Funding

Starting in March 2020, the Fuller Administration has been focused on helping people, businesses and non-profits during the pandemic and finding ways to take advantage of a variety of funding opportunities to support those efforts. Federal and state agencies created a wide array of programs and the rules and restrictions of each often changed. We kept track of each of them and moved quickly to take advantage of the help they offered. We kept re-thinking what we needed to do locally to support our community even as federal and state legislation and the virus itself kept evolving. We also retained detailed records of our expenditures so we could take full advantage of reimbursement opportunities. When a program expanded what expenses and how much of them could be reimbursed (e.g., FEMA), we nimbly reallocated our expenses to match those opportunities.

To track these revenues and expenditures, the City of Newton has established several accounts, comprised of state and federal reimbursements, grants, and taxpayer funds. A complete list of pandemic related funding awarded or appropriated to the City of Newton is contained in Appendix I beginning on page 56 of this document.

By far, the largest pandemic package is the American Rescue Plan Act of 2021, a \$1.9 trillion economic stimulus package signed into law by President Biden on March 11, 2021 to further respond to the economic and health effects of the COVID-19 pandemic.

The American Rescue Plan Act provided funding for expanded unemployment benefits; \$1,400 direct payments to certain individuals; emergency paid sick leave; extension of a 15% increase in food stamps; child tax credits and other tax credit provisions; grants to small businesses; funds to reopen schools; funds for housing and rental assistance, vaccines, testing and contact tracing, health care and public health, public transit; and funds to state and local governments to bridge budget shortfalls and mitigate the fiscal impact of the pandemic.

### 3.3 The American Rescue Plan Act – (A.R.P.A.)

The City of Newton will receive approximately \$63 million dollars from the American Rescue Plan Act of 2021, often called ARPA. Congress created specific guidelines for how these funds can be used with two key categories being the most relevant for our City. Category (A) requires the funds be used to respond to the COVID-19 public health emergency and/or its negative economic impacts; and Category (C) allows investment of the funds to make up for the missed investments stemming from the City's "lost revenues" in the face of the pandemic. The City of Newton is also interested in Category (D) which allows for investments in water, sewer or broadband infrastructure.

The original legislation as passed in March 2021 outlined the requirements as follows:

#### *REQUIREMENTS:*

*(1) USE OF FUNDS.—Subject to paragraph (2), and except as provided in paragraph (3), a State, territory, or Tribal government shall only use the funds provided under a payment made under this*

section, or transferred pursuant to section 603(c)(4), to cover costs incurred by the State, territory, or Tribal government, by December 31, 2024—

(A) to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;

(B) to respond to workers performing essential work during the COVID–19 public health emergency by providing premium pay to eligible workers of the State, territory, or Tribal government that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work;

(C) for the provision of government services to the extent of the reduction in revenue of such State, territory, or Tribal government due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year of the State, territory, or Tribal government prior to the emergency; or

(D) to make necessary investments in water, sewer, or broadband infrastructure.

(2) *FURTHER RESTRICTION ON USE OF FUNDS.—*

(A) *IN GENERAL.—*A State or territory shall not use the funds provided under this section or transferred pursuant to section 603(c)(4) to either directly or indirectly offset a reduction in the net tax revenue of such State or territory resulting from a change in law, regulation, or administrative interpretation during the covered period 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.

On May 10, 2021, the U.S. Department of the Treasury issued a 151 page “Interim Final Rule” to implement the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund established under the American Rescue Plan Act. It includes the following guidance:

Section (1A) - ARPA Funds - Responding to the Public Health Emergency and Negative Economic Impact

Accordingly, to assess whether a program or service is included in this category of eligible uses, a recipient should consider whether and how the use would respond to the COVID-19 public health emergency. Assessing whether a program or service “responds to” the COVID-19 public health emergency requires the recipient to, first, identify a need or negative impact of the COVID-19 public health emergency and, second, identify how the program, service, or other intervention addresses the identified need or impact. While the COVID-19 public health emergency affected many aspects of American life, **eligible uses under this category must be in response to the disease itself or the harmful consequences of the economic disruptions resulting from or exacerbated by the COVID-19 public health emergency.**



### Section (1C) - Reduction in Revenue due to the COVID-19 Health Emergency

*Sections 602(c)(1)(C) and 603(c)(1)(C) of the Act allow recipients facing budget shortfalls to use payments from the Fiscal Recovery Funds **to avoid cuts to government services** and, thus, enable State, local, and Tribal governments **to continue to provide valuable services** and ensure that fiscal austerity measures do not hamper the broader economic recovery. The Interim Final Rule implements these provisions by establishing a definition of “general revenue” for purposes of calculating a loss in revenue and by providing a methodology for calculating revenue lost due to the COVID-19 public health emergency.*

*Calculation of Loss. In general, recipients will compute the extent of the reduction in revenue by comparing actual revenue to a counterfactual trend representing what could have been expected to occur in the absence of the pandemic. This approach measures losses in revenue relative to the most recent fiscal year prior to the COVID-19 public health emergency by using the most recent pre-pandemic fiscal year as the starting point for estimates of revenue growth absent the pandemic.*

*For purposes of measuring revenue growth in the counterfactual trend, **recipients may use a growth adjustment of either 4.1 percent per year or the recipient’s average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency, whichever is higher.***

*Recipients should 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.*

***Upon receiving Fiscal Recovery Fund payments, recipients may immediately calculate revenue loss for the period ending December 31, 2020.***

#### 3.3.1 Lost Revenue Calculation for the City of Newton

The City of Newton’s most recent fiscal year prior to the COVID-19 public health emergency was Fiscal Year 2019, which covered the twelve-month period beginning July 1, 2018 and ending June 30, 2019. FY2019 total City of Newton Revenue from all sources was \$656 million, while net revenue after adjustments for federal funds, bond sale proceeds, interfund transfers and other miscellaneous revenues totaled just over \$491 million. This net FY2019 Revenue amount of \$491 million will be used as the most recent pre-pandemic fiscal year and will be the starting point for estimates of revenue growth absent the pandemic.

Based on the *Interim Final Rule*, the City must next determine whether the growth adjustment of 4.1 percent per year *or* the City’s average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency is higher. We have done these calculations; we have determined that the City’s average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency is not higher than 4.1%. Therefore, we will use the U.S. Treasury guideline of 4.1% for all calculations for the growth adjustment for the counterfactual trend.

The Administration has also calculated the Calendar Year (CY) 2020 Counterfactual Revenue as well as CY 2020 Actual Revenue. This calculation has yielded a CY 2020 Lost Revenue factor of just over \$31 million. Simply put, this means that to date the City is able to use the guidelines of “the provision of government services” for \$31 million of the \$63 million of ARPA funds that have been allocated to the City of Newton. While these are less restrictive than those in Category (A), we are mindful of the importance of using the ARPA funds to respond to the negative impacts of the pandemic. We will continue to measure our “lost revenue” as of Dec 31, 2021, Dec 31, 2022, and Dec 31, 2023 so as to determine exactly which guidelines we will have to follow for our ARPA expenditures.

The *Interim Final Rule* also includes this guideline: *Government services can include, but are not limited to, maintenance or pay-go funded building of infrastructure, including roads; modernization of cybersecurity, including*

hardware, software, and protection of critical infrastructure; health services; environmental remediation; school or educational services; and the provision of police, fire, and other public safety services.

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

Most recent fiscal year	FY 2019
Calculate FY2019 Total Revenue	\$ 491.6 Mil
Conterfactual Growth Rate	4.1 %
Allowable Revenue 12/31/2020	\$ 521.8 Mil
CY 2020 Actual Revenue	\$ 490.8 Mil
<b>Revenue Loss through December 31, 2020</b>	<b>\$ 31.0 Mil</b>

3.3.2 Investing ARPA Funds in Our Future

The Mayor has set out several goals for how we invest these one-time ARPA funds. We should seed those initiatives that will help Newtonians and our City not just stabilize and recover but permanently be more resilient, more livable, more vibrant, more inclusive, and more sustainable. We should invest the funds using the lens of equity, ensuring all geographic areas of Newton, all ages, all ethnicities and all people are supported while we help those hurt by the pandemic.

Our ARPA investments should be strategic so as to complement those of State and Federal programs. We will want to invest early in the design of “shovel-ready” infrastructure projects so we are well positioned to take advantage of Federal and State infrastructure aid. Simultaneously we will pay close attention to Federal and State spending decisions so we don’t inadvertently use Newton’s ARPA monies when other funding streams are available.

Where specifically should we invest these funds?

Many people have provided great ideas. Our City Councilors and School Committee members weighed in. Residents, community groups, business owners and the heads of non-profits have spoken up. Many people sent along thoughtful emails to [ARPAinput@newtonma.gov](mailto:ARPAinput@newtonma.gov).

Mayor Fuller will continue to ask for input as many of the investment decisions will be made in the future. We have 3 to 5 years to use the funds. Monies must be incurred by December 2024 or encumbered by that date (i.e., specifically set aside in a special account) and spent by December 2026. Additionally, the category of “lost revenues” is calculated each year, beginning with calendar year ending December 31, 2020 through calendar year ending December 31, 2023 using a U.S. Department of Treasury methodology comparing pre-pandemic City of Newton revenue growth to what happened during and afterwards.

Here is what we have heard from listening to all who have shared their insights and perspectives so far.

First, help those most impacted by the pandemic. This includes people with limited resources who may need help with housing and food insecurity, job skills and financial literacy, or childcare, and/or access to health resources. Support those who are unemployed or underemployed. Prioritize our youngest and oldest residents as the restrictions necessary during the pandemic had an outsized impact on them. Focus on diversity, equity and inclusion as people of color, ethnic minorities and other specific groups were disproportionately affected. Invest in helping those needing mental health resources or other medical resources. Ensure that everyone has access to the internet, broadband, and technology, as this is crucial for getting information and services in these times. In

addition, use the funds for outdoor spaces (including trees) and recreational opportunities as during the pandemic they proved vital to physical and mental health as well as shared opportunities for community, friendship and happiness.

Second, help with the recovery and rebuilding of our village centers and commercial corridors, and businesses and non-profits. Link employers to employees as so many sectors are facing staffing shortages. Improve our streets, sidewalks and village centers so drivers, bicyclists and pedestrians can get to and from our small businesses and restaurants and enjoy themselves even more when there. Invest in arts, culture and community activities as they are both economic drivers and help us connect and find joy, both of which were in short supply in the last seventeen months.

Third, support the operations of the Newton Public Schools (NPS) and the City in the face of increased needs of our students and residents and the continued revenue losses. Ensure that all our students and staff return to school in the fall in-person with the resources they need for achieving of our goals of academic excellence, educational equity and social and emotional health and wellness. Continue to upgrade the ventilation systems in our buildings as well.

Across many departments, staff are vetting ideas, shaping programs and ensuring we have the capacity to effectively implement new initiatives. This will take time and effort, so we expect to launch programs periodically in the months and years ahead. For those that need community input and planning (and many do), we will do that work sooner rather than later. That said, we are working with a deep sense of urgency as the needs right now are high and immediate help is critical.

As of October 1, 2021, we have approved several projects that fit both the spirit and specific requirements of this grant funding.

For further details on each initiative please visit:

<https://www.newtonma.gov/government/mayor-fuller/special-projects-and-initiatives/american-rescue-plan-act-arpa>.

### 3.3.2.1 Bicycle/Pedestrian Master Plan - \$80,000

We will use the ARPA funds to help with the recovery and rebuilding of our village centers and commercial corridors, and businesses and non-profits. One goal is to improve our streets, sidewalks and village centers so drivers, bicyclists and pedestrians can get to and from our small businesses and restaurants and enjoy themselves even more when there.

We have made real progress on improving our streets and sidewalks for people who walk and bike. Groups including Safe Routes to School, Bike Newton, the Council on Aging, the Commission On Disability, and the Transportation Advisory Group have worked closely with staff in our Planning and Public Works Departments to help us design and build better. It's time to take the next significant step forward by developing a comprehensive, long-term bicycle and pedestrian master plan. Providing a high-quality bicycle and pedestrian network will enhance the quality of life for our residents and visitors of all ages, help reduce greenhouse gas emissions, increase public health, and support community and economic development.

The Mayor has approved \$80,000 in American Rescue Plan Act funds to develop this master plan over a nine month period starting this winter. The goal is a transportation system that is safe, smart, accessible, livable and sustainable. The plan will be developed with a lot of participation from our residents and the business community, with our transportation-focused groups, our City Councilors, and the relevant departments, boards and commissions. The Commission On Disability will be an important partner. We will support our staff with an experienced consultant as we create it.

### 3.3.2.2 Feasibility Design for Arts & Culture Pavilion in Newton Centre Bowl - \$50,000

We will use the ARPA funds to help with the recovery and rebuilding of our village centers and commercial corridors, and businesses and non-profits. One goal is to invest in arts, culture and community activities as they are both economic drivers and help us connect and find joy, both of which were in short supply during the pandemic. In addition, we will use the funds for outdoor spaces as during the pandemic they proved vital to mental health as well as shared opportunities for community, friendship and happiness.

The pandemic made crystal clear how much we need arts and culture to nourish our souls, to bring us together, to enliven our villages, and to bring customers to our restaurants and small businesses.

This summer we successfully produced concerts and events in the Newton Centre Bowl ranging from the New Philharmonia 50-member orchestra, a live puppet show from the Massachusetts based Tanglewood Marionettes, bands from bluegrass to world jazz, and the July 4th Kids Morning festivities. This location allowed for more spacing among audience members, more parking, a natural incline of green space, drew large audiences, and served as a perfect amphitheater.

Mayor Fuller has authorized the use of \$50,000 in American Rescue Plan Act (ARPA) funding to conduct a feasibility study over the next 6-9 months. An outdoor performance venue in Newton Centre could be a wonderful new community resource and gathering spot, plus create economic benefits. The ideas of our artists, performers, non-profits, businesses, residents and City Councilors will shape our decisions during the feasibility study.

### 3.3.2.3 Revitalize Creative Newton - \$75,000

Newton artists and arts organizations have been seriously hurt by the pandemic closures. Mayor Fuller has announced a grant program, entitled **Revitalize Creative Newton**, for the arts and culture sector of Newton to cover expenses related to reopening and resuming cultural programming and services.

Newton arts and cultural organizations of any budget size that can demonstrate they have been economically impacted by COVID-19 are eligible to apply. This funding will provide much needed support to organizations within our arts community as they work to recover, rebuild and re-energize our city. \$75,000 has been set aside for this important program.

### 3.3.2.4 NewtonHires - \$220,000

To help with the recovery and rebuilding of our village centers and commercial corridors, and businesses and non-profits, a goal is to link employers to employees as so many sectors are facing staffing shortages.

As Newton-based employers begin to recover and rebound from the pandemic, many are facing a challenge finding employees to fill a variety of job openings. The numbers are daunting—over the 90 days between April 15 and July 15, 3,400 jobs were posted for positions with employers located in the City of Newton. Simultaneously, people who faced layoffs and shorter hours during the pandemic are looking to re-enter the workforce or get more hours of work.

The *Newton Hires* program will offer cash incentives of up to \$1,000 to currently unemployed and underemployed individuals who register with MassHire, secure employment of up to 20 hours per week or more with a qualifying Newton employer, and remain employed with the business/non-profit for at least four weeks for an initial \$500 cash award and an additional \$500 cash award for individuals who stay as employees with the same employers through the week of December 20, 2021.

The *Newton Hires* program will be administered by the state's MassHire Metro South/West office. It began Monday, August 9. The program is limited to the first 200 individuals who get hired in Newton, remain employed, and become

eligible for the cash awards. The *Newton Hires* program will be funded with approximately \$220,000 from the City of Newton's share of the federal American Rescue Plan Act funding.

#### 3.3.2.5 Community Needs Assessment - \$50,000

We will use ARPA funds to help those most impacted by the pandemic. This includes people with limited resources who may need help with housing and food insecurity, job skills and financial literacy, or childcare, and/or access to health resources.

Our residents with fewer resources have been especially hard hit by the pandemic. We are contracting with a consultant who specializes in this work to conduct a community needs assessment. Our Health and Human Services Department in partnership with our Planning Department will oversee this work. The community needs assessment will specifically focus on hearing from our low-income residents regarding their needs and developing responsive strategies for promoting economic stability. The needs assessment will take advantage of existing information and data as well as undertake surveys and focus groups designed to amplify the voices of lower-resourced residents. The assessment will be completed during the fall of 2021, with a final report and recommendations that will enable us to implement responsive programs and support during the calendar year 2022 and beyond. The Assessment itself will require \$50,000 in funding with the implementation of the programs considerably more.

#### 3.3.2.6 Newton Center for Active Living (NewCAL) Design Funds - \$500,000

We will use ARPA funds to help those most impacted by the pandemic. This includes our oldest residents as the restrictions necessary during the pandemic had an outsized impact on them.

Our older residents were significantly impacted by the pandemic and these ARPA investments will help support them as we rebound and recover. We're scheduled to break ground on a new senior center in the summer of 2023 with a planned opening in the summer of 2025. To maintain this project schedule, we are investing ARPA funds to move from the feasibility phase into the beginning of schematic design. This will include a schematic structural design, architectural site and building design, building renderings, floor plans and a cost estimate. We continue to hold community meetings where we work with all stakeholders to refine the design and site plan.

#### 3.3.2.7 Street Tree Program Investments - \$250,000

We will use ARPA funds to help revitalize our tree canopy. We know trees provide beauty and make Newton more livable, improve air quality, help stormwater runoff, and reduce temperatures in hot weather.

The City's street tree population peaked at approximately 40,000 trees in the late 1970s and then declined steadily by 50% until 2010 when a Forestry Program was re-established. The City's Street Tree Revitalization Plan includes strategic planting and care of young trees, identification and removal of dangerous trees, and stump removal and grinding. The significant investments in new tree plantings over the past decade need to be carefully protected to assure they grow into full canopy trees. \$250,000 in ARPA funds will be used to purchase a new watering truck and to conduct pruning of young trees (5 years and under) that is critical for their health. The truck will be designed and built specific to the tasks of tree planting, watering, tree mulching, and young tree care. In addition, some funds will be used to help the Forestry Program catch up on a backlog of mature street tree maintenance.

While these investments are made, the City Forester is working on a City Street Tree Master Plan to devise a long-term plan for this vital asset of the City. Further information on this plan will be available this coming Winter and Spring. The Forestry Program is also completing the first complete street tree inventory in many decades that will assist in completion of the plan.

### 3.3.2.8 Parks & Conservation Trail and Accessible Pathway Improvements - \$150,000

We will use ARPA funds to upgrade our conservation trails and create accessible pathways to provide greater opportunities for stress relief and improved physical and emotional health.

The COVID-19 pandemic, with our residents' accompanying thirst for being outdoors, strengthened our conviction of the importance of our City's parks and conservation lands. By investing \$150,000 in ARPA funds into our trails and accessible pathways, more residents will be able to enjoy the natural beauty of our wonderful city.

One example of an accessible pathway project we can expedite is at Lyons Field in Auburndale. The City will build a path to the baseball diamond seating and concession stand area that sits at the bottom of a steep hill so everyone, regardless of mobility and sight challenges, can enjoy a game.

### 3.3.2.9 Library Children's Room Expansion - \$2,000,000

We will use ARPA funds to help those most impacted by the pandemic. This includes our youngest residents as the restrictions necessary during the pandemic also had an outsized impact on them.

Our young children had no play dates and little time socializing for so many months. The Library Children's Room Expansion Project is a transformative investment that will align the space with the incredible demand for our collection, services and programs. The project, which will take 8-10 months to complete, will increase the size of the Children's Room, expand the program space, make family-friendly restrooms, update furniture and add activity stations. The investment will be \$2 million.

### 3.3.2.10 Horace Mann Elementary School Playground Expansion - \$250,000

We will use ARPA funds to help those most impacted by the pandemic. This includes our youngest residents as the restrictions necessary during the pandemic also had an outsized impact on them. In addition, we will use the funds for outdoor spaces and recreational opportunities as during the pandemic they proved vital to physical and mental health as well as shared opportunities for community, friendship and happiness.

Our elementary schools need great playgrounds and our Kindergarten through 5<sup>th</sup> grade students depend on them. The playground space at the Horace Mann School will include a larger ropes structure that challenges older elementary school children. When the school moved two years ago from Watertown Street next to Albemarle Field over to the renovated former Carr School on Nevada Street, they were not able to bring their large playground structure with them. This will serve as a modern replacement for that structure and allow for physical and social growth for the children. More information will be posted [here](#) over the next several months. This is a \$250,000 investment.

### 3.3.2.11 Road Repair and Paving - \$2,500,000

As we prepared the FY2021 City Operating Budget in April 2020, we recognized that the City would experience significant reductions in revenues (eg: Rooms & Meals Taxes (\$2.7M), Parking Meter Receipts (\$1.2M), Payments for Parking Violations (\$1.2M), Motor Vehicle Excise Taxes (\$750K), etc.) and therefore created a multi-pronged plan. That plan included the difficult decision in May 2020 to forego \$2.5 million of spending from FY2020 Free Cash on our Transportation Network Improvement Program in order to repurpose those funds to soften the COVID-19 impact on revenues and expenditures. One of the first decisions we made was to authorize the spending of \$2.5 million for much needed road repairs.

### 3.3.2.12 Countryside Elementary Renovation/Replacement Feasibility Study - \$1,250,000

We will use ARPA funds to help those most impacted by the pandemic. This includes our youngest residents as the restrictions necessary during the pandemic also had an outsized impact on them.

The City of Newton and the Newton Public Schools continue to plan for the renovation and renewal of our school buildings. As part of this process, we often look for financial help to the Massachusetts School Building Authority (MSBA). In recent years we have worked very successfully with the MSBA on the Angier and Cabot Elementary Schools to design and build excellent educational facilities on budget.

In spring of 2021 the MSBA sent a team of architects and engineers to conduct a site visit at Countryside Elementary School to evaluate the physical condition of the school, whether there is overcrowding and what future enrollment projections indicate, site considerations and the ability of the facility to support the anticipated educational program.

The City and NPS are pleased that the MSBA voted in June 2021 to “invite” the City to participate in its “Feasibility Phase” for the Countryside Elementary School. To complete this phase, the City has appropriated \$1,250,000 for the purpose of paying costs for professional services for the Feasibility Study/Schematic Design and City of Newton Site Plans Approval for the Countryside Elementary School. A portion of the funding is anticipated to be reimbursed by the MSBA.

### 3.3.2.13 COVID-19 Building Adaptations - \$1,800,000

We will use the ARPA funds to continue to upgrade the ventilation systems in our buildings.

Since the early days of the pandemic, we have paid close attention to the data and listened carefully to the health experts when making decisions about how to make our public buildings safer for our students, teachers and school community, the public and our employees. One area we significantly leaned in on is ventilation. Following our \$4.5 million investment in ventilation system upgrades in our schools and municipal buildings to sustain high quality indoor environments for our staff and visitors, we have identified several more in-depth projects.

Police Headquarters: The work at the 1321 Washington Street Police headquarters in West Newton Square will focus on replacements of critical equipment and systems to sustain fresh air introduction and air exchange. These funds will allow us to replace the rooftop air handling units, chillers, controls, and also make improvements to the insulation and efficiency of the various equipment. These systems will all be fully electric with no use of fossil fuels onsite. This work will be coordinated with the installation of new emergency communication equipment and computer upgrades.

City Hall War Memorial Auditorium: The ventilation system at the auditorium in City Hall will receive upgrades to allow us to once again use this incredible asset for community events, public meetings, cultural programs, and staff meetings. Additionally, we will improve the basement spaces at City Hall, including operable windows to allow for increased fresh air flow and better ventilation

Fire Stations #1 and #2: Fire station upgrades will allow for a significant increase in the passive and active ventilation rates and fresh air introduction which are both pillars of the layered prevention strategy recommended by CDC and DPH to include the following:

- Replacement of all windows at Station #2 with operable units to compliment the restoration of the central ventilation system in the attic completed in 2020, and
- Installation of central and localized ventilation systems at Station #1 to compliment the window replacement project completed in 2020.

