

FY2023 Budget Analysis by Revenues and Expenditures

Projected Revenue - Fiscal Year 2023

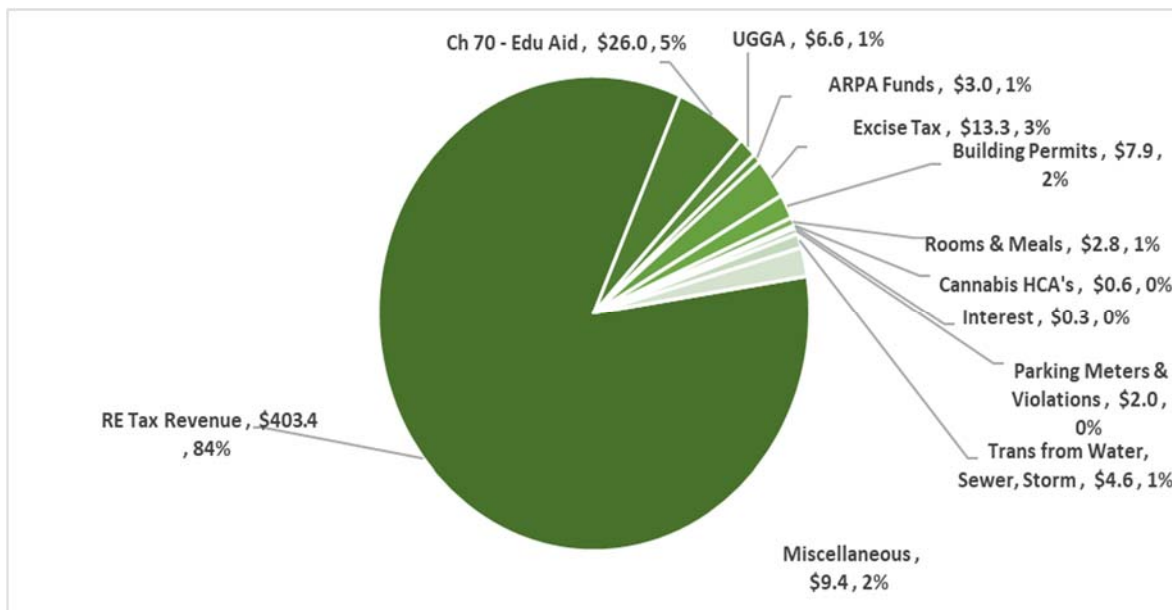
The financial impact to the City of Newton’s revenues when the Coronavirus Pandemic began in the fourth quarter of Fiscal Year 2020 (April, May, and June 2020) due to the economic shutdown was swift and significant. These revenue reductions impacted both FY2021 and FY2022, and, unfortunately, will continue to persist in certain revenue streams into FY2023.

Prior to COVID-19, the City had been receiving revenues of more than \$75 million annually from sources that have been impacted by the pandemic. These include revenues from the Commonwealth such as State Education Aid (a.k.a., Chapter 70) (\$25M) and Unrestricted Government Aid (\$6.4M). Other revenue sources for the City derive from expenditures by people in hotels and restaurants (Rooms & Meals Tax Revenues (\$4.5M)), on new vehicles (Motor Vehicle Excise Tax Revenue (\$13.5M)), and shopping in village centers and driving in Newton (Parking Meter Collections (\$1.3M) and Parking Violation Tickets (\$1.3M)). Interest rates, which decrease in down economic cycles, have also been impacted (Interest Income (\$3.0M)). The shadow of the pandemic will continue to have a negative impact on many of these revenue sources. While we budgeted a \$7 million reduction in these revenues in FY2022, we are expecting that gap to shrink in FY2023, with a projected reduction in anticipated revenue from these sources approximating \$4 million from FY2019 levels (our last full fiscal year pre-pandemic).

The City of Newton has been extremely fortunate with the funding we are receiving including \$63.2M from the American Rescue Plan Act (ARPA). These one-time funds must be used *“for the provision of government services to the extent of the reduction in revenue. . . due to the COVID-19 public health emergency”* and *“to respond to the public health emergency. . . or its negative economic impacts.”*

Although we are once again forecasting less revenue in FY2023 than we would have expected in “normal” times from these revenue sources (\$4 million less), the proposed City of Newton Budget is still increasing. The FY2023 Budget is \$480 million, \$17.3 million or 3.7% greater than the FY2022 Budget. The \$480 million in revenues reflect the decision we made to utilize \$3.0 million of the City’s ARPA funding to augment our projected revenue so that we may continue to support the vulnerable, recover and reopen, and build a better future with strategic investments.