### 3.3.2.14 FY2022 City of Newton Operating Budget - \$4,603,645

The partial shutdown of the economy continues to have a negative impact on many of the City’s revenue sources with lower revenues expected to continue from sources such as Rooms & Meals Taxes, Parking Meter Receipts,

Payments of Parking Violations, etc., approximating \$7 million in FY2022. Therefore, in May 2021, the Mayor committed \$4.6 million in ARPA funds to supplement the FY2022 City Operating Budget (including the Newton Public Schools). The utilization of these funds to augment our projected revenues will enable the City and School Department to continue supporting the vulnerable, recovering and reopening, and building a better future with strategic investments.

## 4.0 Addressing Climate Change and Sustaining our Environment

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

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

In March 2021, the City hired its first ever full-time Energy Coach in order to facilitate the implementation of the Climate Action Plan (CAP). In collaboration with the Mayor, Executive Office, City Departments, grassroots organizations, utilities, state-level organizations and buildings professionals, the Energy Coach is providing guidance to building owners, occupants, contractors, developers, designers and City Departments to maximize the implementation of green building practices in new construction and retrofits in the residential and commercial sectors.

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

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

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

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



## 5.0 Zoning and Land Use Planning for the Future

The City Council's Zoning and Planning Committee is working with Newton's Planning Department staff on a long-standing assignment to update Newton's zoning code comprehensively. Not since the 1950's has the City done a significant zoning update.

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

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

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

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

Housing affordability is complicated and the link to zoning is complex. Given today's hyper housing market prices, solutions require a certain amount of change to zoning ordinances, if we want housing affordable to more people in our almost fully built out City. Working in partnership with the City Council, the Fuller Administration is committed to expanding our housing options, creating housing diversity, and is considering establishing an Affordable Housing Trust to facilitate the achievement of these goals.

The Planning Department is in the midst of an in-depth look, which includes broad community engagement and data analysis, at Newton's unique village center districts. Engagement efforts have included a broad outreach to the Newton community to participate in a vision kit exercise geared for village centers, targeted focus directed to underrepresented populations, an on-line interactive forum, and on the street surveying. A summary of the engagement efforts will be presented to the Zoning and Planning Committee in October. It is anticipated that preliminary zoning proposals for Newton's village centers will be presented to ZAP in early 2022.

## 6.0 General Fund Revenues

### 6.1 Background on Proposition 2 ½ and Overrides

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

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

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

For many years, the sitting Mayor has proposed and the City Council has voted to increase the tax levy by the 2.5% allowed. In FY2022, this 2.5% represented an increase of \$9,341,894. A critical revenue assumption in this Long-Range Financial Strategy presumes a continuation of this policy.

The Assessor’s Office determines the amount of new growth each year by evaluating all new construction projects, renovations and land use changes to determine the increase in the property value. The Massachusetts Commissioner of Revenue has an approval process to certify the Assessors’ determination of new growth. On September 29, 2021 the Department of Revenue notified the City that they had conducted their review of our statistical analysis and approved a new growth figure of \$6,163,891. This robust figure is a testament to the strength of the City of Newton, particularly during this challenging time.

Voters in Newton have twice approved debt exclusion and/or general overrides. In 2002, a \$11,500,000 general override went into effect with the FY2003 property taxes. (In 2008, voters rejected a \$12 million general operating override.) In 2013, the voters approved two different debt exclusions (Angier and Cabot Elementary Schools) and an operating override. This resulted in a FY2014 \$8,400,000 override increase in taxes and debt exclusion debt payments that started in FY2015. In FY2022, the amount of the debt exclusion debt payment is \$3,129,345. In

FY2020, Newton’s average single family tax bill was \$12,849 which ranked 16<sup>th</sup> in the Commonwealth of Massachusetts for single family properties.

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

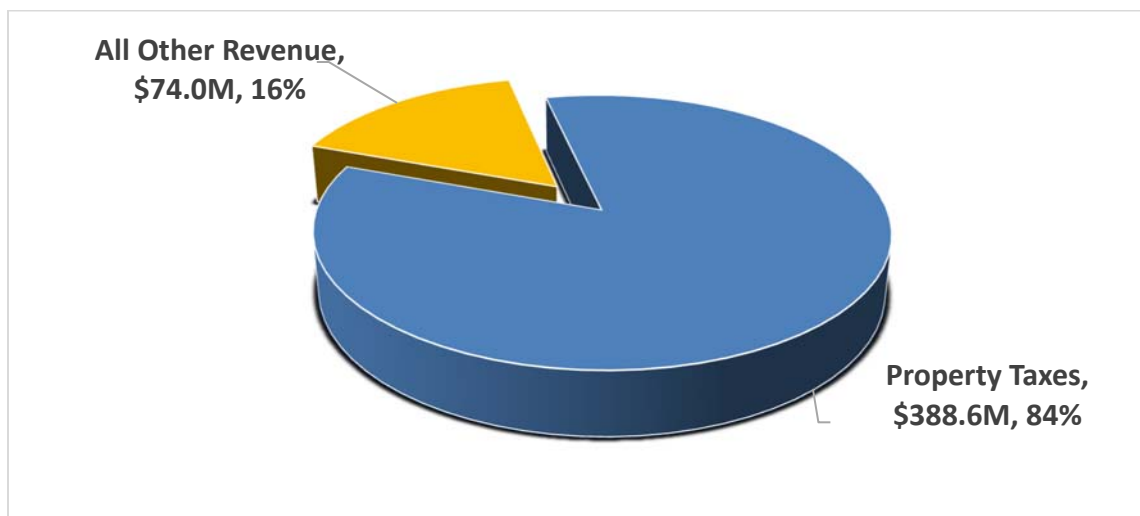
## 6.2 Revenue Forecast: Key Drivers and Assumptions

### 6.2.1 Property Tax Revenues

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

Property taxes typically account for almost 83% of the City’s total operating revenue. However, because of the COVID-19 negative impact on other revenue sources, property taxes grew slightly as a proportion of overall revenue and now account for 84% of the City’s FY2022 Operating Revenue. FY2022 budgeted property tax revenue was estimated to total \$388.6 million. This included the 2.5% increase over last year as well as a projection of \$4.8 million from “new growth or redevelopment.” As was mentioned in an earlier paragraph, actual New Growth was certified on September 29, 2021 by the Department of Revenue in the amount of \$6,163,891. Although not included in the “budget”, this newly released figure has been incorporated into this long-range plan.

Fiscal Year 2022 Budget – Property Taxes = \$388.6M



Projecting the amount of new growth is perhaps the single most important assumption in the financial forecast. Property tax revenue from new growth and redevelopment has averaged 1.45% of the property tax levy limit (the total allowable property tax calculated by the state) over the past twenty years and has averaged a very robust 1.64% over the past ten years. The increase in property tax revenues from “New Growth and Re-development” has

significantly helped the City accomplish many of its goals. Sustaining these very positive historical trends may be challenging in these very uncertain times.

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

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

These projects are specifically designed to enhance the village character and experience by shoppers and diners by providing a safer, more walkable and bikeable, and more aesthetic environment to be complemented by improved lighting and the addition of street trees and sidewalk furniture. Those projects are now substantially complete and are beginning to have a real impact on the vitality of each of those village centers.

Planning for Newton's future remains a priority for the Administration. Mayor Fuller has been focused throughout COVID-19 on how best to assist in the preservation of Newton's small business community providing \$610,000 in small business recovery grants to 52 village center brick and mortar businesses. In addition, the Administration worked effectively with the Licensing Commission, Planning, Inspectional Services and DPW to facilitate outdoor dining in parking lots and on street for many Newton restaurants. 2021 also saw the completion of important and transformational village center enhancement projects in both West Newton and Newtonville.

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

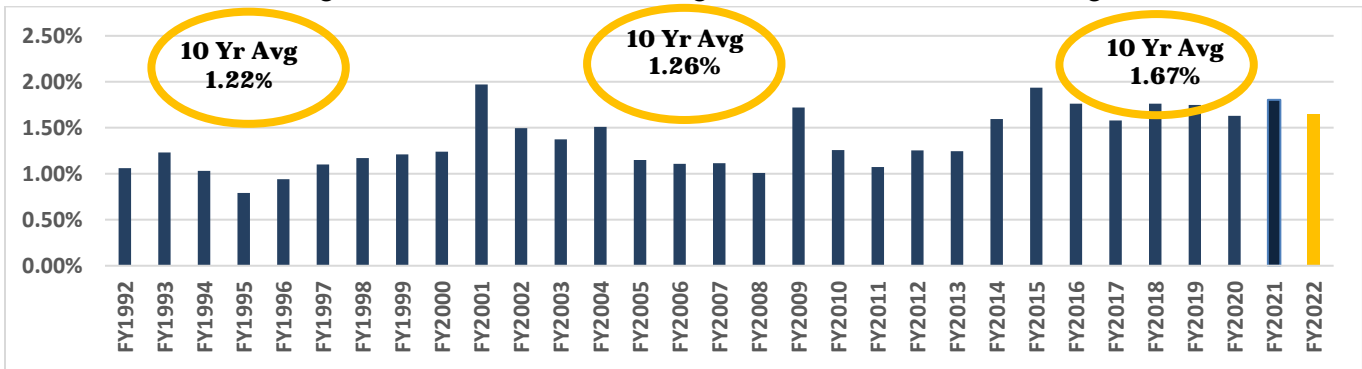
### [6.2.2 Revenue from "New Growth & Redevelopment" - Financial Modelling Techniques](#)

As is true with any long-range financial plan, there will always be unexpected events and adjustments to be made. Never has this statement been truer than in 2020/2021 as the City of Newton, the Commonwealth of Massachusetts, the United States of America, and the entire world grapple with the public health, social, emotional, educational, and economic effects of the coronavirus pandemic. The challenge and the responsibility is to prepare for exigencies and have a management strategy in place to deal with them.

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

New Growth as a Percent of Property Tax Levy

30 Year Average = 1.38%      20 Year Average = 1.46%      10 Year Average = 1.67%



Revenue from new growth and redevelopment has averaged 1.46% over the past 20 years. Although we can “model” averages, each year fluctuates based on the economy, time frame of large developments and other factors. The most recent 10 years, FY2013 through FY2022, generated a 10-year average of 1.67% annual increase in property tax revenue from new growth and redevelopment. The prior 10-year period, FY2003 through FY2012 (including the years of the “great recession”), generated a 10-year average of 1.26% annual increase in property tax revenue from new growth and redevelopment. The “worst” 10 years (FY1991 – FY2000) generated a 10-year average of only 1.05%.

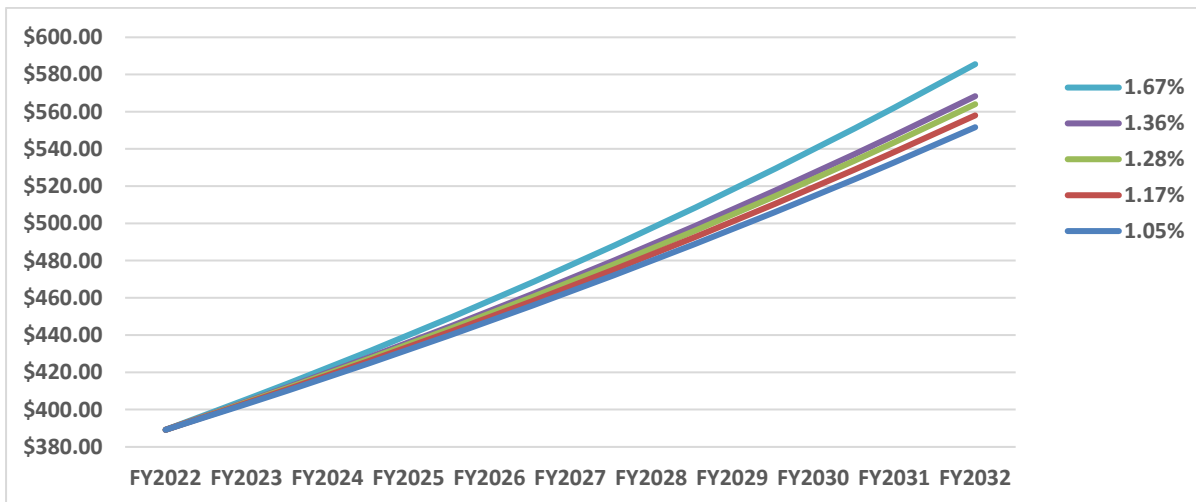
To prepare this strategic long-range forecast, we have utilized this very important data to create several different scenarios to develop a sensitivity analysis for our long-term revenue projections. Using the four new growth percentages that mirror each of the prior three decades, and the 20-year average,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

As the chart below indicates, there is as much as a \$30 million swing in FY2032 Revenue between the worst 10-year period average (1.05%) and the best 10-year average (1.67%). A crucial component in the development of the revenue projections in this financial forecast was the desire to avoid under-budgeting revenues, thereby causing reductions in services and personnel such as in education.

Total Revenue through FY2032

New Growth & Redevelopment Ratios: 1.05% - 1.67%

(\$ Millions)

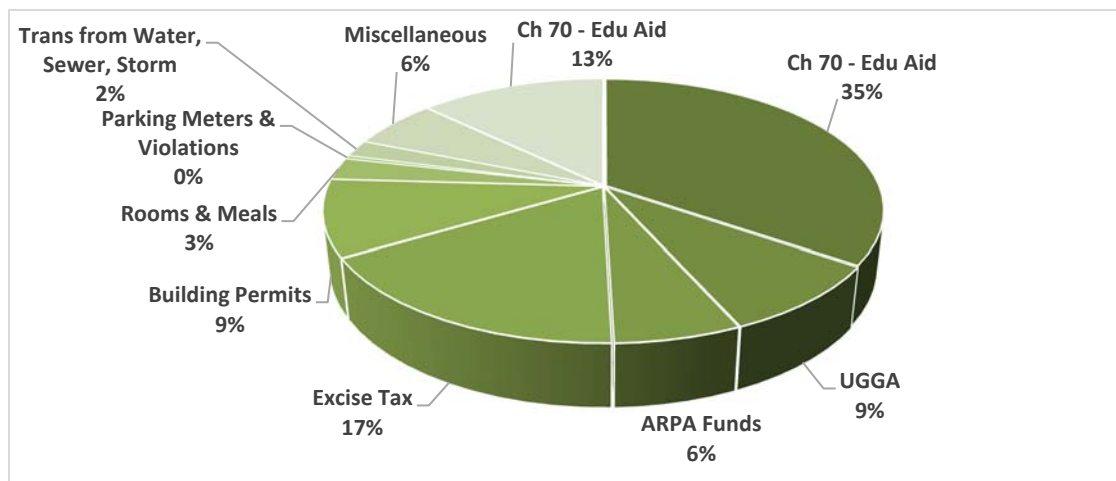


In addition to the assumption of a 2.5% annual property tax increase as allowed under Proposition 2 ½, we have adjusted our assumed new growth rate to 1.35% based on the expected new tax revenues resulting from the Northland and Riverside projects and a resumption of redevelopment throughout the City. History has shown us that although the 20-year average increase in revenues from new growth and redevelopment approximates 1.45%, slower economic times can yield additional tax revenues from new growth and redevelopment as low as only 1.0%. We are using a revenue forecast that reflects the current uncertainty which significantly impacts our revenue forecast – and thus, the amount that we are comfortable appropriating to expenditures.

### 6.2.3 Non-Property Tax Revenues

Non-property tax revenues account for 16% of the City of Newton’s FY2022 revenues and have been a declining portion of the City’s revenue base. A few non-property tax revenue sources are particularly noteworthy: State Aid, Building Permitting Fees, Motor Vehicle Excise Taxes, Interest Income, Meals and Hotel Room Taxes, and Parking Meter and Parking Violations Receipts. It should be recognized that the City utilized \$4.6 million of ARPA funding to supplement FY2022 general fund as key non-property tax revenues have not yet recovered.

Fiscal Year 2022 – All Other Revenues - \$74M



### State and Federal Funding

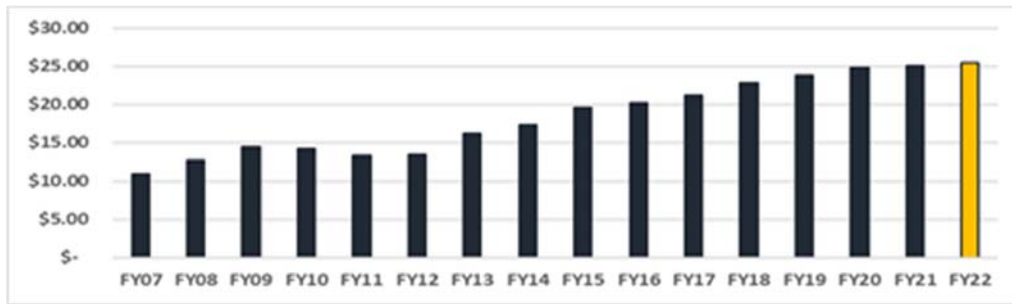
The most significant non-property tax revenue source for the City of Newton is two funding sources from the Commonwealth – Chapter 70 State Education Aid and Unrestricted General Government Aid.

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

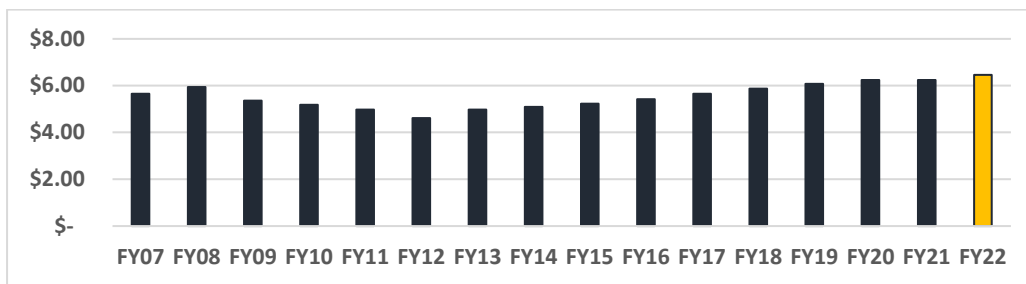
Governor Baker signed into law the Student Opportunity Act on November 26, 2019, the most significant statewide update to the education funding formula since its inception in 1993. The bill, passed before COVID-19, is intended to infuse an additional \$1.5 billion annually into the state’s education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

The bulk of the new funding has been directed to school districts with the highest concentrations of low-income students, thereby aiming to close achievement gaps and to provide opportunity for all students in the Commonwealth. Although the State continues to grapple with the financial impacts of COVID-19, based on the Governor’s FY2022 budget submittal, the legislature approved an FY2022 budget reflecting allocations for the City of Newton of \$25,492,106 in Chapter 70 State Education Aid, an increase of \$363,390, or 1.45%, over the final approved FY2021 grant, and \$6,458,786 in FY2022 UGGA, an increase of \$218,412 or 3.5%.

Projected FY2022 Chapter 70 State Education Aid  
Governor's Budget Increase of \$363.3K (1.45%)



Projected FY2022 Unrestricted General State Aid (UGGA)  
Governor's Budget Increase of \$218.4K (3.5%)



In addition to Chapter 70 State Education Aid and Unrestricted General Aid, the City of Newton typically receives many millions of dollars of additional funding that also should be considered when discussing state aid. We are hopeful that these funding sources will not be reduced as the state begins to emerge from the financial crisis caused by the pandemic.

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

Annual State Funds in FY2022

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

Recent One Time State Funds

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

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

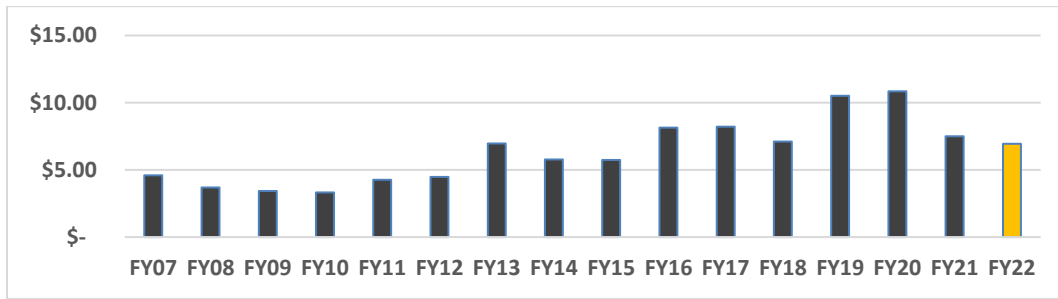
Annual Federal Funds

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

Inspectional Services Building Licenses and Permitting Fees

Permitting and licensing activity is influenced heavily by the economy. Although the Northland project was approved by both the City Council in 2019 and Newton voters in 2020 and while there are some very large projects in the special permit process currently, the coronavirus pandemic has and will continue to impact new permits and licenses. FY2021 Building Permit Revenue fell by \$3 million when compared to FY2019 and FY2020. We will continue to follow this account very closely, as building permit revenues are a very important predictor of future “Revenue from New Growth and Redevelopment.”

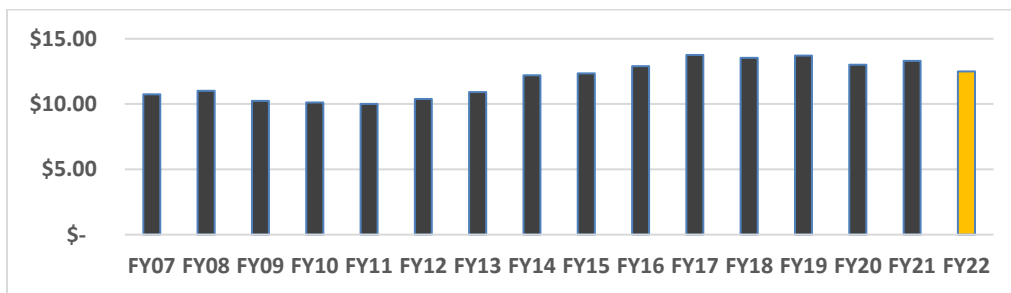
Inspectional Services  
FY2021 Actual \$7.5 M - FY2022 Budget \$6.95 M  
 (\$ Millions)



Motor Vehicle Excise Taxes

Massachusetts residents who own and register a motor vehicle annually pay a motor vehicle excise tax for the privilege of road use and those tax revenues go to the treasury of the local community. The amount of excise tax levied on each motor vehicle is \$25 per one thousand dollars of valuation. Over the past decade, total excise tax revenue has fluctuated from a low of just over \$9.5 million in FY2011 (following the Great Recession) to just over \$13.7 million in FY2017 and again in FY2019. Recognizing the significant impact of COVID-19 on so many people in Newton and their ability to buy a new car, we reduced projected FY2022 excise tax revenue by \$1 million. However, based on FY2021 actual revenue of \$13.3 million, we are optimistic that motor vehicle will exceed our budgeted projection.

Excise Tax  
FY2022 Projection - \$12,500,000  
 (\$ Million)





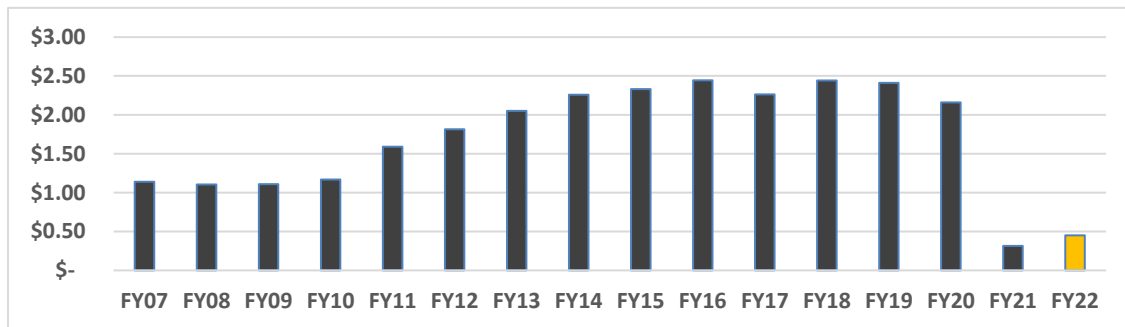
### Hotel Room Occupancy Taxes

The Commonwealth of Massachusetts has a state room occupancy excise tax rate of 5.7%. In addition, a city or town may adopt a local option room occupancy tax rate of not more than 6%. The Board of Aldermen of the City of Newton voted to accept the local option on October 7, 1985. As a result of the acceptance of this local option, the City of Newton has received more than \$2 million of Hotel Rooms Tax Revenue each year since in FY2013.

However, almost immediately following the onset of the Coronavirus Pandemic, the hospitality industry began to experience unprecedented cancellations of conferences, vacations, weddings, etc. As reported by NBC10 Boston July 13, 2021, the American Hotel and Lodging Association, reported that revenue per available room for Boston hotels plummeted from \$184 in May 2019 to \$61 in May 2021, a 67% drop surpassed only by the 70% decline in San Francisco. "While some industries are starting to rebound as COVID-19 restrictions ease across the country, the U.S. hotel industry is still in a recession, with the hardest-hit markets, including Boston, in a depression," AHLA President Chip Rogers said in a statement.

This fact is clearly evident in the City's receipts from Hotel Room Occupancy Taxes. FY2021 actual receipts amounted to just over \$300K, a drop in \$2.1 million or 88% from FY2019. Unfortunately, we expect that we will continue to see dismal revenues in this area throughout the coming fiscal year.

Hotel Room Occupancy Taxes  
FY2021 Receipts: \$315,000 - FY2022 Budget: \$450,000

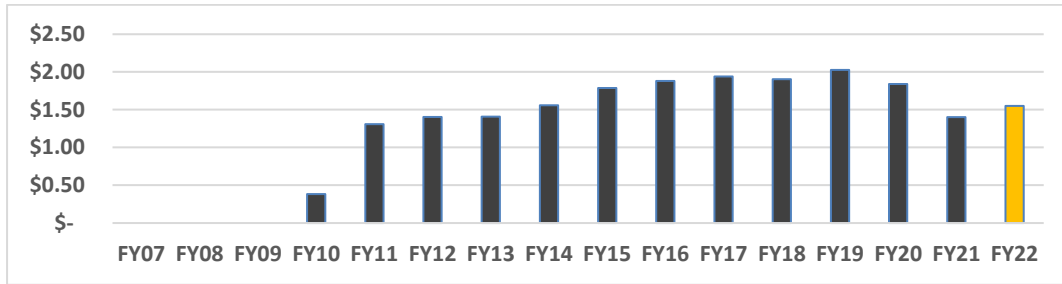


### Meals Tax

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

COVID-19 has also decimated the restaurant industry. Approximately 3,600 or 20% of all restaurants across the Commonwealth have permanently closed. Restaurants that have been able to weather this storm by providing "outdoor seating" through the summer months saw closures during the 2020/2021 winter. With the Delta variant, many worry about fewer patrons again as the cooler months approach. Therefore, we have continued to maintain a conservative projection for the Local Option Meals Tax of \$1 million.

Meals Taxes  
FY2022 Budget - \$1,550,000  
(\$ Million)



Interest Income

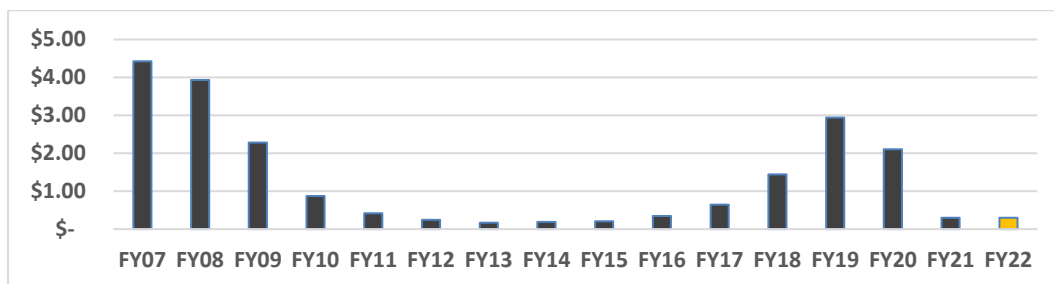
Interest income earned on the City’s financial cash reserves and investments has been as low as \$200,000 during the past decade when interest rates reached a record low of 0.25 percent in December 2008. The Federal Reserve Bank raised rates through 2018 but implemented a sequence of rate decreases starting in July 2019. In late March 2020, the Federal Reserve Bank decided in response to COVID-19 to lower the Federal Funds Rate to its historical low of 0.25 percent.

On September 22, 2021, the Federal Open Market Committee (FOMC) issued the following statement reaffirming comments made one year ago.

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

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

Revenue from Interest Income  
FY2022 Projection - \$300 K  
(\$ Millions)



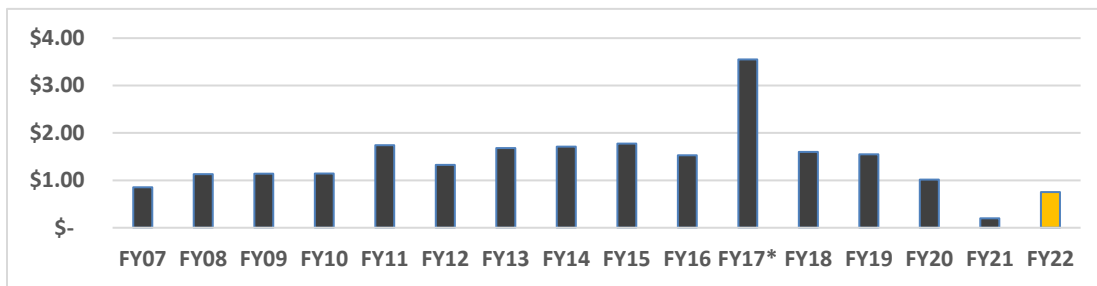
Revenue from Parking Meters & Parking Violations

Parking meters were first installed in the 1930’s in an effort to instill some order to the chaos of street parking. Charging promotes turnover to regulate the use of a scarce and valuable resource – curb space in dense areas.

Many municipalities charge increased fees at popular parking places to encourage employees and longer-term patrons to park a little further away from their desired location.

The City made a conscious effort not to “enforce” our parking policies during the height of the pandemic. While we know the lack of enforcement significantly impacted our Parking Meter Receipts, this was one of the many approaches the City took to promote our village centers. We have recently begun to enforce our parking policies, and, therefore, anticipate that this revenue source will begin to recover in October 2021.

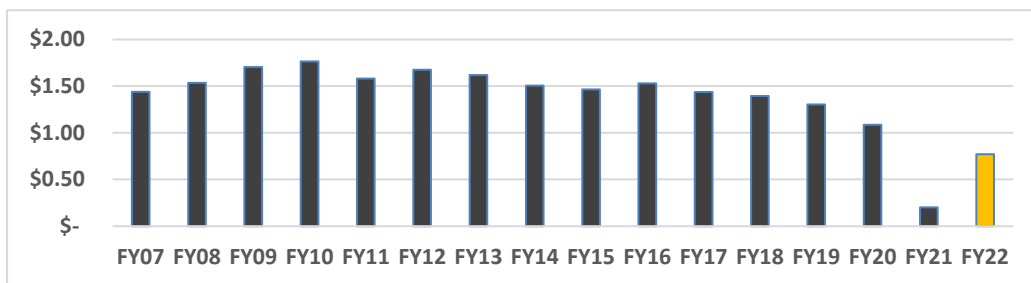
Revenue from Parking Meter Receipts  
FY2022 Projection - \$750 K  
 (\$ Millions)



\*The Municipal Modernization Act changed the accounting procedures for recognizing the Parking Meter revenue, essentially allowing Newton to recognize two years of receipts in FY17.

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

Revenue from Parking Violations  
FY2022 Projection - \$77K  
 (\$ Millions)



Revenue from Medical and Retail Marijuana Establishments

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

As this is an emerging industry with significant uncertainty about the level of the funding stream, the Administration will be conservative in budgeting this new source of revenue. Knowing that the funds may be limited to only five years per establishment and that we may see a shake-out in the number of stores and fluctuations in the level of sales, we will lean to using the funds for one-time expenditures rather than ongoing operating expenses. While we

will be inclined to fund new initiatives, the funds may also be used for current ones, especially if the City is facing economic pressures, as we are this year.

Since the development of the HCA and through September 30, 2021, the one existing medical marijuana establishment, Garden Remedies, has provided the City of Newton with more than \$925,000 in funds from its Host Community Agreement. Further information is provided in the HCA section of the FY2022 budget document where all HCA revenues and related expenditures are tracked in a transparent manner.

We have projected an increase in marijuana revenues for FY2022 in part because we expect at least one more establishment to open this fiscal year.

**City of Newton, Massachusetts**  
**Annual General Fund Revenues**  
**FY2022 Budget/FY2023 - FY2027 Forecast**

(\$ millions)	<-BUDGET->	<-----F-O-R-E-C-A-S-T----->				
<b>OPERATING REVENUE</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>
Real Estate Tax Revenue	\$ 388.6	\$ 404.2	\$ 419.6	\$ 435.6	\$ 452.3	\$ 469.6
Motor Vehicle Excise Tax Revenue	\$ 12.5	\$ 13.5	\$ 13.5	\$ 13.5	\$ 13.5	\$ 13.5
Hotel Room Tax	\$ 0.5	\$ 0.6	\$ 0.7	\$ 1.0	\$ 1.3	\$ 1.3
Meals Tax	\$ 1.6	\$ 1.6	\$ 1.8	\$ 1.8	\$ 1.8	\$ 1.9
Payments in Lieu of Taxes	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3
Interest/Divident Income	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3
Permitting Revenue - ISD	\$ 6.9	\$ 7.4	\$ 7.4	\$ 7.4	\$ 7.4	\$ 7.4
Parking Meter Receipts	\$ 0.8	\$ 0.8	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2
Parking Violations Revenues	\$ 0.8	\$ 1.0	\$ 1.1	\$ 1.3	\$ 1.3	\$ 1.3
Water/Sewer/Storm to Gen'l Fund	\$ 4.5	\$ 4.6	\$ 4.7	\$ 4.8	\$ 4.9	\$ 5.0
Other Miscellaneous Accounts	\$ 8.0	\$ 7.9	\$ 7.8	\$ 7.8	\$ 7.8	\$ 7.8
<b>REVENUE FROM OPERATIONS</b>	<b>\$ 424.6</b>	<b>\$ 442.0</b>	<b>\$ 458.4</b>	<b>\$ 475.1</b>	<b>\$ 492.1</b>	<b>\$ 509.6</b>
<b>REVENUE FROM STATE AID</b>						
Chapter 70 - Education Aid	\$ 25.5	\$ 25.9	\$ 26.4	\$ 26.9	\$ 27.5	\$ 28.0
Unrestricted General Gov't Aid - UGGA	\$ 6.5	\$ 6.6	\$ 6.7	\$ 6.8	\$ 6.9	\$ 7.0
<b>REVENUE FROM STATE AID</b>	<b>\$ 32.0</b>	<b>\$ 32.4</b>	<b>\$ 33.0</b>	<b>\$ 33.7</b>	<b>\$ 34.3</b>	<b>\$ 35.0</b>
<b>OPERATING REVENUE</b>	<b>\$ 456.6</b>	<b>\$ 474.5</b>	<b>\$ 491.5</b>	<b>\$ 508.7</b>	<b>\$ 526.5</b>	<b>\$ 544.5</b>
<b>% Increase</b>	<b>2.1%</b>	<b>3.9%</b>	<b>3.6%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.4%</b>
<b>REVENUE FROM TRANSFERS</b>						
Capital Stabilization Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
American Rescue Plan - ARPA	\$ 4.6	\$ 2.5	\$ 1.3	\$ -	\$ -	\$ -
Free Cash	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5
<b>REVENUE FROM TRANSFERS</b>	<b>\$ 6.1</b>	<b>\$ 4.0</b>	<b>\$ 2.8</b>	<b>\$ 1.5</b>	<b>\$ 1.5</b>	<b>\$ 1.5</b>
<b>TOTAL REVENUE</b>	<b>\$ 462.7</b>	<b>\$ 478.5</b>	<b>\$ 494.2</b>	<b>\$ 510.2</b>	<b>\$ 528.0</b>	<b>\$ 546.0</b>
<b>% Increase</b>	<b>3.4%</b>	<b>3.4%</b>	<b>3.3%</b>	<b>3.2%</b>	<b>3.5%</b>	<b>3.4%</b>

## 7.0 General Fund Expenditures

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

### Employees and Retirees

The Fuller Administration is deeply respectful of and grateful to the more than 2,000 employees of the Newton Public Schools and the more than 1,000 full- and part-time employees of the City who work so hard to help our students reach their full potential and to make Newton greater, better and more beautiful. The heart and soul of our Newton city government and our schools are the people who labor to deliver to our residents and children the services and education that make Newton, Newton. We will invest in our employees, through fair salaries, good working conditions, excellent health care plans, funded pension and retiree health care plans, and training and professional development.

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

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

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

### 7.1 Newton Public Schools

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

The COVID-19 global pandemic has been an incredibly challenging event for all school districts. The impact of COVID-19 for our students, staff, and families cannot be underestimated; it has been far-reaching and damaging, and significantly changed the way that all educators had to contemplate the delivery of a quality education.

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

As NPS opened its doors this past month to again resume full in-person teaching and learning within all our schools, they did so with many goals, including:

- Supporting students with unfinished learning from the past year and are significantly below grade level,
- Ensuring that race and equity is the center of all their work,
- Supporting the social and emotional needs of students following a harrowing year, and
- Integrating technology even more to improve teaching and learning.

Per Superintendent David Fleishman, “Our collective challenge is to build upon some of the valuable lessons we have learned over the past year while returning to many of the school structures and routines that we so cherish.”

Above all else, the City of Newton and the Newton Public Schools’ commitment to providing a full range of academic and social and emotional support to our students will remain constant and steadfast.

**7.1.1 Student Enrollment Trends**

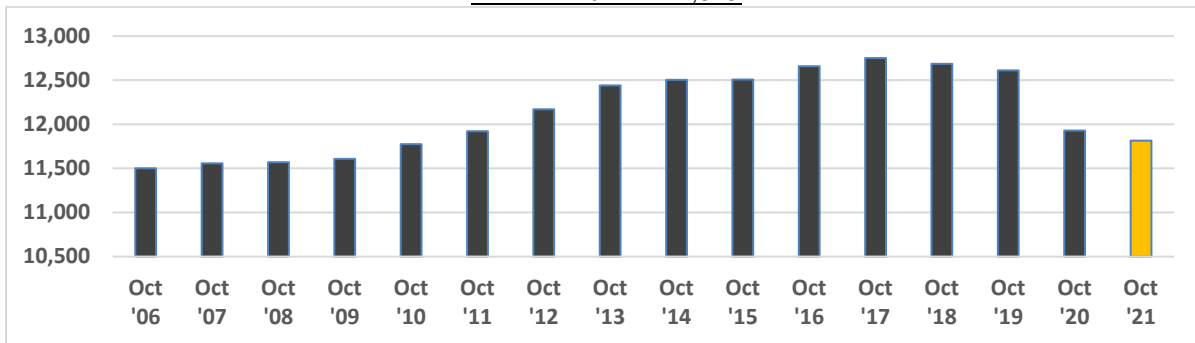
A key assumption in the forecast is the number of students in the Newton Public Schools. Yet another impact of COVID-19 has been a decline in enrollment, as families have chosen alternatives to meet their needs during this time, including homeschooling and private schools, at higher rates than in previous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

Prior to COVID-19, the Newton Public Schools saw a leveling of the growth trend of the prior decade. Although a decline in enrollment was projected for the 2020-2021 school year, the actual decline in enrollment was much larger than anticipated, likely due to the COVID-19 pandemic. Preliminary enrollment numbers for the 2021-2022 school year will be presented in late October 2021.

Based on enrollment from the first week of school, NPS will serve close to 11,815 students in our fifteen elementary schools, four middle schools, two high schools, and two alternative high school programs for the 2021-2022 school year. In addition, NPS will serve approximately 180 additional students in the Newton Early Childhood Program. (Enrollment is based on preliminary enrollment from the first week of school; finalized numbers will be provided in the December 2021 Enrollment Analysis Report.)

As always, enrollment numbers are being closely monitored to track trends as well as the potential continued impact of COVID-19. This includes analyzing demographic trends (e.g., birth rates, home sales) as well as known and potential changes in the number and type of housing units so NPS has both the teachers and staff and the space to educate all our students. Updated projections for the next five years will be provided in early December 2021 and will incorporate additional housing granted through special permits and those from building permits.

Newton Public Schools – Projected Enrollment  
October 2021 – 11,815



### 7.1.2 NPS Budget

A key assumption of this plan maintains the City's commitment to the Newton Public Schools. This commitment is evidenced in the significant financial support that the Mayor has extended to NPS in this very difficult time.

In addition to providing the FY2022 budget increase of slightly more than \$10 million or 4.14%, the Mayor also provided more than \$4.5 million in school building HVAC improvements, more than \$1 million for COVID testing for NPS faculty and staff, and more than \$200,000 for NPS janitorial overtime. This forecast has been developed with the assumption of a 3.25% annual increase in the NPS budget for fiscal years FY2023 through FY2032 Budgets.

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

- Enrollment,
- Chapter 70 State Aid,
- Availability of a widely available COVID-19 vaccine for children less than 12 years old, and
- Recovery of the local economy.

### 7.1.3. Long-Range School Facilities Planning

Prior to COVID-19, Newton's successful capital investments in school facilities had significantly improved the district's ability to create favorable class sizes, implement full-day kindergarten in 2019-20, AND improve the quantity and quality of spaces for districtwide programs for diverse learners. Detailed information about our [Building Projects and Long-Range Facilities Plan](#) can be found online.

Due to COVID-19, all major capital projects were placed on hold during the 2020-21 school year, with the exception of a three-classroom addition at Oak Hill Middle School. This addition was completed on time and on budget and became available with the opening of the school year in September 2021.

Two important projects, the Newton Early Childhood Program (NECP) (currently at 150 Jackson Road but scheduled to move to the former Horace Mann Elementary School) and the new Lincoln-Eliot Elementary School (which will move to 150 Jackson Road), had been delayed during the pandemic. The former Horace Mann building at 687 Watertown Street was set to begin construction in the summer of 2020 to house the NECP. However, given the dramatic impact on City revenues and expenses brought about by COVID-19, we made the difficult decision to postpone the bidding and construction of this project before committing to the \$13 million in total NECP project costs. This in turn meant that we needed to also pause the Lincoln-Eliot project at 150 Jackson Road, which was in the design phase.

We are pleased to report that we have made the decision to resume these two crucial school building projects. Construction is underway on the NECP. This project is anticipated to be completed in the fall of 2022. Once construction at 687 Watertown Street is complete, the NECP will move out of 150 Jackson Road, which will allow the Lincoln-Eliot project at 150 Jackson Road to proceed.

Although our two current projects had been paused as described above, we are pleased to report that on April 14, 2021, the Massachusetts School Building Authority (MSBA) Board of Directors voted to invite the Countryside Elementary School into the Eligibility Period of the MSBA's core grant program.

The MSBA's 2016 School Survey determined that Countryside is "overcapacity" in utilization of general space. There are also considerable accessibility problems as well as constant flooding of the basement (the school is adjacent to a wetland and brook).



While the invitation into the MSBA's Eligibility Period is a step forward for the Countryside project, the project is anticipated to take many years to complete and will require planning and study as well as decisions about funding sources.

The Franklin Elementary School project is equally important to Countryside even though MSBA funding is unlikely. The two schools had been co-ranked as top priorities for MSBA consideration in past submittals. A feasibility study for Franklin will be started in FY2022-2023 to evaluate program, enrollment, space/facility options, and costs. Like the non-MSBA portion of the Countryside project costs, the source of funds for the Franklin project is not determined at this point.

In November 2020, the Newton Public Schools completed a feasibility study of the Horace Mann Elementary School to assess existing conditions and space use, and to help develop a long-range space plan for a possible future addition to complement the major renovations already made to the existing building. The report's conceptual plan calls for an addition off the rear of the current gymnasium. The City will undertake a more detailed feasibility analysis, including review of enrollment projections, beginning in FY2022-FY2023. The funding source for detailed design and construction is not determined at this point.

The system's two oldest schools, Underwood and Ward, will reach their centennials this decade. Both schools have low enrollment, outdated and undersized core facilities, are located on small NPS properties, with districts that are adjacent to each other. In early 2020, NPS began an in-house evaluation of the two schools, and that was put on hold due to the pandemic. While NPS may restart this evaluation this fiscal year, the CIP includes feasibility study funding in the FY2023-FY2024 time frame.

## 7.2 Municipal/City Expenditures

### 7.2.1 Salaries and Other Compensation

The costs of salaries, compensation, and benefits for active municipal employees account for 70% of the municipal operating expenditures (excluding Retiree Pension & Health Insurance and Principal & Interest on Bond Payments). Consequently, personnel costs are the single most important cost element in the City of Newton's budget and have a significant impact on our forecast.

The International Association of Firefighters and the Newton Nurses Association (Public School Nurses) have settled collective bargaining agreements through Fiscal Year 2023.

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

### 7.2.2 Health Care

The City provides excellent health insurance for more than 2,450 active employees, their dependents and more than 2,840 retirees and their spouses through our self-insured program. The cost of a self-insured program is comprised of costs in three main areas: (1) the actual cost of claims, (2) the administrative fees charged by the health insurance carriers, and (3) an "Excess Policy" for "large" claims. Due to the high cost of "Stop Loss Policies," the City purchases this insurance for claims in excess of \$750,000 – thus covering only catastrophic claims.

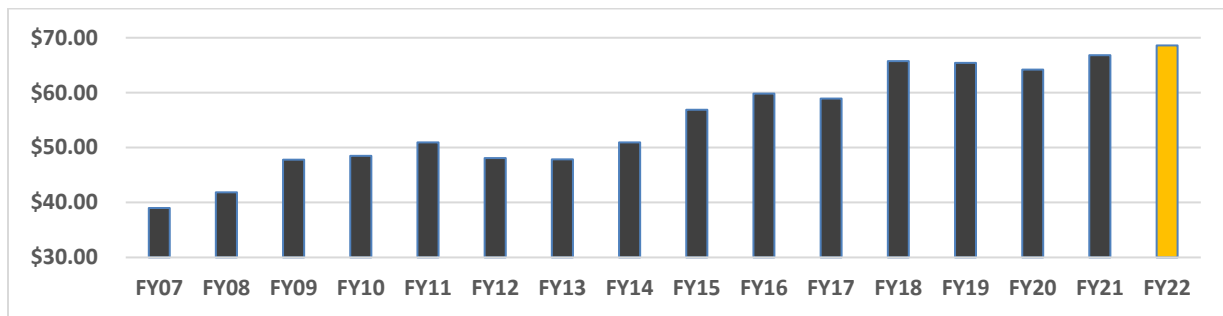
Rather than paying "premium" rates, the City works with its two insurance carriers to develop "working" rates. These working rates are projections of costs. If actual costs are less than projected, the City "saves" money. Conversely, if the actual costs are more than projected, the City must pay the difference. In order to do this, the City maintains a Health Insurance Trust Fund to manage any variances between the projections and actuals. An

important forecast assumption is that the City’s working rates for healthcare will increase by not more than 5% annually.

As a result of the COVID-19 pandemic and the virtual temporary elimination of elective procedures, we saw a slight decrease in our actual cost of claims in Fiscal Years 2020 and 2021. However, of late, we have seen a dramatic increase in our average weekly cost of claims. We will work our health insurance carriers as they try to determine whether this may be a temporary increase in elective procedures, the beginning of a longer period of increased costs for the many elective procedures that have been postponed in the past 18 months, or even a more permanent increase.