Projected FY2023 Revenue Sources - \$480 M

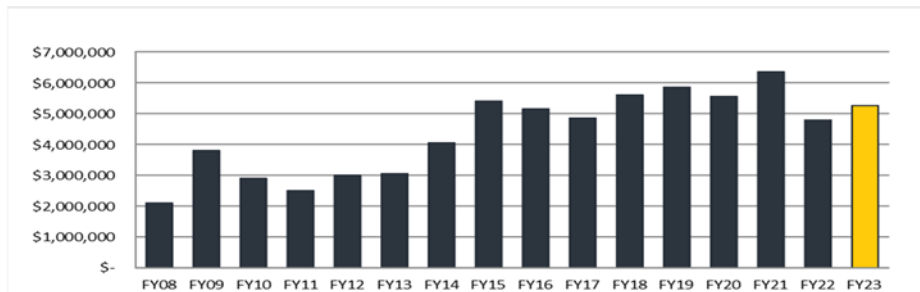


Property Tax Revenue

Property Taxes which formerly accounted for approximately 83% of revenue will again this year account for a higher percentage of the City's revenue budget (84%), because of the COVID-19 impact to some of the previously mentioned revenue sources.

Proposition 2½, passed by the citizens of the Commonwealth in 1980, requires that the annual increase of the tax levy for the City of Newton must not exceed 2½ percent of the prior year's tax levy, in addition to the total amount attributable to taxes raised from new real property growth and redevelopment. FY2023 property tax revenue is estimated to total \$403.4 million, an increase of almost \$15 million or 3.8%. This includes a 2.5% increase allowed by Proposition 2½, as well as a projection of more than \$5.2 million from "new growth and redevelopment." The 30-year average annual increase attributable to "new growth and redevelopment" as a percent of the tax levy is 1.38% for Newton. This year we have adjusted the projection downward only slightly due to the lingering impact of COVID-19. In addition, Newton voters passed both an operating override and two debt exclusion overrides in 2013 to fund the Angier and Cabot school buildings. The property taxes resulting from the debt exclusion vote amounts to \$3.2 million of the property tax revenue in FY2023.

Projected FY2023 Revenue from New Growth and Redevelopment - \$5.25M



Senior Tax Deferral Program

Mayor Fuller and the City Council collaborated in 2019 to expand the eligibility for older residents to delay paying their property taxes to allow more seniors to be able to afford to stay in Newton.

Under the Commonwealth's Clause 41A, older residents may be able to delay payment of their property taxes. A property tax deferral does not discharge the tax obligation. Instead, it defers payment until the resident sells the property or passes away. A deferral allows older residents to use resources that would go to pay taxes to defray living expenses with the goal of enabling older residents on modest and oftentimes fixed incomes to stay in our City by delaying payment of real estate taxes. Taxpayers who qualify may defer all or part of their taxes.

The income limit set by G.L. c. 59, sec. 5, cl. 41A in 1991 is \$40,000. In 2004, recognizing increases in the cost of living in the Newton area, the City of Newton was granted Home Rule legislation to allow a new upset limit of \$60,000. Although the City had the greatest number of participating homeowners (64 in FY2018) in the Commonwealth, Mayor Fuller requested additional Home Rule legislation to once again increase the upset limit of income in order to enable our older residents to remain in their homes as long as they are able.

Following the approval of Home Rule legislation, the City increased the income limit for participation in this program to \$86,000. As of April 4, 2022, 56 residents have qualified for a deferral, and we are in the process of conducting title searches or income verification for 16 more. Of note, the deadline to file an application was April 1, 2022.

To reiterate, this is a “tax deferral” program. Eventually, the City will collect all taxes owed on these properties with interest accrued based on the Federal Reserve Discount Rate as of June 30th of each year that taxes were deferred.

Economic Development - New Growth and Redevelopment

Mayor Fuller is focused on continuing to assist Newton businesses weather and rebound from the economic disruption brought about by the pandemic. To that end, the City provided a total of \$610,000 in small business recovery grants to 54 brick and mortar establishments since the grant program was established.