As of June 30, 2021, the City’s Group Health Self-Insurance Fund has reserves of approximately \$18 million which is the equivalent of just over 12 weeks of paid claims. Although the City’s fund balance policy is 1.5 to 2 months of paid claims, because of the change in Stop Loss coverage and the uncertainties associated with COVID-19, this balance is in line with prudent financial principles.

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



### 7.2.3 Solid Waste and Recyclables

The Sustainable Materials Management Division manages trash, recycling, yard waste, and household hazardous waste generated by residents through curbside collection and drop-off collection at the Newton Resource Recovery Center. Trash and recycling services for municipal buildings, including schools, are also in this division’s purview.

In FY2021, the residential curbside trash and recycling tonnage generated grew by 5.4% and 2.1% respectively, compared to pre-pandemic FY2019. This is a result of significantly more time spent at home by residents due to the pandemic. In FY2022 through August, there has been a decrease in trash and recycling tonnage of 5.8% and 8.9% compared to FY2021 through August. When compared with the same time frame for FY2019, trash tonnage has increased only 0.2% and recycling tonnage has decreased by 10.4%. Compared to FY2019, yard waste generated in FY2021 increased by 50.2%. In FY2022 through August, yard waste collected is 48% higher than in FY2019 through August. The data for the first two months of FY2022 indicate that there may not be a significant continued increase in trash and recycling, but that there will be a continued increase of yard waste.

The processing fee for recyclables has been highly volatile in recent years. The per ton price cap for processing of recyclable materials collected from the residential curbside collection program in Newton’s contract increased from \$30/ton in FY18 to \$60/ton in FY2019 to \$89/ton in FY2021 as a new contract took effect on July 1, 2020. This significant increase over the past three years is a result of global shifts in supply and demand for recyclable commodities. Prior to 2018, China had been purchasing 40% of the world’s recycling. In 2018, the China National Sword policy placed import restrictions on recyclables that effectively banned imports of scrap plastics and paper.

An increased demand for higher quality recyclables has also increase operational costs in collection and sorting of single stream recycling.

Adding to the volatility, the contract pricing for processing of recyclables fluctuates based on the value of the commodities sold. Since May 2021, materials recovered from the recycling stream have steadily increased in value. This trend is due to a combination of supply chain impacts from the pandemic that are causing increases in raw materials costs and an increased domestic capacity for processing materials. The fee to sort our recycling reached a high of \$88/ton in July 2020. The cost dropped over time to \$15/ton in June 2021. In July and August of 2021, Newton received a rebate for recycling for the first time since March 2017, totaling more than \$24,000. While it is uncertain how long this high value of the recycling stream will last, the current outlook is that markets will stay strong until there are fewer supply chain disruptions caused by the pandemic.

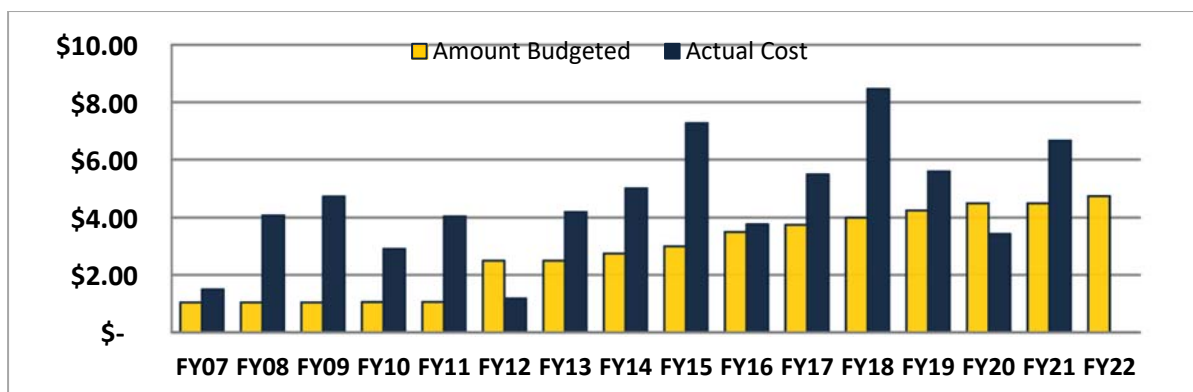
**7.2.4 Costs of Removal of Snow and Ice, and Other Significant Inclement Weather Events**

While climate change and sustaining our environment continues to be one of the most daunting challenges of our generation, we must be prepared for the financial implications of the resulting large-scale shifts in weather patterns. We have seen over the last decade a noticeable increase in heavy rains and snowfall amounts in our region. So too have we seen increased tornadoes and tropical storms with higher wind speeds than ever before.

The policy of the Administration has been to increase the annual amount appropriated for the removal of snow and ice and to address the cost of other significant storm damage until the appropriation equals the average cost of the previous five years. This target currently approximates \$6 million.

Although, the Administration chose to level fund this appropriation in the FY2021 budget (\$4.5 million) as a result of the necessary COVID-19 expenditure adjustments, we resumed the strategy for increasing the funding of this appropriation in the FY2022 budget and expect to reach our target in the next five years.

Budgeted Appropriations vs. Actual Costs of Snow and Ice Removal and  
Costs of Other Significant Weather Events  
(\$ Millions)



**7.3 Retirees: Pensions and Retiree Health Care (OPEB)**

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

There are two major categories of deferred compensation for City of Newton employees. First are pensions, monthly payments to a retiree from an investment fund to which both the employee and the City of Newton have contributed. Notably, public employees in Massachusetts, including employees of the City of Newton, are not

covered by, and therefore do not receive, Social Security benefits. The second category of deferred compensation is retiree health insurance and life insurance, otherwise known as non-pension post-employment benefits or “Other Post-Employment Benefits” or OPEB.

The City’s commitment to funding long-term retiree obligations, specifically pensions and OPEB, is both critical to our employees as we have made this commitment to them and to the City’s ability to maintain the Aaa rating it has earned from Moody’s Investors Service.

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

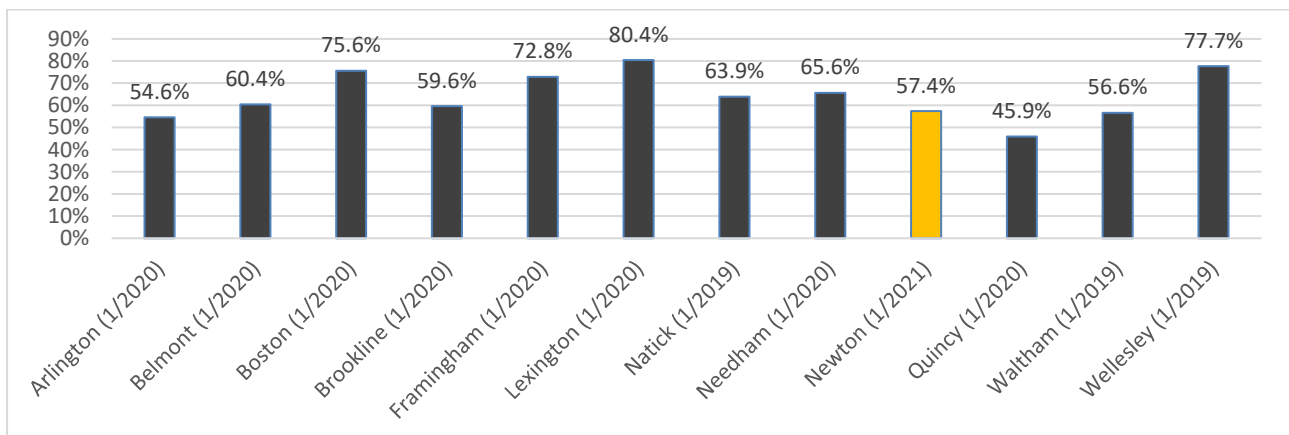
### 7.3.1 Pensions

The City of Newton Contributory Retirement Plan is our pension plan. It includes more than 3,460 people - active employees, retired employees and beneficiaries, and inactive participants (people who no longer work for us but have left their contributions on deposit in the plan to take at a later date). As of January 1, 2021, the City’s Unfunded Actuarial Accrued Liability on the Actuarial Value of Assets is \$312.4 million, down \$4.6 million from the January 1, 2020 unfunded actuarial accrued liability of \$317.0 million.

The teachers of the Newton Public Schools are not a part of the City of Newton Retirement plan. Rather, they are part of the Massachusetts Teachers Retirement System and the City is not “responsible” for their pensions. However, other school employees (e.g., aides, custodians, secretaries, and principals) are part of the City’s plan. School employees make up 669 of 1,570 or 42.6% of the active employees in the City’s pension plan and account for slightly more than 21% of the unfunded liability.

Prior to the 2008 economic downturn, the total unfunded actuarial accrued pension liability was approximately 33%. (In other words, the pension liability was 67% funded.) However, as a result of the difficult economic pressures in the years of the “Great Recession” combined with the increased life expectancy of Americans and more conservative net long-term investment returns, the total unfunded actuarial accrued liability reached a high of 49.2% but has now finally begun to decrease slightly and was 42.63% as of January 1, 2021. In other words, the pension liability is 57.37% funded. Although the increase in the unfunded pension liability is not unique to Newton, Newton lags many of the surrounding communities in percent funded for this significant liability. In our peer benchmark communities, only Arlington and Quincy have lower funded ratios.

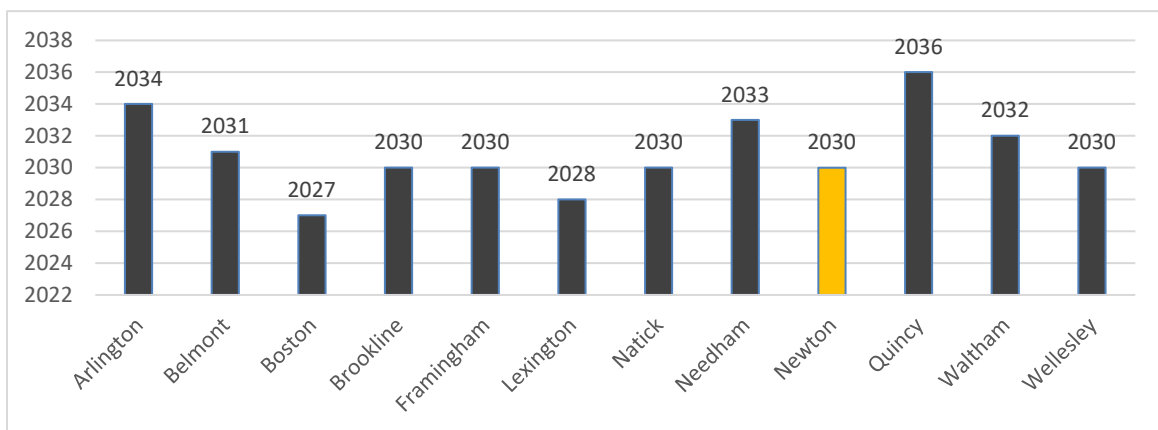
Percent of Pensions Funded by Community  
January 1, 2021, or Most Recent Available



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

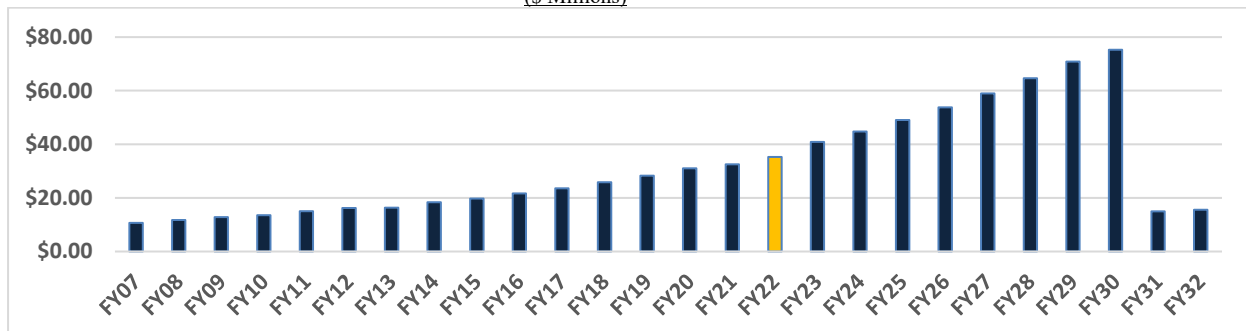
As a result of the negative impact to funding ratios for pension plans in most communities in 2008, the Massachusetts State Legislature passed legislation enabling cities and towns to have until the year 2040 to “fully fund” pension retirement plans. Although the City of Newton had been willing to extend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

Achievement Year of Fully Funded Pension System by Community  
Current Projections



As was mentioned earlier, Mayor Fuller met with the Newton Contributory Retirement Board of Trustees in April 2020 and requested a one-time adjustment to the Newton Pension Funding Schedule. On April 22, 2020, the members of the Newton Retirement Board approved the request unanimously. We are pleased to report that, as promised, the pension contribution in the FY2022 Budget has been restored to the prior scheduled amount.

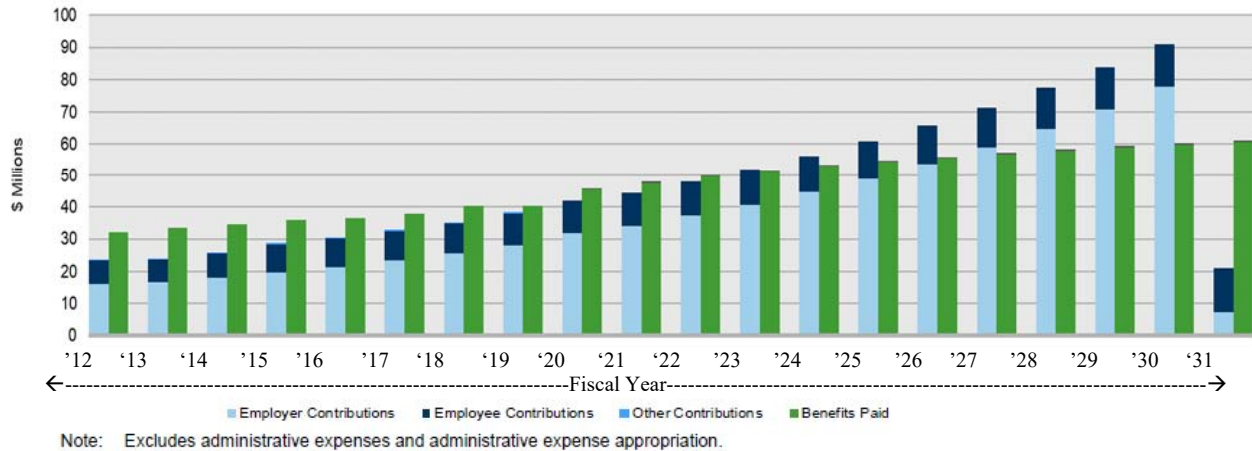
Projected City of Newton Pension Contributions – through Full Funding in 2030  
(\$ Millions)



Another way of looking at the strength of our Contributory Retirement Plan (i.e. the pension plan) is comparing the annual contributions paid into the plan by the City and the employees to the benefits paid out each year. The annual benefits paid out over the past decade and to be paid through the FY2023 Budget, have been and will continue to be higher than the annual contributions of both the City and the employees, hence our funded ratio has not increased in a noticeable way.

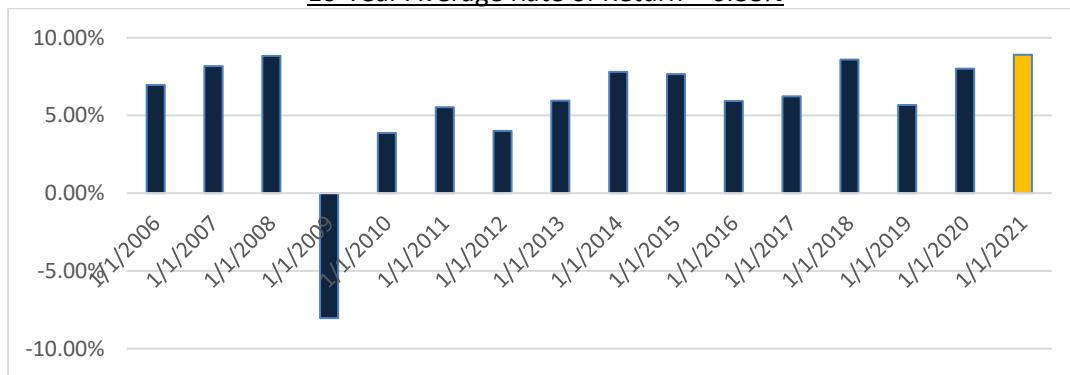
However, this is all about to change beginning next year. At that point in time we will finally be contributing more than we will be expending, and will finally begin to see our funding ratio increase exponentially.

Comparison of Contributions with Benefits  
For FY2012 – FY2031



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

15-Year Average Rate of Return = 5.81%  
10-Year Average Rate of Return = 6.88%



As shown in the chart above, the average rate of return during the past 10 years has been 6.88%, while the average for the past 15 years has only been 5.81%.

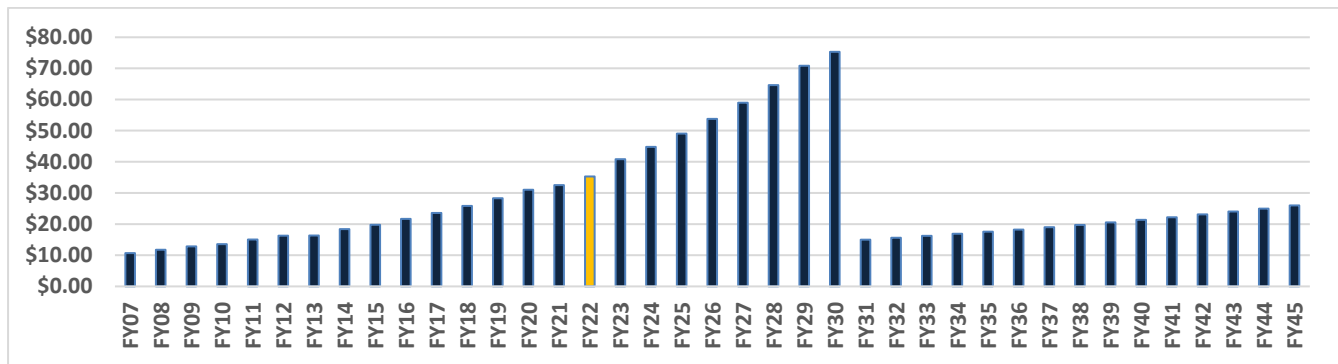
As a result of these trends, we asked our Actuary to provide full funding projections using alternative investment return assumptions of 7.0%, 6.75% and 6.5% and maintaining the 9.6% increases in the appropriation beginning in

fiscal 2022. Lowering the investment return assumption to 7.0%, 6.75%, and 6.50% extends the full funding date to fiscal 2031, 2032, and 2033 respectively.

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

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

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



### 7.3.2 Retiree Health Insurance or OPEB

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

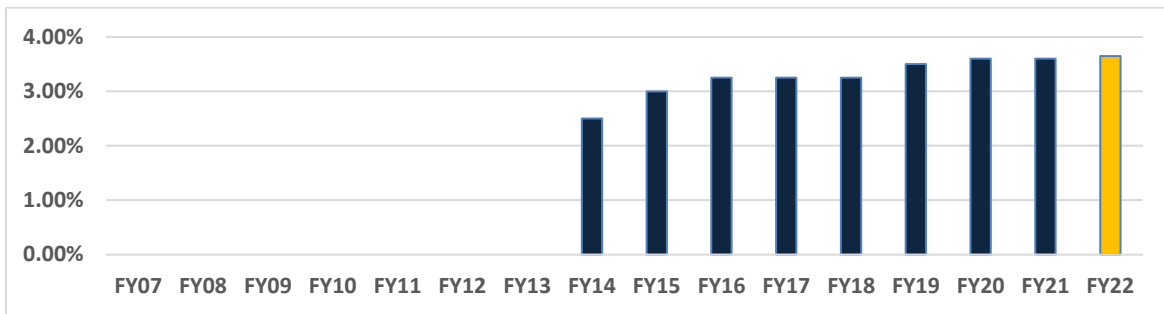
In 2004, the Government Accounting Standards Board (GASB) instituted a requirement that all city, county and state governmental entities “recognize” the cost of OPEB benefits, provide information about the actuarial liabilities, and report such liabilities on their financial statements.

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

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

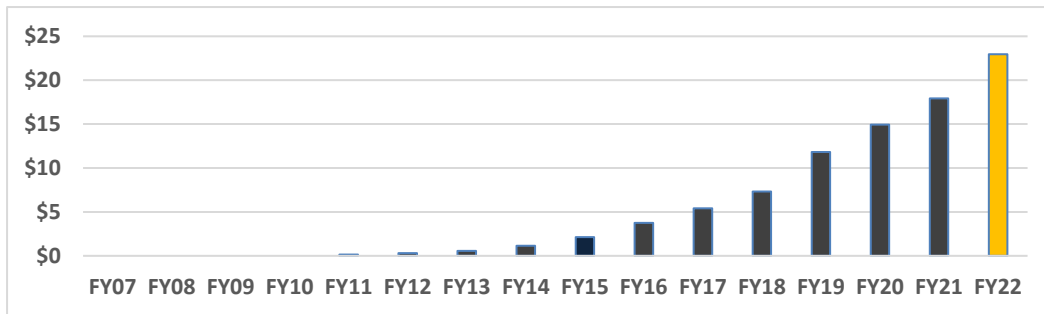
For the first time in several years, the Fuller Administration increased the percentage in the FY2019 Budget from 3.25% to 3.50%, and then again in the FY2020 Budget from 3.50% to 3.60%. The FY2021 Budget maintained the 3.6% set aside during the pandemic. However, we have once again increased this percentage in the FY2022 Budget to 3.65%. This is important to note as the City should be setting aside approximately 8% of the salary of all employees.

Percent of Newly Insured Employee Salaries Appropriated for OPEB Funding



Due to the continued addition of employees covered under this methodology as well as the increased percentage, the June 30, 2021 value of the OPEB liability trust fund totaled \$22.9 million.

OPEB Trust Fund Value - June 30, 2021- \$22,888,853  
(\$ Millions)



Of note, the City currently applies the OPEB set-aside on the salaries of almost 1,400 employees.

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

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

As with pensions, Newton lags behind its peer communities. Cities and towns that Newton uses as benchmarks have more in common when it comes to gaps in funding for retiree health insurance or OPEB than with pensions. In our comparison group, many cities and towns have set aside little to meet these OPEB obligations. However, as of June 30, 2019, four communities have set aside meaningful sums: Wellesley (54.9% funded), Needham (35.26% funded), Boston (22.52% funded), and Brookline (16.27% funded).



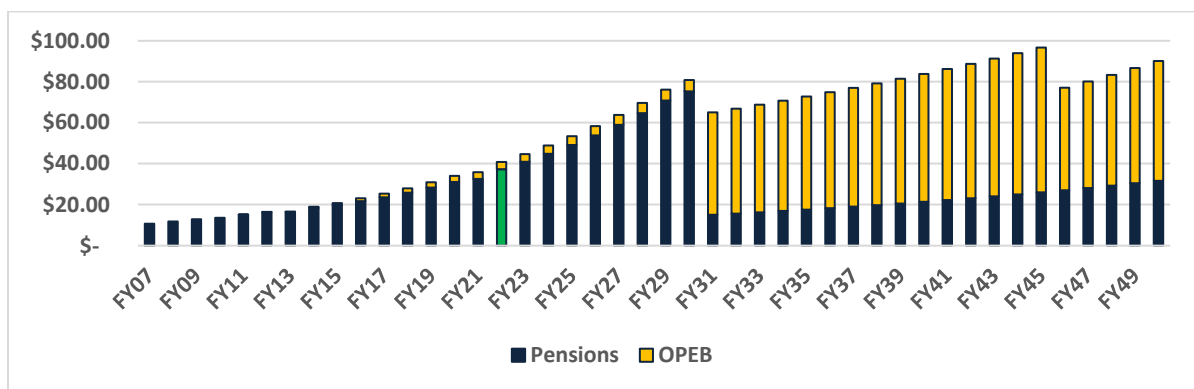
The way that the City has historically underfunded each of these significant long-term retiree liabilities is problematic. This past practice has transferred costs of former Newton taxpayers to current and future Newton taxpayers, costs that were accrued over the past few decades.