In addition, the City worked to expedite and facilitate the ability of Newton restaurants to expand their premises for outdoor dining service in their parking lots and on street parking spaces in front of their establishments. In partnership with Newton Community Pride, the City has created village center outdoor communal dining spots, Newton Al Fresco, for restaurant patrons to enjoy take-out meals. To this end, the City Council has voted to allow restaurants to “rent” parking spots for outdoor dining for a cost of \$250 per year (deferred until CY2023). This will allow an increase in dine-in restaurant sales, while making Newton an even more appealing location for consumers.

With the exception of a few remaining punch-list items, finishing touches including final paving were completed in CY2021 for the village center makeovers in both West Newton Square and Newtonville. The investment of \$12.7 million in these two projects focused specifically on enhancing 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. The City has recently begun the initial community discussions on the next village center improvement project in Newton Highlands.

The focus of zoning redesign in the upcoming year will concentrate on how best to assure our village and commercial centers remain healthy and thriving into the future. Great effort will be taken to hearing from residents, businesses, property owners, and other interested stakeholders on how our future village centers should be designed.

We are continuing to advocate, monitor, and move forward with major transportation related initiatives including Mass DOT’s Needham Street reconstruction, the MBTA’s Greenline and Commuter Rail station upgrades, and completing the designs for Pettee Square in Upper Falls, the Commonwealth Carriageway greenway in Auburndale, and the Washington Street redesign trial between West Newton and Newtonville. Importantly, we successfully advocated for MassDOT to fully fund the design of large scale improvements at all three commuter rail stations in Auburndale, West Newton and Newtonville so they can have frequent service with double platforms and accessibility with elevators. We are working with MassDOT and the City’s federal and state legislative delegation to fund the future construction of these stations using a combination of state and federal funding.

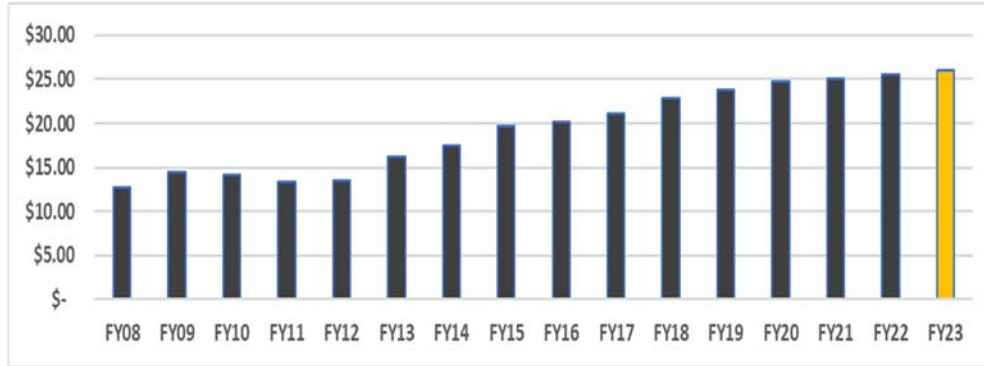
State Education Aid - Chapter 70

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 school districts for transportation, school construction and renovation, and special education.

The bulk of the new funding has been directed to school districts with the highest concentrations of low-income students, thereby aiming to close achievement gaps and provide opportunity for all students in the Commonwealth. Although the State is grappling with the financial impacts of COVID-19, based on the Governor’s FY2023 Budget submittal, the City of Newton is scheduled to receive \$25,972,311 in FY2023 Chapter 70 State

Education Aid, an increase of \$480,205 over the final approved FY2022 grant of \$25,492,106. This represents an increase of only 1.88 percent.

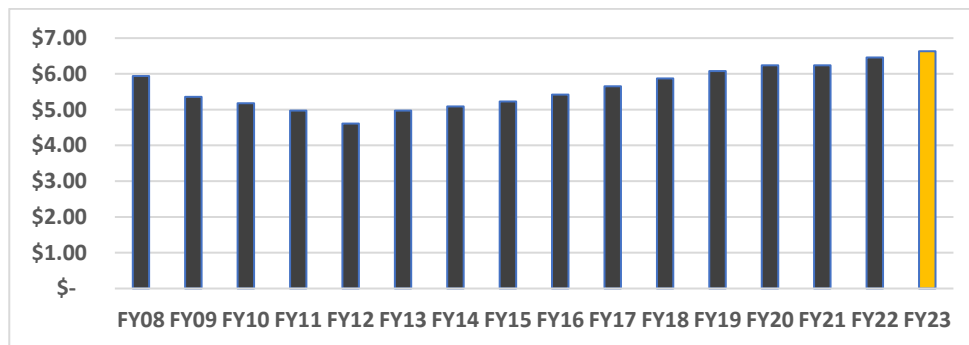
Projected FY2023 Chapter 70 State Education Aid.
Governor’s Budget Increase of \$480.2K (1.88%)



Unrestricted General Government State Aid

During the COVID-19 pandemic, Governor Baker maintained his commitment to municipalities throughout the Commonwealth. The final FY2022 Unrestricted General Government State Aid (UGGA) for this current year was increased by more than \$200,000, as compared to FY2021 (\$6.24 million). The Governor has proposed a smaller increase in UGGA of \$174,386 for this coming year, for a total FY2023 grant of \$6,633,132. This represents an increase of 2.7 percent.