The year in which residents receive services from employees is the year the City should set aside funds to pay for the compensation the employees will receive in their retirement. The Fuller Administration is committed to this principle and therefore to increasing gradually the funding for current employees for their retiree health insurance.

### 7.3.3 The Long-Range Strategy for Funding Pensions and Retiree Health Care (OPEB)

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

OPEB Funding Strategy  
The Challenge is Getting to FY2030 and FY2045



## 7.4 Capital Investments and Debt Service

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

The FY2023-FY2027 Capital Improvement Plan (CIP) is a mission and risk-based prioritized list of investments in the capital assets of the City of Newton. The CIP addresses infrastructure needs, reflects community values, supports city operations, programs and services, and exemplifies sustainable financial, accessibility and environmental best practices. The prioritization plan was developed by thoroughly evaluating the City’s capital needs, the vision and goals of each department along with the services they will provide over the coming years, and Mayor Fuller’s thirteen overarching goals. This results in a plan put into a financial context by which to evaluate investments over the next five years.

Capital assets with a life expectancy of 10 or more years that cost more than \$150,000 are typically paid for through bond sales by the City of Newton. Massachusetts municipal finance law limits the total amount of long-term debt that the City can incur for most purposes to not more than 5% of the City’s equalized valuation (i.e., the taxable value of the real estate tax base). The City’s current (October 2021) equalized valuation is approximately \$36.8

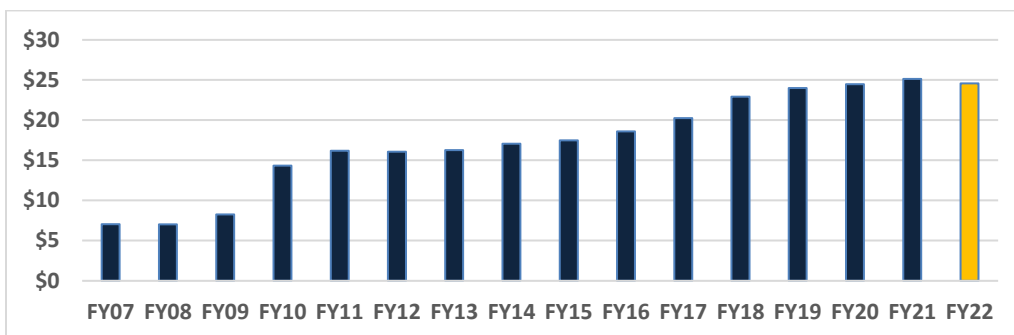
billion, which means that the current statutory debt limit is approximately \$1.84 billion. Current outstanding principal of bonded debt is significantly lower and approximates \$362 million or 20% of the City’s debt capacity.

In conjunction with the state statutory debt limit, the City of Newton has developed its own financial policy of limiting debt service on long-term bonded debt to between 4.0% and 7.5% of the annual General Fund budget. Debt service, which includes both principal and interest, totals 5.3% of the Fiscal Year 2022 Municipal Budget.

The City has made significant investments in capital assets in the last decade and needs to continue to do so. Debt payments for principal and interest have grown from \$8.3 million or 3% of revenues in FY2009 to \$24.6 million or 5.3% in FY2022. This increase reflects both this Administration’s and the previous one’s commitment to better maintenance of capital assets from school buildings to roads. With the economic uncertainty and the current drop in City revenues, we will forecast using between 5.3% and 5.5% of operating revenues for debt service going forward for the next several years.

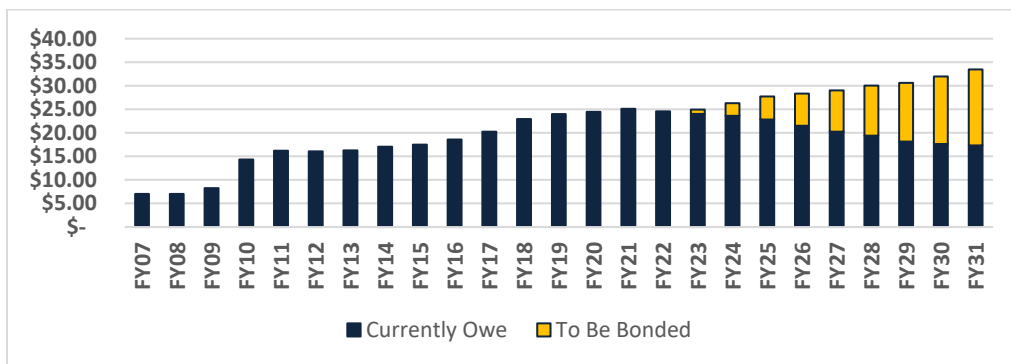
At the onset of the pandemic, the Administration made the decision to delay or put “on hold” most capital improvement projects and investments, but, thankfully, is now planning for the City to reopen, recover, and rebound. We will carefully evaluate the financial impacts of the re-opening of the economy as well as any resurgence of the virus, or emergence of dangerous variants, as we make the decisions to move forward with all projects and purchases.

FY2022 Debt Service - \$24.6M  
(\$ Millions)



This long-range plan has been developed in conjunction with the City’s FY2023 – FY2027 Five-Year Capital Improvement Plan. Projected debt service costs reflect those capital investments.

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



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

- \$2.5 million expenditures on fleet replacement, building improvements, police cruisers, etc. through annual operating budget capital expenditures;
- \$3.2 million annual investment in capital improvements in school facilities in the school department operating budget (formerly known as Charter Maintenance); and
- \$9.5 million annual investment in pavement management and Complete Streets Program through the operating budget and free cash.

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

- \$4.5 million annual cleaning and lining or replacement of the City's Water System infrastructure,
- \$5.0 million annual Sewer Improvement Program to reduce inflow and infiltration; and
- \$2.25 million annual Stormwater System improvements.

All of these annual infrastructure improvements and appropriations will continue to be evaluated in these uncertain financial times.

## 7.5 Transportation Network Improvement Program

In FY2017, the City began the implementation of a Transportation Network Improvement Program which substantially increased yearly expenditures on roadway infrastructure repairs from approximately \$3.3 million to \$9.5 million in order to increase the average condition index of all of Newton's streets to either "good" or "very good" condition within the next 10 years. Roads are rated 0 to 100 (0 being a road in very poor condition and 100 being a new road), this rating is known as the Pavement Condition Index (PCI).

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

This program includes efforts to address the needs of all modes of transportation including pedestrian and bicycle accommodations, traffic calming, intersection safety improvements at signalized and unsignalized locations, as well as rehabilitation of City-owned parking lots. The accelerated street repair work has raised the average Pavement Condition Index (PCI) from 62.5 to 71, a significant increase over a short period of time.

The Fuller Administration remains completely committed to this goal and will continue to aggressively fund this critical citywide initiative.

**City of Newton, Massachusetts**  
**Annual General Fund Expenditures**  
**FY2022 Budget/FY2023 - FY2027 Forecast**

(\$ millions)	<-BUDGET->		<-----F-O-R-E-C-A-S-T----->				
	FY22	FY23	FY24	FY25	FY26	FY27	
<b>TOTAL REVENUE</b>	\$ 462.7	\$ 478.5	\$ 494.2	\$ 510.2	\$ 528.0	\$ 546.0	
<b>TOTAL EXPENDITURES</b>							
Newton Public Schools	\$ 253.2	\$ 261.4	\$ 269.9	\$ 278.7	\$ 287.8	\$ 297.1	
\$ Increase	\$ 9.8	\$ 8.2	\$ 8.5	\$ 8.8	\$ 9.1	\$ 9.4	
Annual % Increase		3.25%	3.25%	3.25%	3.25%	3.25%	
Percentage of Revenue	54.7%	54.6%	54.6%	54.6%	54.5%	54.4%	
<b>REVENUE REMAINING</b>	\$ 209.5	\$ 217.0	\$ 224.3	\$ 231.5	\$ 240.2	\$ 248.9	
<b>Municipal Services</b>	\$ 121.3	\$ 125.2	\$ 129.3	\$ 133.6	\$ 137.9	\$ 142.5	
\$ Increase	\$ 12.4	\$ 3.9	\$ 4.1	\$ 4.2	\$ 4.4	\$ 4.5	
Annual % Increase		3.2%	3.2%	3.2%	3.2%	3.2%	
Percentage of Revenue	26.2%	26.2%	26.2%	26.2%	26.1%	26.1%	
<b>REVENUE REMAINING</b>	\$ 88.2	\$ 91.8	\$ 95.0	\$ 98.0	\$ 102.2	\$ 106.5	
<b>Snow Removal and Solid Waste/Recycling</b>	\$ 15.5	\$ 16.3	\$ 17.2	\$ 18.1	\$ 19.0	\$ 20.0	
\$ Increase	\$ 1.2	\$ 0.8	\$ 0.9	\$ 0.9	\$ 0.9	\$ 1.0	
Annual % Increase		5.4%	5.3%	5.3%	5.2%	5.1%	
Percentage of Revenue	3.3%	3.4%	3.5%	3.5%	3.6%	3.7%	
<b>REVENUE REMAINING</b>	\$ 72.7	\$ 75.5	\$ 77.8	\$ 79.9	\$ 83.2	\$ 86.5	
<b>Pensions and Municipal Retiree Health</b>	\$ 48.2	\$ 52.1	\$ 56.4	\$ 61.2	\$ 66.3	\$ 71.9	
\$ Increase	\$ 5.2	\$ 4.0	\$ 4.3	\$ 4.7	\$ 5.1	\$ 5.6	
Annual % Increase		8.2%	8.3%	8.4%	8.4%	8.5%	
Percentage of Revenue	10.4%	10.9%	11.4%	12.0%	12.6%	13.2%	
<b>REVENUE REMAINING</b>	\$ 24.6	\$ 23.4	\$ 21.4	\$ 18.7	\$ 16.9	\$ 14.5	
<b>Debt Service</b>							
Debt - Currently Issued	\$ 24.6	\$ 24.0	\$ 23.6	\$ 22.8	\$ 21.5	\$ 20.3	
Debt - To Be Issued	\$ -	\$ 0.9	\$ 2.7	\$ 4.9	\$ 6.8	\$ 8.7	
<b>Total Annual Debt Payments</b>	\$ 24.6	\$ 24.9	\$ 26.3	\$ 27.7	\$ 28.3	\$ 29.0	
\$ Increase	\$ (0.5)	\$ 0.4	\$ 1.4	\$ 1.4	\$ 0.6	\$ 0.7	
Annual % Increase		1.5%	5.5%	5.4%	2.1%	2.4%	
Percentage of Revenue	5.3%	5.2%	5.3%	5.4%	5.4%	5.3%	
<b>REVENUE REMAINING (GAP)</b>	\$ 0.0	\$ (1.5)	\$ (4.9)	\$ (9.0)	\$ (11.4)	\$ (14.5)	

## 8.0 Reserves, Rainy Day Stabilization Fund and Free Cash

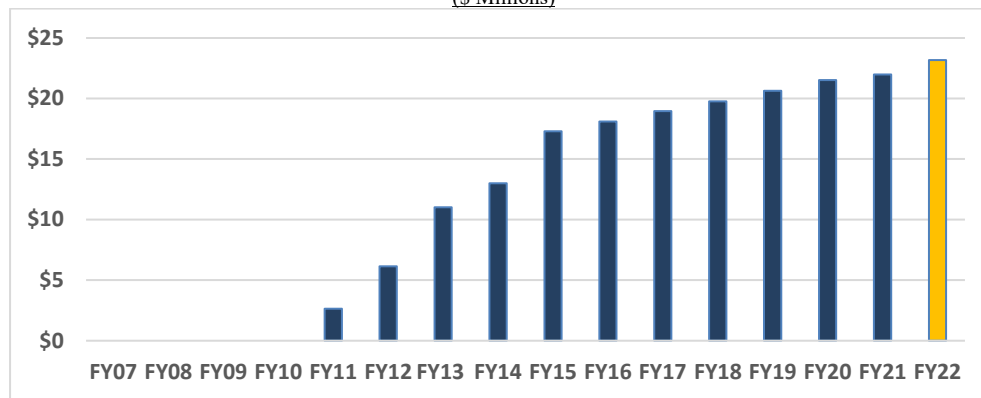
In 2010, the City of Newton established a Rainy-Day Stabilization Fund to serve as a reserve for years when the City faces a multiple year economic recession or a rare, catastrophic event requiring a significant expenditure. More specifically, these funds may be utilized to assist in addressing cyclical declines in operating revenues, generally resulting from economic factors outside the City’s control, or an unusually large expenditure resulting from such things as a catastrophic weather event. The funds remain segregated to prevent the reserves from being depleted for other city needs, and to demonstrate that resources are being set aside for extraordinary and unforeseen revenue disruption or catastrophic expenditure. Through collaboration with the City Council’s Finance Committee, the Comptroller, members of the City Council, and the Warren and Fuller Administration, the fund has reached its goal of 5% of the total operating budget. The current fund balance totals slightly over \$23 million.

One of the most important decisions that the Fuller Administration made at the onset of the Coronavirus Pandemic was the decision to maintain the 5% balance in the City’s Rainy-Day Reserve Fund. Although we were experiencing unprecedented and tremendously uncertain times, and we knew maintaining the Rainy Day Fund Balance was important.

This has proven to be a very wise decision. Although the City of Newton will receive a total ARPA distribution of just over \$63 million, those funds are one-time resources and have certain restrictions. And, unfortunately, we still do not know what lies ahead. We know the Delta variant is significantly more contagious than the variant of the virus that we had been fighting, and we also know that this virus may continue to mutate and perhaps spawn a newer, more infectious, and deadly strain.

We have maintained this fund so that we can absorb a deeper and protracted crisis, reduction in state aid and other revenues, or a catastrophic weather event. We chose to address the current “known unknown” revenue decreases in the FY2021 and FY2022 budgets by reducing expenditures. We continue to hold on to our Rainy-Day Stabilization Fund for the “unknown unknowns” that may confront the City in the coming months and years.

Rainy Day Stabilization Fund Value  
Current Balance \$23.17M  
(\$ Millions)



Free cash is technically the accumulated difference of unrestricted funds between General Fund revenues and expenditures on a cash basis of accounting. In less technical terms, free cash is the remaining, unrestricted funds from operations from the previous fiscal year. Free Cash comes from unanticipated actual revenues in excess of revenue estimates (including overlay surplus), unexpected unspent funds in operating budget line items, and/or unanticipated unexpended free cash from the previous year. The Massachusetts State Bureau of Accounts certifies free cash and it is not available for appropriation until certified. Certification typically occurs in October and we expect the Certified Free Cash as of June 30, 2021 will exceed \$12 million.

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

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

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

Our goal is to continue to have Free Cash available to fund these purposes. The forecast reflects this goal.

**City of Newton, Massachusetts**  
**Annual General Fund Revenues**  
**FY2022 Budget/FY2023 - FY2032 Forecast**

(\$ millions)	←-----F-O-R-E-C-A-S-T----->										
	←-BUDGET-> FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
<b>OPERATING REVENUE</b>											
Real Estate Tax Revenue	\$ 388.6	\$ 404.2	\$ 419.6	\$ 435.6	\$ 452.3	\$ 469.6	\$ 487.5	\$ 506.1	\$ 525.5	\$ 545.6	\$ 566.5
Motor Vehicle Excise Tax Revenue	\$ 12.5	\$ 13.5	\$ 13.5	\$ 13.5	\$ 13.5	\$ 13.5	\$ 13.5	\$ 13.5	\$ 13.5	\$ 13.5	\$ 13.5
Hotel Room Tax	\$ 0.5	\$ 0.6	\$ 0.7	\$ 1.0	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3
Meals Tax	\$ 1.6	\$ 1.6	\$ 1.8	\$ 1.8	\$ 1.8	\$ 1.9	\$ 1.9	\$ 1.9	\$ 1.9	\$ 1.9	\$ 1.9
Payments in Lieu of Taxes	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3
Interest/Divident Income	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3
Permitting Revenue - ISD	\$ 6.9	\$ 7.4	\$ 7.4	\$ 7.4	\$ 7.4	\$ 7.4	\$ 7.4	\$ 7.4	\$ 7.4	\$ 7.4	\$ 7.4
Parking Meter Receipts	\$ 0.8	\$ 0.8	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2
Parking Violations Revenues	\$ 0.8	\$ 1.0	\$ 1.1	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3
Water/Sewer/Storm to Gen'l Fund	\$ 4.5	\$ 4.6	\$ 4.7	\$ 4.8	\$ 4.9	\$ 5.0	\$ 5.2	\$ 5.3	\$ 5.4	\$ 5.6	\$ 5.7
Other Miscellaneous Accounts	\$ 8.0	\$ 7.9	\$ 7.8	\$ 7.8	\$ 7.8	\$ 7.8	\$ 7.8	\$ 7.9	\$ 7.9	\$ 7.9	\$ 7.9
<b>REVENUE FROM OPERATIONS</b>	<b>\$ 424.6</b>	<b>\$ 442.0</b>	<b>\$ 458.4</b>	<b>\$ 475.1</b>	<b>\$ 492.1</b>	<b>\$ 509.6</b>	<b>\$ 527.7</b>	<b>\$ 546.5</b>	<b>\$ 566.0</b>	<b>\$ 586.3</b>	<b>\$ 607.3</b>
<b>REVENUE FROM STATE AID</b>											
Chapter 70 - Education Aid	\$ 25.5	\$ 25.9	\$ 26.4	\$ 26.9	\$ 27.5	\$ 28.0	\$ 28.6	\$ 29.1	\$ 29.7	\$ 30.3	\$ 30.9
Unrestricted General Gov't Aid - UGGA	\$ 6.5	\$ 6.6	\$ 6.7	\$ 6.8	\$ 6.9	\$ 7.0	\$ 7.1	\$ 7.2	\$ 7.3	\$ 7.4	\$ 7.5
<b>REVENUE FROM STATE AID</b>	<b>\$ 32.0</b>	<b>\$ 32.4</b>	<b>\$ 33.0</b>	<b>\$ 33.7</b>	<b>\$ 34.3</b>	<b>\$ 35.0</b>	<b>\$ 35.6</b>	<b>\$ 36.3</b>	<b>\$ 37.0</b>	<b>\$ 37.7</b>	<b>\$ 38.4</b>
<b>OPERATING REVENUE</b>	<b>\$ 456.6</b>	<b>\$ 474.5</b>	<b>\$ 491.5</b>	<b>\$ 508.7</b>	<b>\$ 526.5</b>	<b>\$ 544.5</b>	<b>\$ 563.3</b>	<b>\$ 582.8</b>	<b>\$ 603.0</b>	<b>\$ 624.0</b>	<b>\$ 645.7</b>
<b>% Increase</b>	<b>2.1%</b>	<b>3.9%</b>	<b>3.6%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.4%</b>	<b>3.4%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.5%</b>
<b>REVENUE FROM TRANSFERS</b>											
Capital Stabilization Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
American Rescue Plan - ARPA	\$ 4.6	\$ 2.5	\$ 1.3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Free Cash	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5
<b>REVENUE FROM TRANSFERS</b>	<b>\$ 6.1</b>	<b>\$ 4.0</b>	<b>\$ 2.8</b>	<b>\$ 1.5</b>	<b>\$ 1.5</b>	<b>\$ 1.5</b>	<b>\$ 1.5</b>	<b>\$ 1.5</b>	<b>\$ 1.5</b>	<b>\$ 1.5</b>	<b>\$ 1.5</b>
<b>TOTAL REVENUE</b>	<b>\$ 462.7</b>	<b>\$ 478.5</b>	<b>\$ 494.2</b>	<b>\$ 510.2</b>	<b>\$ 528.0</b>	<b>\$ 546.0</b>	<b>\$ 564.8</b>	<b>\$ 584.3</b>	<b>\$ 604.5</b>	<b>\$ 625.5</b>	<b>\$ 647.2</b>
<b>% Increase</b>	<b>3.4%</b>	<b>3.4%</b>	<b>3.3%</b>	<b>3.2%</b>	<b>3.5%</b>	<b>3.4%</b>	<b>3.4%</b>	<b>3.4%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.5%</b>

**City of Newton, Massachusetts**  
**Annual General Fund Expenditures**  
**FY2022 Budget/FY2023 - FY2032 Forecast**

(\$ millions)	<-BUDGET-> FY22	F-O-R-E-C-A-S-T----->										
		FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	
<b>TOTAL REVENUE</b>	\$ 462.7	\$ 478.5	\$ 494.2	\$ 510.2	\$ 528.0	\$ 546.0	\$ 564.8	\$ 584.3	\$ 604.5	\$ 625.5	\$ 647.2	
<b>TOTAL EXPENDITURES</b>												
Newton Public Schools	\$ 253.2	\$ 261.4	\$ 269.9	\$ 278.7	\$ 287.8	\$ 297.1	\$ 306.8	\$ 316.7	\$ 327.0	\$ 337.7	\$ 348.6	
\$ Increase	\$ 9.8	\$ 8.2	\$ 8.5	\$ 8.8	\$ 9.1	\$ 9.4	\$ 9.7	\$ 10.0	\$ 10.3	\$ 10.6	\$ 11.0	
Annual % Increase		3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	
Percentage of Revenue	54.7%	54.6%	54.6%	54.6%	54.5%	54.4%	54.3%	54.2%	54.1%	54.0%	53.9%	
<b>REVENUE REMAINING</b>	\$ 209.5	\$ 217.0	\$ 224.3	\$ 231.5	\$ 240.2	\$ 248.9	\$ 258.0	\$ 267.5	\$ 277.5	\$ 287.8	\$ 298.6	
<b>Municipal Services</b>	\$ 121.3	\$ 125.2	\$ 129.3	\$ 133.6	\$ 137.9	\$ 142.5	\$ 147.2	\$ 152.0	\$ 156.9	\$ 162.0	\$ 167.3	
\$ Increase	\$ 12.4	\$ 3.9	\$ 4.1	\$ 4.2	\$ 4.4	\$ 4.5	\$ 4.7	\$ 4.8	\$ 5.0	\$ 5.1	\$ 5.3	
Annual % Increase		3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	
Percentage of Revenue	26.2%	26.2%	26.2%	26.2%	26.1%	26.1%	26.1%	26.0%	26.0%	25.9%	25.9%	
<b>REVENUE REMAINING</b>	\$ 88.2	\$ 91.8	\$ 95.0	\$ 98.0	\$ 102.2	\$ 106.5	\$ 110.9	\$ 115.6	\$ 120.5	\$ 125.8	\$ 131.3	
<b>Snow Removal and Solid Waste/Recycling</b>												
\$ Increase	\$ 15.5	\$ 16.3	\$ 17.2	\$ 18.1	\$ 19.0	\$ 20.0	\$ 21.0	\$ 22.1	\$ 23.2	\$ 24.3	\$ 25.5	
Annual % Increase	\$ 1.2	\$ 0.8	\$ 0.9	\$ 0.9	\$ 0.9	\$ 1.0	\$ 1.0	\$ 1.1	\$ 1.1	\$ 1.2	\$ 1.2	
Percentage of Revenue	3.3%	3.4%	3.5%	3.5%	3.6%	3.7%	3.7%	3.8%	3.8%	3.9%	3.9%	
<b>REVENUE REMAINING</b>	\$ 72.7	\$ 75.5	\$ 77.8	\$ 79.9	\$ 83.2	\$ 86.5	\$ 89.9	\$ 93.5	\$ 97.4	\$ 101.4	\$ 105.7	
<b>Pensions and Municipal Retiree Health</b>												
\$ Increase	\$ 48.2	\$ 52.1	\$ 56.4	\$ 61.2	\$ 66.3	\$ 71.9	\$ 78.0	\$ 84.7	\$ 92.0	\$ 92.9	\$ 93.8	
Annual % Increase	\$ 5.2	\$ 4.0	\$ 4.3	\$ 4.7	\$ 5.1	\$ 5.6	\$ 6.1	\$ 6.7	\$ 7.3	\$ 7.3	\$ 0.9	
Percentage of Revenue	10.4%	10.9%	11.4%	12.0%	12.6%	13.2%	13.8%	14.5%	15.2%	14.8%	14.5%	
<b>REVENUE REMAINING</b>	\$ 24.6	\$ 23.4	\$ 21.4	\$ 18.7	\$ 16.9	\$ 14.5	\$ 11.8	\$ 8.8	\$ 5.4	\$ 8.6	\$ 11.9	
<b>Debt Service</b>												
Debt - Currently Issued	\$ 24.6	\$ 24.0	\$ 23.6	\$ 22.8	\$ 21.5	\$ 20.3	\$ 19.4	\$ 18.1	\$ 17.6	\$ 17.3	\$ 18.1	
Debt - To Be Issued	\$ -	\$ 0.9	\$ 2.7	\$ 4.9	\$ 6.8	\$ 8.7	\$ 10.6	\$ 12.5	\$ 14.3	\$ 16.1	\$ 17.9	
<b>Total Annual Debt Payments</b>	\$ 24.6	\$ 24.9	\$ 26.3	\$ 27.7	\$ 28.3	\$ 29.0	\$ 30.0	\$ 30.6	\$ 32.0	\$ 33.5	\$ 35.9	
\$ Increase	\$ (0.5)	\$ 0.4	\$ 1.4	\$ 1.4	\$ 0.6	\$ 0.7	\$ 1.0	\$ 0.6	\$ 1.3	\$ 1.5	\$ 2.5	
Annual % Increase		1.5%	5.5%	5.4%	2.1%	2.4%	3.5%	2.0%	4.4%	4.7%	7.4%	
Percentage of Revenue	5.3%	5.2%	5.3%	5.4%	5.4%	5.3%	5.3%	5.2%	5.3%	5.4%	5.6%	
<b>REVENUE REMAINING (GAP)</b>	\$ 0.0	\$ (1.5)	\$ (4.9)	\$ (9.0)	\$ (11.4)	\$ (14.5)	\$ (18.2)	\$ (21.8)	\$ (26.6)	\$ (24.9)	\$ (24.0)	



## 9.0 Strengths; Challenges; Risks, Opportunities and Uncertainties

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

### Capitalizing on Our Strengths

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

### Managing Our Challenges

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

### Preparing for Risks, Opportunities and Uncertainties

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

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

## 10.0 Beyond the General Fund: Water, Sewer, Stormwater Enterprise Funds

Newton’s Public Works Department through its Utilities Division supplies all water distribution and provides all sewer operations to more than 32,000 households, institutions, and business, and maintains stormwater drainage systems throughout more than 300 miles of roadways. While Newton purchases its water from the Massachusetts Water Resources Authority (MWRA) and sends its sewage to the MWRA treatment facility at Deer Island, the City owns all the pipes, drains, and infrastructure required to supply these critical services.

The City of Newton has established a Water Enterprise Fund, Sewer Enterprise Fund, and a Stormwater Enterprise Fund. Through these Enterprise Funds, fees are charged to all property owners to support each of these three different enterprise activities. These funds are separate from the general operating fund of the City (which is supported primarily through tax revenues). Rates are set on an annual basis and must cover all operations of each enterprise activity. Combined fee revenue for all three services for FY2022 exceeds \$60 million, with more than \$36 million, or 60%, of that payable to the MWRA.

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

In as much as increasing these rates by 3.9% annually has been our practice, Mayor Fuller made the critical decision not to increase the Water/Sewer/Stormwater rates for Fiscal Year 2022. As our reserves in these Enterprise Funds have been strong and the financial needs of so many have been high, we have been able to strategically continue to move all projects forward without increasing the rates for one fiscal year. We anticipate returning to the 3.9% increase in fees in the coming years as these systems requires significant investments.

### 10.1 Water Enterprise Fund

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

the grade, and dispatch operations constituting the remaining 10 percent. The City's investment in ensuring excellent water supply from hydrants made a difference.

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

From 2013 through 2016, we aggressively targeted water main improvements for fire flow purposes, focusing on replacement of pipes, not just cleaning and lining old pipes. We completed a hydraulic model analysis in 2016, and we redirected our efforts to target and replace leak prone pipes, especially the leak-prone pipes installed circa World War II. We are currently in the construction phase of year 7 water projects of a 20-year water main cleaning and lining program.

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

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

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

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

The City is in the process of removing and replacing 125 commercial electromagnetic water meters, as well as upgrading our automatic reporting system with a new advanced metering infrastructure (AMI) system. Further, we continuously monitor our current +/-26,000 residential and small commercial water meters to ensure that they are working properly.

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

More detailed information on the City's water system infrastructure plan can be found in the City's FY2023-FY2027 Capital Improvement Plan.

### 10.2 Sewer Enterprise Fund

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

The City developed an 11-year program to systematically address the approximately 300 miles of sewer mains and related manhole structures, beginning with those areas known to have significant inflow and infiltration problems, as well as those areas that were experiencing flooding or sewer surcharging problems. The work in each project area is accomplished in 3 steps:

- Inspection and Assessment, including heavy cleaning;
- Design of repair work; and
- Construction, including post-construction flow assessment.

The work in each project area is expected to be completed over a 2-year period.

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

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

### 10.3 Stormwater Enterprise Fund

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

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

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

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

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

More detailed information on the City's stormwater system infrastructure plan can be found in the City's FY2023-FY2027 Capital Improvement Plan.

## 11.0 Summary - Long-Range Financial Plan

To summarize, a well-managed, fiscally-sound City of Newton is essential to provide exceptional teaching and learning to almost 12,000 students, deliver top-notch city services to our residents and people who work here, help our residents and businesses rebound, and make important updates to our infrastructure. Similarly, we must ensure our tax dollars are being used in an effective and accountable manner. Perhaps most importantly, we must make smart and sustainable financial decisions to create the funding for thoughtful investments in Newton's future and to weather difficult economic cycles or unanticipated crises like the pandemic. We must also ensure that we maintain our deep commitment to the health, well-being, and safety of our approximately 3,000 valued employees and honor our commitments to them in their retirement years.

In order for the City's budget and finances to remain sustainable, we must remain steadfast in our determination to balance the annual operating budget while addressing infrastructure needs, provide services our residents need and want, fully fund all liabilities from debt service to pensions to retiree health care, and develop and maintain an appropriate level of reserves for economic downcycles, dramatic weather events and other unpredictable events.

The COVID-19 pandemic has certainly been a dramatic, unpredictable event. The first reported death in the United States occurred on February 29, 2020. Last year when we delivered the FY2022 – FY2026 Five-Year Financial Plan to the Honorable City Council in October 2020, we reported that more than 215,000 Americans, and 1 million people worldwide had perished with COVID-19. This year as we deliver the FY2023 – FY2027 Five-Year Financial Plan on October 4, 2021 that number has escalated to more than 685,000 Americans and more than 4.5 million lives worldwide. Our world has changed dramatically in the past 18 months. Physical distancing, isolation, quarantining, unemployment, remote schooling, missed milestones, and uncertainty all became a way of life in these unprecedented times.

Although we had been hopeful that we were on the verge of emerging from the circumstances of this past year, the "Delta" variant has proven to be significantly more contagious than the original COVID-19 strain.

The role that our municipal government has served during this health pandemic and will continue to serve as we begin to emerge from this health, financial, social, emotional, and educational crisis is critical. We worked diligently to propose both a FY2022 City of Newton Budget and a FY2023 – FY2027 Five-Year Financial Plan that are responsive to the needs of our community, reflect the financial challenges and opportunities that the City faces, and are sustainable for the years ahead.

Mayor Ruthanne Fuller's message to the community is clear.

*"My responsibility and my goal is that our entire community work together to stop the spread of this virus, especially to our children under 12 not yet vaccine eligible but back to in-person learning, and to our neighbors who are immunocompromised or face health challenges.*

*The science proves that the three vaccines used in the United States are approximately 90% effective against COVID-19 and significantly decrease the risk of infection, hospitalization, and death in the face of the highly contagious Delta variant. The numbers in Massachusetts are clear: Just 0.05% or less than half of one percent of those fully vaccinated have tested positive, and of those people just 0.02% - have been hospitalized. The vaccines are working.*

*Moreover, being vaccinated helps stop new variants from emerging which could be even more contagious and/or less susceptible to our current vaccines.*

*While I know some people have deep concerns about the vaccine and are hesitant, the vaccine protects our families, our children and our parents. The vaccine allows us to see our friends, resume work and return to school.*

*The School Committee (of which I am a member) voted unanimously on a policy to require vaccination of all Newton Public School educators and school department employees. There are exemptions for some medical and religious reasons, and those who are exempt will be tested weekly.*

*Our team at City Hall has developed a plan for having our municipal employees fully vaccinated by November 19, 2021, to protect the health of everyone who works for the City as well as the public whom we serve. This involves bargaining with our unions, and these discussions are well underway.*

*Vaccines are our most important and effective tool in stopping this pandemic. The Governor of Massachusetts knows this. The President of the United States knows this. I know this.*

*With the end of summer, circumstances are changing. Residents are coming home from vacations, college students are moving back onto campuses, approximately 12,000 students in our Newton Public Schools started the school year on Sept. 9 with in-person learning, and the cooler weather will be arriving soon, moving people back inside.*

*We have also seen consistent bumps in positive cases after holiday weekends and therefore we are timing our employee vaccine mandate to go into effect before the Thanksgiving Holiday.*

*It is clear that we have a tremendous amount of work to do as we recover, rebound, and rebuild. Please join me in becoming fully vaccinated and convincing everyone you know who is eligible to become fully vaccinated. If we do this as a community, as a state, as a nation, and as a global society, I truly believe we will be able to eradicate this highly contagious, deadly virus."*

**APPENDIX I**  
**The Coronavirus Pandemic**  
**and**  
**COVID-19 Funding for Municipalities**

## The Coronavirus Pandemic and COVID-19 Funding

Starting in March 2020, the Fuller Administration has been focused on helping people, businesses and non-profits during the pandemic and finding ways to take advantage of a variety of funding opportunities to support those efforts. Federal and state agencies created a wide variety of programs and the rules and restrictions of each often changed. We kept track of each of them and moved quickly to take advantage of the help they offered. We kept re-thinking what we needed to do locally to support our community even as federal and state legislation kept evolving. We also retained detailed records of our expenditures so we could take full advantage of reimbursement opportunities. When a program expanded what expenses and how much of them could be reimbursed (e.g., FEMA), we nimbly reallocated our expenses to match those opportunities.

To track these revenues and expenditures, the City of Newton has established several accounts, comprised of state and federal reimbursements, grants, and taxpayer funds. The list of funding awarded or appropriated to the City of Newton follows.

Three pieces of Federal legislation did not directly provide funds to the City of Newton but made an enormous difference on our residents and businesses and impacted what efforts the City of Newton needed to make at a local level.

Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (March 6, 2020, \$8.3 billion) Provided emergency supplemental appropriations “to combat the spread of coronavirus disease 2019 (COVID-19) and counter the COVID-19 pandemic.” Funded the research and development of vaccines, development of diagnostics; public health aid prevention, preparedness and response efforts; medical supplies, health-care preparedness, Community Health Centers and medical surge capacity; and funding to fight COVID-19 internationally.

Families First Coronavirus Response Act (March 18, 2020, \$192 billion) Provided Emergency Paid Sick Leave and Emergency Paid Medical Leave; free coronavirus testing; increased unemployment benefits; expanded food assistance for vulnerable children and families; protected front-line health workers; and provided additional funding to states for the ongoing economic consequences of the pandemic.

Consolidated Appropriations Act, 2021 (December 27, 2020, \$900 billion) Provided further relief for small businesses through the Paycheck Protection Program; a \$600 stimulus check for Americans within a certain income level; the extension of increased federal unemployment benefits; funding for schools and universities; funding for vaccines, testing, contact tracing, mental health, and health providers; additional aid for rental assistance programs; a 15% increase through June 30, 2021 for the Supplemental Nutrition Assistance Program (SNAP); funding for the farming and ranching industry; an increase in the Child Care Development Block Grant Program; and extended the CDC imposed eviction moratorium for tenants meeting certain income limits.



**Federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act):**

**Newton Municipal Allocation of \$7,838,462**

The Federal Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), enacted on March 27, 2020 is a \$2.2 trillion economic stimulus bill in further response to the economic fallout of the COVID-19 pandemic in the United States. The legislation provides for a one-time cash payment to certain individuals (typically \$1,200); increased unemployment benefits; the creation of the Paycheck Protection Program that provides forgivable loans to small businesses; loans for corporations; and funding for state and local governments.

The CARES Act included funds for local governments to use to pay costs incurred in responding to the COVID-19 outbreak. Under federal law, eligible uses must meet three conditions:

1. Necessary expenditures incurred due to the public health emergency with respect to ... COVID–19. Funds may not be used to substitute for lost revenue.
2. Expenditures not budgeted as of March 27, 2020 when the CARES Act was enacted. The funds may not supplant municipal spending.
3. Expenditures must be incurred on or after March 1, 2020 up to December 31, 2021(including the time extension)

COVID EXPENSES CHARGED TO CARES ACT					
ACCT DESCRIPTION	DESCRIPTION	FY20 BUDGET	FY20 ACTUAL	FY21 ACTUAL	FY21 BALANCE
<b>CARES ACT FUNDING</b>		<b>\$ 7,838,462</b>			
COVID-19 CARES ACT	FULL TIME SALARIES	\$ 1,123	\$ 1,123	\$ -	\$ -
COVID-19 CARES ACT	PART TIME < 20 HRS/WK	\$ 34,047	\$ 34,047	\$ -	\$ -
COVID-19 CARES ACT	REGULAR OVERTIME	\$ 137,703	\$ 137,703	\$ -	\$ -
COVID-19 CARES ACT	CLEANING/CUSTODIAL SVS	\$ 277	\$ 277	\$ -	\$ -
COVID-19 CARES ACT	PRINTING	\$ 1,151	\$ 1,151	\$ -	\$ -
COVID-19 CARES ACT	OFFICE SUPPLIES	\$ 223	\$ 223	\$ -	\$ -
COVID-19 CARES ACT	EMERG OP CNTR SUPPLIES	\$ 19,723	\$ 19,351	\$ -	\$ 372
COVID-19 CARES ACT	CLEANING/CUSTODIAL SUPPL	\$ 5,387	\$ 5,387	\$ -	\$ -
COVID-19 CARES ACT	MEDICAL SUPPLIES	\$ 1,170	\$ 1,170	\$ -	\$ -
COVID-19 CARES ACT	PUBLIC SAFETY SUPPLIES	\$ 3,265	\$ 3,265	\$ -	\$ -
COVID-19 CARES ACT	UNIFORMS/PROTECTIVE	\$ 95	\$ 95	\$ -	\$ -
COVID-19 CARES ACT	PROTECTIVE GEAR	\$ 13,279	\$ 13,279	\$ -	\$ -
COVID-19 CARES ACT	PERSONAL PROTECTIVE EQUIPMENT	\$ 123	\$ 123	\$ -	\$ -
COVID-19 CARES ACT	TEMPORARY HOUSING – COVID-19	\$ 272	\$ 272	\$ -	\$ -
COVID-19 CARES ACT	PC HARDWARE- ADMIN	\$ 2,400	\$ 2,400	\$ -	\$ -
COVID-19 CARES ACT	REGULAR OVERTIME - ELECTIONS	\$ 80,000	\$ -	\$ 80,000	\$ -
COVID-19 CARES ACT	REGULAR OVERTIME - POLICE	\$ 30,000	\$ -	\$ 30,000	\$ -
COVID-19 CARES ACT	REGULAR OVERTIME - FIRE	\$ 190,000	\$ -	\$ 190,000	\$ -
COVID-19 CARES ACT	REGULAR OVERTIME - PARKS & REC	\$ 38,000	\$ -	\$ 38,000	\$ -
COVID-19 CARES ACT	PART TIME < 20 HRS/WK	\$ 71,928	\$ -	\$ 71,928	\$ 0
COVID-19 CARES ACT	REGULAR OVERTIME	\$ 265,000	\$ -	\$ 265,000	\$ -
COVID-19 CARES ACT	PUBLIC BUILDING R-M	\$ 273,918	\$ -	\$ 273,918	\$ (0)
COVID-19 CARES ACT	CLEANING/CUSTODIAL SVS	\$ 548	\$ -	\$ 548	\$ -
COVID-19 CARES ACT	OFFICE SUPPLIES	\$ 2,267	\$ -	\$ 2,267	\$ (0)
COVID-19 CARES ACT	BUILDING MAINT SUPPLIES	\$ 2,773	\$ -	\$ 2,773	\$ 0
COVID-19 CARES ACT	CLEANING/CUSTODIAL SUPPL	\$ 15,836	\$ -	\$ 15,836	\$ 0
COVID-19 CARES ACT	PC HARDWARE- ADMIN	\$ 1,101	\$ -	\$ 1,101	\$ 0
COVID-19 CARES ACT	SIGNAGE/COMMS - GRAB & GO PROGRAM	\$ 105,000	\$ -	\$ 105,000	\$ -
COVID-19 RESPONSE-	COVID-19 FOOD FOR FAMILIES	\$ 240,000	\$ -	\$ 240,000	\$ -
COVID-19 CARES ACT	HVAC/VENTILATION	\$ 4,430,853	\$ -	\$ 4,430,853	\$ (0)
COVID-19 CARES ACT	MEDICAL SCREENINGS	\$ 1,666,703	\$ -	\$ 1,666,703	\$ -
COVID-19 CARES ACT	OTHER	\$ 203,876	\$ -	\$ 203,876	\$ -
<b>TOTAL CARES ACT REIMBURSEMENT</b>		<b>\$ 7,838,041</b>	<b>\$ 219,866</b>	<b>\$ 7,617,803</b>	<b>\$ 372</b>

**Federal Emergency Management Agency (FEMA) – 100% of Qualified Expenditures**

The FEMA Public Assistance Program reimburses cities for eligible disaster related costs, including:

- Management, control and reduction of immediate threats to public health and safety (including Emergency Operation Center costs),
- Emergency medical care,
- Medical sheltering,
- Household pet sheltering and containment actions,
- Purchase and distribution of food, water, ice, medicine, and other consumable supplies, to include personal protective equipment and hazardous material suits, movement of supplies, and persons,
- Security and law enforcement,
- Communications of general health and safety information to the public,
- Search and rescue to locate and recover members of the population requiring assistance, and
- Reimbursement for local government force account overtime costs.

The City of Newton has submitted an application for \$1.08 million for FEMA reimbursement for a variety of costs that we incurred in the pandemic. These costs include overtime for first responders and custodians, personal protective equipment (PPE), cleaning supplies, N95 masks, disposable gloves, hand sanitizer, and emergency meals for low-income adults. We have not yet received confirmation as to whether FEMA will cover these expenditures. If not, we will submit these costs to one of our remaining grants.

**Federal Community Development Block Grant (CDBG) – CARES Funds - \$1,743,641**

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

COMMUNITY DEVELOPMENT BLOCK GRANT - CDBG	ORIGINAL BUDGET	FY20 ACTUAL	FY21 ACTUAL	FY22 Quarter 1 Expenses	YEAR-TO-DATE BILLED	BALANCE REMAINING (FALL 2021)
Emergency Housing Assistance Program	\$ 500,000	\$ 391,800	\$ 108,200	\$ -	\$ 500,000	\$ -
Small Business Recovery Grant Program	\$ 610,000	\$ 290,000	\$ 320,000	\$ -	\$ 610,000	\$ -
2Life Communities / Emergency COVID-19 Food Relief	\$ 40,000	\$ -	\$ 40,000	\$ -	\$ 40,000	\$ -
Barry Price Rehabilitation Center / Ensuring Safe and Enriching Services for Individuals with Intellectual and Developmental Disabilities during the COVID-19 pandemic	\$ 17,500	\$ -	\$ 17,500	\$ -	\$ 17,500	\$ -
Family ACCESS of Newton / Childcare Scholarships	\$ 155,000	\$ -	\$ 61,934	\$ 14,765	\$ 76,699	\$ 78,301
Horace Cousens Industrial Fund / Emergency Assistance for Utilities	\$ 80,000	\$ -	\$ 67,196	\$ 6,693	\$ 73,889	\$ 6,111
Newton Community Development Foundation / Resident Services Touchtown Program	\$ 24,606	\$ 12,303	\$ 12,303	\$ -	\$ 24,606	\$ -
Newton Housing Authority / Resident Services Program	\$ 16,460	\$ -	\$ 16,460	\$ -	\$ 16,460	\$ -
Newton Senior Services / Food and Essential Item Shopping Program	\$ 60,150	\$ 1,663	\$ 20,002	\$ 6,072	\$ 27,737	\$ 12,413
Pathway to Possible / P2P COVID-19 Support	\$ 36,000	\$ -	\$ 35,950	\$ 50	\$ 36,000	\$ 7,905
Boys & Girls Club / Out of School Time	\$ 33,500	\$ -	\$ 23,275	\$ 5,750	\$ 29,025	\$ 4,475
West Suburban YMCA / Out-of-School Time Financial Aid	\$ 83,500	\$ -	\$ 32,080	\$ 29,246	\$ 61,326	\$ 22,174
CDBG-CV Program Administration	\$ 86,925	\$ 18,415	\$ 49,998	\$ 1,748	\$ 70,161	\$ 28,859
<b>TOTAL CDBG</b>	<b>\$ 1,743,641</b>	<b>\$ 714,181</b>	<b>\$ 804,898</b>	<b>\$ 64,323</b>	<b>\$ 1,583,402</b>	<b>\$ 160,239</b>

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

ESG-CV funds were provided through the City of Newton to prevent, prepare for, and respond to COVID-19 among individuals and families who are homeless or at-risk of homelessness in the Brookline-Newton-Waltham-Watertown (BNWW) region. The City of Newton serves as the administrator of this fund and distribution across the four communities is determined by a committee of members from these communities.

EMERGENCY SOLUTIONS GRANT	ORIGINAL BUDGET	FY20 ACTUAL	FY21 ACTUAL	FY22 Quarter 1 Expenses	YEAR-TO-DATE BILLED	BALANCE REMAINING (FALL 2021)
Waltham Shelter Prgms affected by the Pandemic - Middlesex Human Service Agency	\$ 211,191	\$ -	\$ 157,821	\$ 53,370	\$ 211,191	\$ -
Waltham's Temporary COVID-19 Emergency Tent Shelter - Middlesex Human Svc Agency	\$ 67,564	\$ -	\$ 67,564	\$ -	\$ 67,564	\$ -
Post-Pandemic Re-Structuring -- Community Day Center of Waltham	\$ 52,320	\$ -	\$ 52,320	\$ -	\$ 52,320	\$ -
Winter Night Program -- Community Day Center of Waltham	\$ 428,835	\$ -	\$ 141,590	\$ -	\$ 141,590	\$ 287,245
Safe Housing for Emergency Shelter Guests during COVID-19 Pandemic -- REACH	\$ 356,520	\$ -	\$ 325,708	\$ 20,901	\$ 346,608	\$ 9,912
Homelessness Prevention COVID-19 Response - Brookline Comm Mental Health Center	\$ 193,609	\$ -	\$ 103,371	\$ 13,263	\$ 116,634	\$ 76,975
Homelessness Prevention for Survivors Impacted by COVID-19 -- The Second Step	\$ 60,000	\$ -	\$ 34,676	\$ -	\$ 34,676	\$ 25,324
Rapid Re-housing COVID-19 Response Prgm - Brookline Community Mental Health Center	\$ 91,111	\$ -	\$ 50,640	\$ 10,650	\$ 61,290	\$ 29,821
ESG-CV Program Administration	\$ 22,250	\$ 2,733	\$ 10,852	\$ 7,678	\$ 21,262	\$ 988
<b>ESG Total</b>	<b>\$ 1,483,400</b>	<b>\$ 2,733</b>	<b>\$ 944,542</b>	<b>\$ 105,861</b>	<b>\$ 1,053,136</b>	<b>\$ 430,264</b>

### Federal Assistance to Firefighters' Grant Funds - \$20,708

The Newton Fire Department secured a grant from the Homeland Security FY2020 Assistance to Firefighter Grant program to be used to purchase PPE and related supplies, such as respirators, eye protection, and coveralls for the protection of our Firefighters when responding to COVID-19 calls.

### Federal American Rescue Plan Act (ARPA) of 2021:

#### Newton Municipal Allocation approximately \$63 million Administered by the Mayor

The American Rescue Plan Act of 2021 is a \$1.9 trillion economic stimulus package signed into law by President Biden on March 11, 2021, to further respond to the economic and health effects of the COVID-19 pandemic.

The American Rescue Plan Act provides funding for expanded unemployment benefits; \$1,400 direct payments to certain individuals; emergency paid sick leave; extension of a 15% increase in food stamps; child tax credits and other tax credit provisions; grants to small businesses; funds to reopen schools; funds for housing and rental assistance, vaccines, testing and contact tracing, health care and public health, public transit; funds to state and local governments to bridge budget shortfalls and mitigate the fiscal impact of the pandemic.

The City of Newton is receiving two streams of funding in the American Rescue Plan that together total \$63 million. The first is \$46.4 million of direct municipal aid. (This funding goes directly to municipalities over 50,000 in population that are sometimes referred to as "Metropolitan Cities" or as "Community Development Block Grant (CDBG) Entitlement Communities." Newton is one of 37 such municipalities in Massachusetts.) The second type of funding is approximately \$17 million that goes directly to municipalities in counties where the county government has been abolished (as it has here in Middlesex County, one of seven abolished counties in the state). Thus, the total funding for the City of Newton from the ARPA is expected to approximate \$63 million.

Our goal is to use these one-time ARPA funds to seed those initiatives that will help Newtonians and our city not just stabilize and recover but permanently be a better place. Thus, we will invest these funds, not just spend them.

Our goal is also to use the ARPA funds to help make Newton more resilient, more livable, more vibrant, more inclusive, and more sustainable in the decades ahead. We will invest the funds using the lens of equity, ensuring all geographic areas of Newton, all ages, all races, all ethnicities, and all people are supported while we help those hurt by the pandemic.

We will continue to be transparent and open about the sources and uses of federal and state funds. We have developed an ARPA Dashboard, making it easy for everyone to track the investments. Projects approved to date can be found in the earlier Section 3.0 of this document as well as on Mayor Fuller’s page of the City’s website <https://www.newtonma.gov/government/mayor-fuller/special-projects-and-initiatives/american-rescue-plan-act-arpa>.

Our ARPA investments will be strategic and complementary to those of State and the Federal programs. The Commonwealth will be receiving directly \$5 billion from ARPA. Additional ARPA funds are directed to education, transit, housing, public health, and specific industry sectors. Residents will be receiving ARPA funds directly through enhanced unemployment benefits, stimulus checks, rent and mortgage relief, support for childcare and more. Moreover, additional programs and more funding appears to be in the pipeline. We will keep a close eye on the \$2 trillion dollar American Jobs Plan and the \$1 trillion dollar American Families Plan, for example.

We will also be mindful that these are one-time funds and we do not want to create future budget deficits for the City. We will not set ourselves up to fall off a financial cliff after December 2024.

There are very specific requirements and rules for how a municipality can use its ARPA funds. They include responding to the public health emergency and its negative economic impacts and providing government services to the extent of the reduction in revenue due to the COVID-19 public health emergency. The original legislation as passed in March 2021 outlined these requirements as follows:

*REQUIREMENTS:*

*(1) USE OF FUNDS.—Subject to paragraph (2), and except as provided in paragraph (3), a State, territory, or Tribal government shall only use the funds provided under a payment made under this section, or transferred pursuant to section 603(c)(4), to cover costs incurred by the State, territory, or Tribal government, by December 31, 2024—*

*(A) to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;*

*(B) to respond to workers performing essential work during the COVID–19 public health emergency by providing premium pay to eligible workers of the State, territory, or Tribal government that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work;*

*(C) for the provision of government services to the extent of the reduction in revenue of such State, territory, or Tribal government due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year of the State, territory, or Tribal government prior to the emergency; or*

*(D) to make necessary investments in water, sewer, or broadband infrastructure.*

(2) *FURTHER RESTRICTION ON USE OF FUNDS.*—

(A) *IN GENERAL.*—A State or territory shall not use the funds provided under this section or transferred pursuant to section 603(c)(4) to either directly or indirectly offset a reduction in the net tax revenue of such State or territory resulting from a change in law, regulation, or administrative interpretation during the covered period 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.

On May 10, 2021, the U.S. Department of the Treasury issued a 151 page “*Interim Final Rule*” to implement the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund established under the American Rescue Plan Act. It includes the following guidance:

Section (1A) - ARPA Funds - Responding to the Public Health Emergency and Negative Economic Impact

*Accordingly, to assess whether a program or service is included in this category of eligible uses, a recipient should consider whether and how the use would respond to the COVID-19 public health emergency. Assessing whether a program or service “responds to” the COVID-19 public health emergency requires the recipient to, first, identify a need or negative impact of the COVID-19 public health emergency and, second, identify how the program, service, or other intervention addresses the identified need or impact. While the COVID-19 public health emergency affected many aspects of American life, **eligible uses under this category must be in response to the disease itself or the harmful consequences of the economic disruptions resulting from or exacerbated by the COVID-19 public health emergency.***

Section (1C) - Reduction in Revenue due to the COVID-19 Health Emergency

*Sections 602(c)(1)(C) and 603(c)(1)(C) of the Act allow recipients facing budget shortfalls to use payments from the Fiscal Recovery Funds **to avoid cuts to government services** and, thus, enable State, local, and Tribal governments **to continue to provide valuable services** and ensure that fiscal austerity measures do not hamper the broader economic recovery. The Interim Final Rule implements these provisions by establishing a definition of “general revenue” for purposes of calculating a loss in revenue and by providing a methodology for calculating revenue lost due to the COVID-19 public health emergency.*

*Calculation of Loss. In general, recipients will compute the extent of the reduction in revenue by comparing actual revenue to a counterfactual trend representing what could have been expected to occur in the absence of the pandemic. This approach measures losses in revenue relative to the most recent fiscal year prior to the COVID-19 public health emergency by using the most recent pre-pandemic fiscal year as the starting point for estimates of revenue growth absent the pandemic.*

*For purposes of measuring revenue growth in the counterfactual trend, **recipients may use a growth adjustment of either 4.1 percent per year or the recipient’s average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency, whichever is higher.***

*Recipients should 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. Upon receiving Fiscal Recovery Fund payments, recipients may immediately calculate revenue loss for the period ending December 31, 2020.*

### Lost Revenue Calculation for the City of Newton

The City of Newton's most recent fiscal year prior to the COVID-19 public health emergency was Fiscal Year 2019, which covered the twelve-month period beginning July 1, 2018 and ending June 30, 2019. FY2019 Total City of Newton Revenue from all sources was \$656 million, while net revenue after adjustments for federal funds, bond sale proceeds, interfund transfers and other miscellaneous revenues totaled just over \$491 million. This net FY19 Revenue amount of \$491 million will be used as the most recent pre-pandemic fiscal year and will be the starting point for estimates of revenue growth absent the pandemic.

Based on the *Interim Final Rule*, the City must next determine whether the growth adjustment of 4.1 percent per year or the City's average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency is higher. We have done these calculations, have determined that the City's average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency is not higher than 4.1% and will therefore use the U.S. Treasury guideline of 4.1% for all calculations for the growth adjustment for the counterfactual trend.

The Administration has also calculated the Calendar Year (CY) 2020 Counterfactual Revenue as well as CY 2020 Actual Revenue. This calculation has yielded a CY 2020 Lost Revenue factor of just over \$31 million. Simply put, this means that to date the City is able to use the less restrictive guidelines of "the provision of government services" for \$31 million of the \$63 million of ARPA funds that have been allocated to the City of Newton. We will continue to measure our "lost revenue" as of Dec 31, 2021, Dec 31, 2022, and Dec 31, 2023 so as to determine exactly which guidelines we will have to follow for our ARPA expenditures.

The *Interim Final Rule* also includes this guideline: *Government services can include, but are not limited to, maintenance or pay-go funded building of infrastructure, including roads; modernization of cybersecurity, including hardware, software, and protection of critical infrastructure; health services; environmental remediation; school or educational services; and the provision of police, fire, and other public safety services.*

Our management team has begun to identify exciting opportunities for ARPA investments in the following areas:

- Providing more on-ramps to the road to financial self-sufficiency for Newton residents at all different life stages. We will start with a targeted community needs assessment focused on our most financially vulnerable residents to help us design and implement effective support programs.
- Finding more ways to support the mental health of all our residents with partnerships, education and services.
- Improving the facilities, especially for training, at Newton Police Headquarters.
- Expanding our work on roads and sidewalks, pedestrian and bicyclist accommodations, trees and athletic fields, playgrounds, and arts, culture and community efforts.

As of October 1, 2021, we have approved several projects that fit both the spirit and specific requirements of this grant funding. Further details can be found beginning on page 11 of this document or on Mayor Fuller’s page of the City website.

<https://www.newtonma.gov/government/mayor-fuller/special-projects-and-initiatives/american-rescue-plan-act-arpa>.

**Commonwealth of Massachusetts Funding**

**MA Department of Public Health Grant - \$349,457**

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

**MA Executive Office of Public Safety and Security – Coronavirus Emergency Supplemental Funding (CESF) Program: \$47,575**

The Executive Office of Public Safety and Security offered one-time federal grant funding to address local public safety equipment, enforcement and programming needs. Newton Police Department received \$26,711, while the Newton Fire Department received \$20,864. Each department utilized these funds to purchase supplies and services to support the City during this pandemic.

**MA – Secretary of the Commonwealth Grant: \$13,778**

The Massachusetts Secretary of the Commonwealth awarded the City a grant in the amount of \$13,778 for the purpose of funding a portion of the additional postage expenses incurred during the November 2020 election resulting from the COVID-19 pandemic.

STATE FUNDED GRANTS					
ACCT DESCRIPTION	DESCRIPTION	FY20 BUDGET	FY20 ACTUAL	FY21 ACTUAL	FY21 BALANCE
<b>MASS DEPT OF PUBLIC HEALTH GRANT</b>		\$ 349,457			
COVID19-PART TIME <	PART TIME < 20 HRS/WK	\$ 17,595	\$ 4,441	\$ 13,154	\$ -
COVID19-REGULAR O	REGULAR OVERTIME	\$ 129,866	\$ 53,806	\$ 76,060	\$ -
PUBLIC BUILDING R-N	PUBLIC BUILDING R-M	\$ -	\$ -	\$ -	\$ -
COVID19-CELLULAR TI	CELLULAR TELEPHONES	\$ 2,876	\$ 1,175	\$ 1,701	\$ -
COVID19-MEDICAL SU	MEDICAL SUPPLIES	\$ 6,443	\$ -	\$ 6,443	\$ -
COVID19-COMPUTER	COMPUTER SUPPLIES	\$ 10,101	\$ 5,061	\$ 5,040	\$ -
COVID19-MEDICARE F	MEDICARE PAYROLL TAX	\$ 1,403	\$ -	\$ 1,403	\$ -
COVID19-BUDGET CO	REMAINING FUNDS	\$ 181,191	\$ -	\$ -	\$ 180,807
<b>MASS DEPT PUBLIC HEALTH GRANT</b>		\$ 349,475	\$ 64,483	\$ 103,801	\$ 180,807
<b>MASS EXEC OFFICE OF PUBLIC SAFETY &amp; SECURITY</b>		\$ 47,575			
COVID-19 EMERG SUP	POLICE EMERGENCY SUPPLIES & SVCS	\$ -	\$ -	\$ 26,470	\$ 241
COVID-19 EMERG SUP	FIRE EMERGENCY SUPPLIES & SVCS	\$ -	\$ -	\$ 20,864	\$ -
<b>EXEC OFFICE OF PUBLIC SAFETY GRANTS</b>		\$ -	\$ -	\$ 47,334	\$ 241
<b>MASS SECRETARY OF THE COMMONWEALTH</b>		\$ 13,778			
COVID-19 ELECTIONS	ELECTIONS COSTS GRANT	\$ -	\$ -	\$ 13,778	\$ -
<b>STATE ELECTIONS GRANT</b>		\$ -	\$ -	\$ 13,778	\$ -

## **City of Newton Taxpayer Funded Accounts**

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

At the outset of the pandemic, the Mayor requested a General Fund Non-Lapsing Appropriation in the amount of \$1 million to enable the Administration to meet the urgent needs of our residents, employees, and businesses. Expenditures for Overtime for our First Responders, the City's Food Distribution Program, Personal Protective Equipment (PPE), plexiglass shields and partitions, and costs associated with workspace reconfigurations to address physical distancing have been charged to this account. It is our expectation that most, if not all, of the expenditures in this account will be reimbursed.

### **City of Newton Community Preservation Funds - \$3,200,000**

Early in the pandemic, the Mayor requested \$2M in Community Preservation Funds which both the CPC and the City Council approved.

The Covid-19 Emergency Housing Relief Program was designed to provide short-term rental and mortgage payment assistance to Newton households who have been negatively impacted by the ongoing Covid-19 pandemic. The program pays up to 70% of a household's monthly rent or mortgage payments (up to \$2,500 per month, \$7,500 over three months) for households who are below 80% AMI. While the program is primarily focused on rental assistance, it may also provide mortgage assistance to households who own existing affordable deed-restricted units. The program is administered by Metro West Collaborative Development, which handles the application and initial review process, issues the checks to landlords monthly, and recertifies participants every three months.

While the program was initially created to provide 3 months of assistance, it quickly became clear that most households would need assistance for much longer. The program was extended several times, and in January 2021 a second request for another \$1.2 million was made to allow the program to extend through June 2021 and provide up to 12 months of assistance to households. The program was anticipated to stop accepting applications in June 2021 and to begin winding down at that time.

The initial \$2 million in CPA funding was approved for the program in FY20, along with \$500,000 in CDBG-CV (CARES Act) funding. The CDBG-CV funding was the first to be used for the program, so no CPA funding was released until August 2020. To date, the City has used \$2,727,018 of the \$3.2 million in CPA funding approved for this project which covers rental assistance through September 1, 2021. Final applications for the program were due June 30, 2021. The following is a summary of the program outcomes:

- A total of 253 households were assisted by the program since July 2020, including six households in deed-restricted affordable ownership units;
- Average monthly payments were \$1,100/household;
- 62% of participating households identified as a racial minority
- 82% of participating households had incomes below 65% AMI;
- 55% of participating households had incomes below 30% AMI.



## **Additional Funding Sources**

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

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

## **Funds to be Administered by the Newton Public Schools (NPS)**

### **Federal Funds**

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

This program in the amount of \$225 per student is focused on providing schools and school districts with funding needed to deliver educational services and develop plans for the return to normal operations. Funds may be used for a wide variety of purposes, including, but not limited to staff; student services; food and transportation services; building services/temporary facilities; central costs; and other innovative efforts to support the safe reopening of schools.

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

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

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

#### **Elementary and Secondary School Emergency Relief Fund (ESSER II) - \$1,508,665**

The Elementary and Secondary School Emergency Relief Fund, (ESSER II), authorized under the Coronavirus Response and Relief Supplemental Appropriations (CRRSE) Act, 2021, enacted on December 27, 2020, provides school districts with further emergency relief funds to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools.

#### **Elementary and Secondary School Emergency Relief Fund (ESSER III) - \$3,365,788**

The American Rescue Plan Elementary and Secondary School Emergency Relief (ARPA ESSER III) Fund, under the American Rescue Plan (ARPA) Act of 2021, enacted on March 11, 2021 provides further funding to the Newton Public Schools of which at least 20% must be used to support students who have not made satisfactory progress over the past year and are currently below grade level. In addition, authorized uses include sanitation and PPE, school facility repairs, technology for online learning, student mental health services, and continuity of services.

### **State Grants to NPS**

#### **FY2021 State Coronavirus Prevention Fund Grant - \$421,400**

In January 2021, the state legislature authorized funding to school districts for additional assistance to support coronavirus prevention efforts and to maintain and increase educational quality during the pandemic. Eligible uses for the funds include, but are not limited to, personal protective equipment,

hygienic supplies, costs associated with socially distanced onsite learning, remote learning, or hybrid approaches as determined by the district.

Recipients can also use their funds for any expenses required to ensure that low-income and other vulnerable students receive assistance and support that provides them equal access to educational opportunities, including but not limited to, assistance overcoming technological hurdles to learning and access to social services, mental health, and behavioral health resources to address the potential trauma and other effects of the pandemic on students.

#### Remote Learning Technology Essentials Grant - \$67,050

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

#### Newton Schools Foundation - \$85,000

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

**NEWTON PUBLIC SCHOOLS COVID REIMBURSEMENTS AND GRANTS**

ACCT DESCRIPTION	DESCRIPTION	FY20 BUDGET	FY20 ACTUAL	FY21 ACTUAL	FY21 BALANCE
<b>NPS CARES ACT FUNDS</b>		<b>\$ 2,886,525</b>			
2021 CVRF REOPENIN	OTHER STIPENDS	\$ -	\$ -	\$ 133,688	\$ -
2021 CVRF REOPENIN	PUBLIC BUILDING R-M	\$ -	\$ -	\$ -	\$ -
2021 CVRF REOPENIN	CONSULTANTS	\$ -	\$ -	\$ 24,955	\$ -
2021 CVRF REOPENIN	PUPIL TRANSPORTATION	\$ -	\$ -	\$ -	\$ -
2021 CVRF REOPENIN	OFFICE SUPPLIES	\$ -	\$ -	\$ 44,016	\$ -
2021 CVRF REOPENIN	INSTRUCTIONAL SUPPLIES	\$ -	\$ -	\$ 21,977	\$ -
2021 CVRF REOPENIN	BUILDING MAINT SUPPLIES	\$ -	\$ -	\$ 194,400	\$ -
2021 CVRF REOPENIN	CLEANING/CUSTODIAL SUPPL	\$ -	\$ -	\$ 139,051	\$ -
2021 CVRF REOPENIN	MEDICAL SUPPLIES	\$ -	\$ -	\$ 76,663	\$ -
2021 CVRF REOPENIN	MEDICARE PAYROLL TAX	\$ -	\$ -	\$ -	\$ -
2021 CVRF REOPENIN	PC HARDWARE-INSTRUCTIONAL	\$ -	\$ -	\$ 1,842,643	\$ -
2021 CVRF REOPENIN	PC SOFTWARE-ADMIN	\$ -	\$ -	\$ 174,003	\$ -
2021 CVRF REOPENIN	CLASSROOM FURNITURE	\$ -	\$ -	\$ 235,129	\$ -
<b>TOTAL NPS CARES FUNDING</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,886,525</b>	<b>\$ -</b>
<b>NPS - ESSER I FUNDS</b>		<b>\$ 745,725</b>			
OTHER STIPENDS	OTHER STIPENDS	\$ -	\$ -	\$ 10,600	\$ (10,600)
21 ESSER RELIEF GRA-	INSTRUCTIONAL SUPPLIES	\$ -	\$ -	\$ 2,509	\$ 8,216
21 ESSER RELIEF GRA-	PC HARDWARE-INSTRUCTIONAL	\$ -	\$ -	\$ 41,331	\$ 58,669
CLASSROOM FURNITUR	CLASSROOM FURNITURE	\$ -	\$ -	\$ 540,607	\$ 94,393
<b>TOTAL NPS ESSER I FUNDS</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 595,048</b>	<b>\$ 150,677</b>
<b>NPS - ESSER II FUNDS</b>		<b>\$ 1,508,665</b>			
BUDGET CONTROL	BUDGET CONTROL	\$ -	\$ -	\$ -	\$ 1,508,665
<b>TOTAL NPS ESSER II FUNDS</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,508,665</b>
<b>NPS - ESSER III FUNDS</b>		<b>\$ 3,365,788</b>			
BUDGET CONTROL	BUDGET CONTROL	\$ -	\$ -	\$ -	\$ 3,365,788
<b>TOTAL NPS ESSER III FUNDS</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,365,788</b>
<b>NPS MASS CORONAVIRUS PREVENTION GRANT</b>		<b>\$ 421,400</b>			
CONSULTANTS	CONSULTANTS	\$ -	\$ -	\$ 18,210	\$ 1,790
BUDGET CONTROL	BUDGET CONTROL	\$ -	\$ -	\$ -	\$ 401,400
<b>TOTAL NPS MASS CORONAVIRUS PREVENTION GRANT</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,210</b>	<b>\$ 403,190</b>
<b>NPS REMOTE LEARNING GRANT</b>		<b>\$ 67,086</b>			
2021 REMOTE LEARN	PC HARDWARE-INSTRUCTIONAL	\$ -	\$ -	\$ 67,086	\$ -
<b>TOTAL NPS REMOTE LEARNING GRANT</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 67,086</b>	<b>\$ -</b>
<b>NEWTON SCHOOLS FOUNDATION GRANT</b>		<b>\$ 85,000</b>			
2021 REMOTE LEARN	PC HARDWARE-INSTRUCTIONAL	\$ -	\$ -	\$ 85,000	\$ -
<b>NEWTON SCHOOLS FOUNDATION GRANT</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 85,000</b>	<b>\$ -</b>

**MUNICIPAL AND NEWTON PUBLIC SCHOOLS  
CORONAVIRUS PANDEMIC**

**TOTAL GRANTS, REIMBURSEMENTS, AND OTHER REVENUES**

<b>TOTAL MUNI GRANTS/REIMB/APPROP'S, ETC.</b>		<b>AMOUNT</b>
<b>FEDERAL FUNDS TO "CITY" ACCOUNTS</b>		
American Rescue Plan Act of 2021		\$ 63,000,000
Coronavirus Aid, Relief, and Economic Security Act (CARES)		\$ 7,838,462
FEMA - Fed'l Emergency Mgmt Agency (projected)		\$ 1,000,000
Community Development Block Grant		\$ 1,743,641
Emergency Solutions Grant		\$ 1,483,400
Assistance to Firefighters' Grant		\$ 20,708
<b>STATE FUNDS TO "CITY" ACCOUNTS</b>		
Mass Department of Public Health		\$ 349,457
Mass Office of Public Safety & Security		\$ 47,575
Mass Secretary of the Commonwealth		\$ 13,778
<b>TAXPAYER FUNDS TO "CITY" ACCOUNTS</b>		
Community Preservation Act Funds		\$ 3,200,000
City Council Free Cash Appropriation		\$ 1,000,000
<b>OTHER FUNDING SOURCES</b>		
U.S. Conf of Mayors - Youth Involvement		\$ 37,146
<b>TOTAL MUNI GRANTS/REIMB/APPROP'S, ETC.</b>		<b>\$ 79,734,167</b>
<b>TOTAL NPS GRANTS/REIMB/APPROP'S, ETC.</b>		
<b>FEDERAL FUNDS TO "NPS" ACCOUNTS</b>		
NPS CARES Act Funding - CvRF 102		\$ 2,886,525
ESSER 1 Funds		\$ 745,725
ESSER 2 Funds		\$ 1,508,665
ESSER 3 Funds		\$ 3,365,788
<b>STATE FUNDS TO "NPS" ACCOUNTS</b>		
DESE Coronavirus Prevention Fund Grant		\$ 421,400
State Remote Learning Technology Grant		\$ 67,086
Newton Schools Foundation Tech Grant		\$ 85,000
<b>TOTAL NPS GRANTS/REIMB/APPROP'S, ETC.</b>		<b>\$ 9,080,189</b>
<b>TOTAL NEWTON GRANTS/REIMB/APPROP'S, ETC.</b>		<b>\$ 88,814,356</b>

APPENDIX II  
City of Newton Finance and Budgeting Background Information

**City of Newton, Massachusetts  
Annual General Fund Revenues**

**FY2017 - FY2021 Actual/FY2022 Budget/FY2023 - FY2027 Forecast**

(\$ millions)	←-A-C-T-U-A-L-----→					←-BUDGET→					-----F-O-R-E-C-A-S-T-----→					
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY23	FY24	FY25	FY26	FY27
<b>OPERATING REVENUE</b>																
Real Estate Tax Revenue	\$ 316.2	\$ 331.8	\$ 345.6	\$ 358.5	\$ 378.3	\$ 388.6	\$ 404.2	\$ 419.6	\$ 435.6	\$ 452.3	\$ 469.6	\$ 404.2	\$ 419.6	\$ 435.6	\$ 452.3	\$ 469.6
Motor Vehicle Excise Tax Revenue	\$ 13.8	\$ 13.5	\$ 13.7	\$ 13.0	\$ 13.3	\$ 12.5	\$ 13.5	\$ 13.5	\$ 13.5	\$ 13.5	\$ 13.5	\$ 13.5	\$ 13.5	\$ 13.5	\$ 13.5	\$ 13.5
Hotel Room Tax	\$ 2.3	\$ 2.4	\$ 2.4	\$ 2.2	\$ 0.3	\$ 0.5	\$ 0.6	\$ 0.7	\$ 1.0	\$ 1.3	\$ 1.3	\$ 0.6	\$ 0.7	\$ 1.0	\$ 1.3	\$ 1.3
Meals Tax	\$ 1.9	\$ 1.9	\$ 2.0	\$ 1.8	\$ 1.4	\$ 1.6	\$ 1.6	\$ 1.8	\$ 1.8	\$ 1.8	\$ 1.9	\$ 1.6	\$ 1.8	\$ 1.8	\$ 1.8	\$ 1.9
Payments in Lieu of Taxes	\$ 0.4	\$ 0.5	\$ 0.4	\$ 0.6	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3
Interest/Dividend Income	\$ 0.6	\$ 1.4	\$ 2.9	\$ 2.1	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3
Permitting Revenue - ISD	\$ 8.2	\$ 7.1	\$ 10.5	\$ 10.9	\$ 7.5	\$ 6.9	\$ 7.4	\$ 7.4	\$ 7.4	\$ 7.4	\$ 7.4	\$ 7.4	\$ 7.4	\$ 7.4	\$ 7.4	\$ 7.4
Parking Meter Receipts	\$ 3.5	\$ 1.6	\$ 1.5	\$ 1.1	\$ 0.2	\$ 0.8	\$ 0.8	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2	\$ 0.8	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2
Parking Violations Revenues	\$ 1.4	\$ 1.4	\$ 1.3	\$ 1.1	\$ 0.2	\$ 0.8	\$ 1.0	\$ 1.1	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.0	\$ 1.1	\$ 1.3	\$ 1.3	\$ 1.3
Water/Sewer/Storm to Gen'l Fund	\$ 3.1	\$ 3.7	\$ 3.8	\$ 4.1	\$ 4.3	\$ 4.5	\$ 4.6	\$ 4.7	\$ 4.8	\$ 4.9	\$ 5.0	\$ 4.6	\$ 4.7	\$ 4.8	\$ 4.9	\$ 5.0
Other Miscellaneous Accounts	\$ 8.3	\$ 10.4	\$ 8.5	\$ 9.2	\$ 9.8	\$ 8.0	\$ 7.9	\$ 7.8	\$ 7.8	\$ 7.8	\$ 7.8	\$ 7.9	\$ 7.8	\$ 7.8	\$ 7.8	\$ 7.8
<b>REVENUE FROM OPERATIONS</b>	\$ 359.8	\$ 375.9	\$ 392.8	\$ 404.5	\$ 415.9	\$ 424.6	\$ 442.0	\$ 458.4	\$ 475.1	\$ 492.1	\$ 509.6	\$ 442.0	\$ 458.4	\$ 475.1	\$ 492.1	\$ 509.6
<b>REVENUE FROM STATE AID</b>																
Chapter 70 - Education Aid	\$ 21.2	\$ 23.2	\$ 24.0	\$ 24.8	\$ 25.1	\$ 25.5	\$ 25.9	\$ 26.4	\$ 26.9	\$ 27.5	\$ 28.0	\$ 25.9	\$ 26.4	\$ 26.9	\$ 27.5	\$ 28.0
Unrestricted General Gov't Aid - UGGA	\$ 5.7	\$ 5.5	\$ 6.1	\$ 6.2	\$ 6.2	\$ 6.5	\$ 6.6	\$ 6.7	\$ 6.8	\$ 6.9	\$ 7.0	\$ 6.6	\$ 6.7	\$ 6.8	\$ 6.9	\$ 7.0
<b>REVENUE FROM STATE AID</b>	\$ 26.8	\$ 28.7	\$ 30.1	\$ 31.1	\$ 31.4	\$ 32.0	\$ 32.4	\$ 33.0	\$ 33.7	\$ 34.3	\$ 35.0	\$ 32.4	\$ 33.0	\$ 33.7	\$ 34.3	\$ 35.0
<b>OPERATING REVENUE</b>	\$ 386.6	\$ 404.6	\$ 422.9	\$ 435.6	\$ 447.2	\$ 456.6	\$ 474.5	\$ 491.5	\$ 508.7	\$ 526.5	\$ 544.5	\$ 474.5	\$ 491.5	\$ 508.7	\$ 526.5	\$ 544.5
% Increase		4.6%	4.5%	3.0%	2.7%	2.1%	3.9%	3.6%	3.5%	3.5%	3.4%	3.9%	3.6%	3.5%	3.5%	3.4%
<b>REVENUE FROM TRANSFERS</b>																
Capital Stabilization Fund	\$ 2.4	\$ 0.4	\$ 1.6	\$ 0.2	\$ 0.1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
American Rescue Plan - ARPA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4.6	\$ 2.5	\$ 1.3	\$ -	\$ -	\$ -	\$ 2.5	\$ 1.3	\$ -	\$ -	\$ -
Free Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5
<b>REVENUE FROM TRANSFERS</b>	\$ 2.4	\$ 0.4	\$ 1.6	\$ 0.2	\$ 0.1	\$ 6.1	\$ 4.0	\$ 2.8	\$ 1.5	\$ 1.5	\$ 1.5	\$ 4.0	\$ 2.8	\$ 1.5	\$ 1.5	\$ 1.5
<b>TOTAL REVENUE</b>	\$ 389.0	\$ 405.0	\$ 424.4	\$ 435.8	\$ 447.3	\$ 462.7	\$ 478.5	\$ 494.2	\$ 510.2	\$ 528.0	\$ 546.0	\$ 478.5	\$ 494.2	\$ 510.2	\$ 528.0	\$ 546.0
% Increase		4.1%	4.8%	2.7%	2.6%	3.4%	3.4%	3.3%	3.2%	3.5%	3.4%	3.4%	3.3%	3.2%	3.5%	3.4%

City of Newton, Massachusetts  
Annual General Fund Expenditures

FY2017 - FY2021 Actual/FY2022 Budget/FY2023 - FY2027 Forecast

(\$ millions)	←-A-C-T-U-A-L-----→					←-BUDGET--→					←-----F-O-R-E-C-A-S-T-----→					
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY23	FY24	FY25	FY26	FY27
<b>TOTAL REVENUE</b>	\$ 389.0	\$ 405.0	\$ 424.4	\$ 435.8	\$ 447.3	\$ 462.7	\$ 478.5	\$ 494.2	\$ 510.2	\$ 528.0	\$ 546.0	\$ 478.5	\$ 494.2	\$ 510.2	\$ 528.0	\$ 546.0
<b>TOTAL EXPENDITURES</b>																
Newton Public Schools	\$ 211.3	\$ 217.9	\$ 228.7	\$ 236.8	\$ 243.4	\$ 253.2	\$ 261.4	\$ 269.9	\$ 278.7	\$ 287.8	\$ 297.1	\$ 261.4	\$ 269.9	\$ 278.7	\$ 287.8	\$ 297.1
\$ Increase	\$	\$ 6.7	\$ 10.7	\$ 8.1	\$ 6.6	\$ 9.8	\$ 8.2	\$ 8.5	\$ 8.8	\$ 9.1	\$ 9.4	\$ 8.2	\$ 8.5	\$ 8.8	\$ 9.1	\$ 9.4
Annual % Increase	3.16%	4.92%	3.54%	2.80%	2.80%	4.03%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
Percentage of Revenue	53.8%	53.9%	54.3%	54.4%	54.4%	54.7%	54.6%	54.6%	54.6%	54.5%	54.4%	54.6%	54.6%	54.6%	54.5%	54.4%
<b>REVENUE REMAINING</b>	\$ 177.7	\$ 187.0	\$ 195.8	\$ 199.0	\$ 203.9	\$ 209.5	\$ 217.0	\$ 224.3	\$ 231.5	\$ 240.2	\$ 248.9	\$ 217.0	\$ 224.3	\$ 231.5	\$ 240.2	\$ 248.9
<b>Municipal Services</b>																
\$ Increase	\$ 101.2	\$ 102.5	\$ 107.7	\$ 111.1	\$ 108.9	\$ 121.3	\$ 125.2	\$ 129.3	\$ 133.6	\$ 137.9	\$ 142.5	\$ 125.2	\$ 129.3	\$ 133.6	\$ 137.9	\$ 142.5
Annual % Increase	1.25%	5.15%	3.09%	-1.95%	(2.2)	12.4	3.9	4.1	4.2	4.4	4.5	3.24%	3.19%	3.18%	3.18%	3.17%
Percentage of Revenue	25.3%	25.4%	25.5%	24.3%	24.3%	26.2%	26.2%	26.2%	26.2%	26.1%	26.1%	26.2%	26.2%	26.2%	26.1%	26.1%
<b>REVENUE REMAINING</b>	\$ 76.5	\$ 84.6	\$ 88.0	\$ 88.0	\$ 95.0	\$ 88.2	\$ 91.8	\$ 95.0	\$ 98.0	\$ 102.2	\$ 106.5	\$ 91.8	\$ 95.0	\$ 98.0	\$ 102.2	\$ 106.5
<b>Snow Removal and Solid Waste/Recycling</b>																
\$ Increase	\$ 14.0	\$ 15.3	\$ 13.7	\$ 11.8	\$ 14.3	\$ 15.5	\$ 16.3	\$ 17.2	\$ 18.1	\$ 19.0	\$ 20.0	\$ 16.3	\$ 17.2	\$ 18.1	\$ 19.0	\$ 20.0
Annual % Increase	9.4%	-10.8%	-13.6%	21.2%	3.2%	8.0%	5.4%	5.3%	5.3%	5.2%	5.1%	5.4%	5.3%	5.3%	5.2%	5.1%
Percentage of Revenue	3.8%	3.8%	3.2%	2.7%	3.2%	3.3%	3.4%	3.5%	3.5%	3.6%	3.7%	3.4%	3.5%	3.5%	3.6%	3.7%
<b>REVENUE REMAINING</b>	\$ 62.5	\$ 69.2	\$ 74.4	\$ 76.2	\$ 80.7	\$ 72.7	\$ 75.5	\$ 77.8	\$ 79.9	\$ 83.2	\$ 86.5	\$ 75.5	\$ 77.8	\$ 79.9	\$ 83.2	\$ 86.5
<b>Pensions and Municipal Retiree Health</b>																
\$ Increase	\$ 33.4	\$ 35.6	\$ 39.4	\$ 41.1	\$ 42.9	\$ 48.2	\$ 52.1	\$ 56.4	\$ 61.2	\$ 66.3	\$ 71.9	\$ 52.1	\$ 56.4	\$ 61.2	\$ 66.3	\$ 71.9
Annual % Increase	6.5%	10.8%	4.2%	4.5%	4.5%	12.2%	8.2%	8.3%	8.4%	8.4%	8.5%	8.2%	8.3%	8.4%	8.4%	8.5%
Percentage of Revenue	8.8%	9.3%	9.4%	9.4%	9.6%	10.4%	10.9%	11.4%	12.0%	12.6%	13.2%	10.9%	11.4%	12.0%	12.6%	13.2%
<b>REVENUE REMAINING</b>	\$ 29.1	\$ 33.7	\$ 35.0	\$ 35.1	\$ 37.8	\$ 24.6	\$ 23.4	\$ 21.4	\$ 18.7	\$ 16.9	\$ 14.5	\$ 23.4	\$ 21.4	\$ 18.7	\$ 16.9	\$ 14.5
<b>Debt Service</b>																
Debt - Currently Issued	\$ 20.3	\$ 22.6	\$ 24.0	\$ 24.5	\$ 25.1	\$ 24.6	\$ 24.0	\$ 23.6	\$ 22.8	\$ 21.5	\$ 20.3	\$ 24.0	\$ 23.6	\$ 22.8	\$ 21.5	\$ 20.3
Debt - To Be Issued	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.9	\$ 2.7	\$ 4.9	\$ 6.8	\$ 8.7	\$ 0.9	\$ 2.7	\$ 4.9	\$ 6.8	\$ 8.7
<b>Total Annual Debt Payments</b>	\$ 20.3	\$ 22.6	\$ 24.0	\$ 24.5	\$ 25.1	\$ 24.6	\$ 24.9	\$ 26.3	\$ 27.7	\$ 28.3	\$ 29.0	\$ 24.9	\$ 26.3	\$ 27.7	\$ 28.3	\$ 29.0
\$ Increase	\$	\$ 2.3	\$ 1.4	\$ 0.4	\$ 0.7	\$ (0.5)	\$ 0.4	\$ 1.4	\$ 1.4	\$ 0.6	\$ 0.7	\$ 0.4	\$ 1.4	\$ 1.4	\$ 0.6	\$ 0.7
Annual % Increase	11.6%	6.3%	1.8%	2.7%	2.7%	-2.2%	1.5%	5.5%	5.4%	2.1%	2.4%	1.5%	5.5%	5.4%	2.1%	2.4%
Percentage of Revenue	5.6%	5.7%	5.6%	5.6%	5.6%	5.3%	5.2%	5.3%	5.4%	5.4%	5.3%	5.2%	5.3%	5.4%	5.4%	5.3%
<b>REVENUE REMAINING (GAP)</b>	\$ 8.9	\$ 11.1	\$ 10.9	\$ 10.6	\$ 12.7	\$ 0.0	\$ (1.5)	\$ (4.9)	\$ (9.0)	\$ (11.4)	\$ (14.5)	\$ (1.5)	\$ (4.9)	\$ (9.0)	\$ (11.4)	\$ (14.5)





## APPENDIX III

### Financial Management Guidelines

# CITY OF NEWTON

## FINANCIAL MANAGEMENT GUIDELINES

### **Financial Principles**

On April 20, 2011 the Honorable City Council adopted a revised set of Financial Management Guidelines. There are several guiding principles that are incorporated into these guidelines which have been included as an integral part of this plan. These guidelines include the following:

**Long Range Financial Planning:** The City will follow financial planning processes that assess the long-term financial implications of current and proposed operating and capital budgets, budget policies, cash management and investment policies, and programs.

**Revenue Budgeting:** General Fund revenue budgets are expected to capture 99% of total expected revenue for the year.

**Expenditure Budgeting:** Expenditure budget estimates will strive to be sufficient to address not less than 100% of projected operating requirements of the various departments of the City for the next fiscal year. It is anticipated that this guideline will continue to take several years to fully implement.

**Debt Management Policy:** Massachusetts municipal finance law limits the total amount of long-term debt that the City can incur for most purposes to not more than 5% of the City's equalized valuation (taxable value of the real estate tax base). The City's current (October 2018) equalized valuation is approximately \$29 billion, which means that the current statutory debt limit is approximately \$1.4 billion. In addition to the statutory debt limit, the City of Newton has a self-imposed policy of limiting debt service on long term bonded debt to between 4.0% and 7.5% of the annual General Fund budget.

**Free Cash:** Free Cash represents the accumulated difference of unrestricted funds between General Fund revenues and expenditures, on a cash basis of accounting. The City expects to generate a limited amount of Free Cash which comes from unanticipated actual revenues in excess of revenue estimates (including overlay surplus), unexpected unspent funds in operating budget line items, and/or unanticipated unexpended free cash from the previous year.

**Utilization of Free Cash:** It is the intent of the City to use Free Cash in the following manner, understanding that this will take a number of years to implement fully. First, a maximum of \$1.5 million will be used as a general revenue source for the ensuing year's operating budget. Second, Free Cash may be used to replenish Reserve Funds depleted in the previous year. Third, a minimum of forty percent (40%) of the remaining certified Free Cash will be put in the Rainy Day Stabilization Fund until the Rainy Day Stabilization Fund reaches its target level. Fourth, any additional Free Cash will be used for one-time, non-recurring expenditures.

**Inclement Weather Stabilization Reserve:** The Administration has established an Inclement Weather Stabilization Reserve Fund which will be used for unusual (but not extraordinary) weather related costs in departments such as Public Works, Parks and Recreation, Police and Fire. For example, such costs may stem from floods, an unusual number of winter storms, or an unusual level of snow or ice. The goal of this reserve fund is to make sure monies are set aside for unusual weather conditions.

**Rainy Day Stabilization Reserve:** The Rainy Day Stabilization Fund will be used when the City faces a multiple year economic recession or a rare, catastrophic expenditure. These funds may be utilized to assist in addressing cyclical declines in operating revenues, generally resulting from economic factors outside the control of the City, or an unusually large expenditure resulting from a rare legal settlement or catastrophic weather event. The primary reason for the segregation of such monies is to prevent these reserves from being used for unrelated City needs, and to demonstrate that resources are in fact being set aside specifically for extraordinary and unforeseen revenue disruption or catastrophic expenditure need.

## APPENDIX IV

### Debt Management Guidelines

# CITY OF NEWTON

## DEBT MANAGEMENT POLICY

November 28, 2016

The City of Newton uses a variety of capital assets for the purpose of providing community services. The assets consist of land, public buildings, recreation facilities, community infrastructure (road networks, storm and sanitary sewer networks, and water distribution networks) and major pieces of equipment.

The annual Capital Improvement Program (Section 5-3) of the City Charter is used to prioritize capital asset acquisition and improvement plans for the ensuing five (5) year period. The Capital Improvement Program represents the City's plan for meeting capital needs. Individual project funding appropriations and funding orders recommended by the Mayor and approved by the Council are required to execute the capital plan.

Since Newton residents, businesses, visitors and taxpayers benefit from capital assets over a period of years, long-term debt financing is the City's primary -- but not exclusive-- means of funding capital assets and improvements. In addition, as the community benefits from capital assets over a long period of time, the term of the debt generally coincides with the projected useful life of the asset.

All bond authorizations and related capital asset and improvement appropriations originate with a recommendation of the Mayor and require a two-thirds vote of approval by the City Council. Since bond authorizations and related capital appropriations are subject to the referendum provision of the City Charter (Section 10), no such authorization or appropriation is available for obligation until 20 days has passed from the Mayor's signature of the City Council vote on the matter. All authorized and unissued long-term debt and issued long term debt is accounted for on the City's general ledger in one of four General Long Term Debt Account Groups. The first group is for debt being repaid from general revenues of the City and the other three are for Stormwater, Sanitary Sewer, and Water debt that is expected to be repaid from the dedicated revenues from the individual enterprise funds.

**Debt limits:** Massachusetts municipal finance law limits the total amount of long-term debt that the City can incur for most purposes to not more than 5% of the City's equalized valuation (i.e., the taxable value of the real estate tax base). As of October 2016, the City's current equalized valuation is approximately \$26 billion, which means that the current statutory debt limit is approximately \$1.3 billion.<sup>12</sup> In addition to the statutory debt limit, the City of Newton has a self-imposed policy of limiting debt service on long term bonded debt to between 4% and 7.5% of the annual General Fund budget.<sup>13</sup> Massachusetts General Law Chapter 44, Sections 7 and 8 identify both the purposes for which the City is authorized to fund with long term debt and the maximum term for which debt can be issued. Although all debt issued by the City is general obligation debt (meaning that the full faith and credit of the City has been pledged to support full and timely repayment of all long-term debt obligations), debt service on bonded debt that is related to public services that are financed principally from dedicated revenues (water and sewer utilities and community preservation activities) is funded from the dedicated revenue sources and not from general revenues of the City.

**Debt structuring:** Insofar as the municipal finance laws of the Commonwealth of Massachusetts allow, the City makes every effort to issue debt for a term that approximates the projected useful life of the capital asset or improvement. All bonded debt of the City is issued at fixed rates of interest, based upon open and competitive sales. Although bond maturity schedules are generally issued so as to have an equal amount of debt retired each year, the City may structure maturity schedules such that the result is equal annual debt service, if this is determined to be in the best interests of the City.

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<sup>12</sup> As of November 2016, the City has \$334 million of debt.

<sup>13</sup> As of November 2016, the total debt represents 5.7% of the annual general fund budget.

**Debt issuance:** In order to assist the City in the efficient and effective planning for new debt issuance and refunding of outstanding debt, the City utilizes the services of an independent professional investment advisor and an attorney with expertise in tax-exempt bond law. Both are compensated on a fee for services basis.

In order to fund necessary capital projects as expenditures are being incurred, the City expects to sell long term debt on an annual basis. The timing of annual bond sales is expected to occur following the issuance of the audited Comprehensive Annual Financial Report for the prior fiscal year (typically by December 31st) and at a date that the City's independent financial advisor determines is likely to generate the most favorable financial terms for the City.

A financial goal of the City of Newton is to continue to have the highest credit rating available in order to borrow new money and to refinance existing debt at the lowest interest rates.

Although the City has historically utilized the services of a single credit rating agency for purposes of reporting on the creditworthiness of the City bonded debt, a second credit rating was sought in 2016. Multiple ratings will continue to be acquired if it is determined to be in the best interests of the City by the independent financial advisor and the City's senior financial management team.

All bond sales of the City are to be done through an open and competitive process, with the award being made to the financial institution offering the lowest net interest cost to the City over the term of the debt (including any premium offering).

The City will annually look for potential savings in the cost of debt by amazing the benefits of refunding opportunities.

**Debt management practices:** In addition to accounting for each debt authorization and debt issuance, the Comptroller of the City is responsible for maintaining a separate accounting of bond proceed sources and uses by individual capital project and improvement within one of several capital project funds on the City's general ledger. The department head to whom a debt financed capital project has been voted has primary responsibility for authorizing expenditures for those purposes specifically approved in the bond authorization and appropriation recommended by the Mayor and approved by the Council. The Comptroller is authorized to deny any proposed expenditure that he or she determines is outside the project scope and/or the term of the debt that has been issued for the project exceeds the projected useful life of the capital asset.

Premiums earned on the sale of long-term debt are generally general revenues of the City. However, premiums earned on projects that have been approved by the voters of the City for a Proposition 2 ½ debt exclusion are reserved on the general ledger for appropriation by the Mayor and Council for purposes of reducing the total amount of debt that will be issued for the debt excluded project.

In order to demonstrate compliance with federal requirements for the timely disbursement of bond proceeds, all cash proceeds from the sale of bonds are deposited in a separate money market account maintained by the Treasurer. Based upon the Comptroller's quarterly reports of debt financed project disbursements, the Treasurer reimburses general cash for the prior quarter's disbursements. The Comptroller maintains detailed records of debt financed capital project expenditures for arbitrage monitoring purposes.

The City's CFO, Treasurer, and Comptroller are responsible for monitoring the proposed and actual use of the assets funded by tax exempt bond proceeds for any potential "private activity uses" and for promptly notifying bond counsel of any potential issues for his or her review and final advice. In order to provide investors and credit rating agencies with current information on the financial position and operating results of the City, every effort is made to issue the Budgetary Basis Annual Financial Report by September 1 of each year and the audited Comprehensive Annual Financial Report by December 31 of each year and to make all other required disclosures on a timely and accurate basis. Interim monthly and quarterly financial reports are also posted on the Comptroller's page of the City web site.

Pursuant to the Massachusetts municipal finance law, any balance that remains in a debt financed capital project, after the project has been completed, is available for re-appropriation by the Mayor and Council for another project for which the City could have borrowed for a term equal or greater than the original purpose.