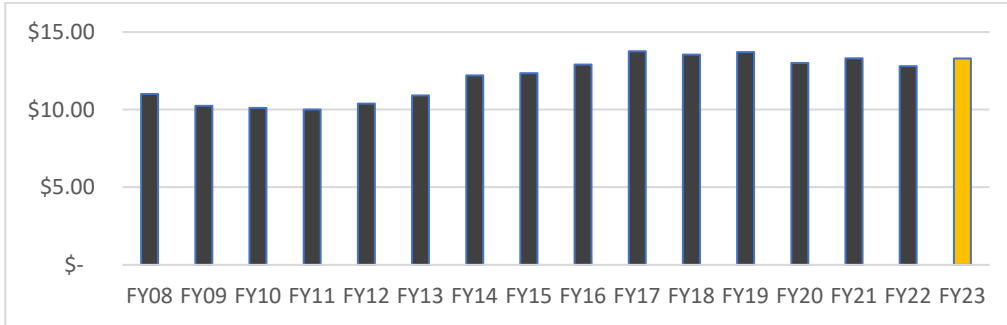
Projected FY2023 Unrestricted General State Aid
Governor’s Budget Increase of \$174.3K (2.7%)



Motor Vehicle Excise Tax Revenue

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 \$10.38 million in FY2012 to just over \$13.6 million in FY2017. Recognizing the significant impact of COVID-19 on so many people in Newton and their ability to buy a new car, we reduced projected FY2021 excise tax revenue by \$1 million. In actuality, there was a drop of less than \$500,000 from our FY2017 peak, with an actual FY2021 total of \$12.8 million. We expect increased car prices and a shortage of new-vehicle inventory to begin to taper in FY2023 and have increased our budget to our FY2021 total of \$13.3 million.

Projected FY2023 Revenue from Excise Taxes – \$13.3M

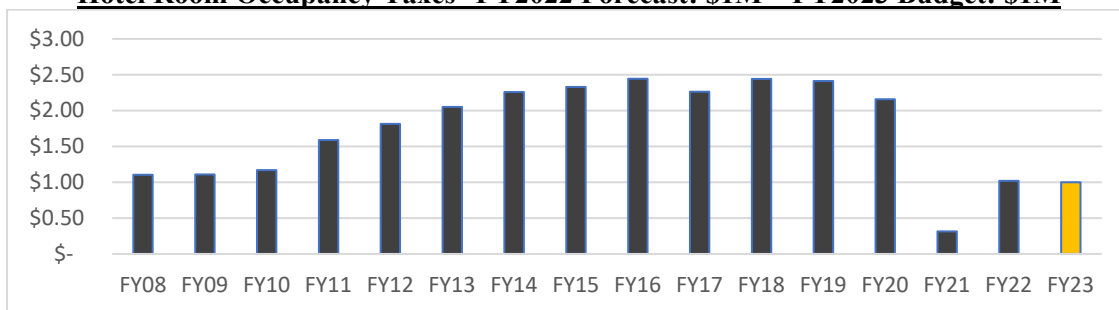


Hotel Room Occupancy Tax

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 received more than \$2 million of Hotel Room Occupancy Tax Revenue in each of the eight years prior to the pandemic.

However, almost immediately following the onset of the coronavirus pandemic, the hospitality industry began to experience unprecedented cancellations of conferences, vacations, weddings, etc. In early September 2020, the Boston Globe reported that revenue per available room, a key industry metric, declined in August across the Boston metropolitan area by about 76 percent compared with the same period in 2019. COVID-19 has continued to wreak havoc on the hotel industry. Consequently, we reduced our FY2021 forecast down to approximately \$300K and had budgeted \$450K in the current year, FY2022, in the hope that this industry would begin to recover. Fortunately, room tax revenues have started to rebound and we are now forecasting FY2022 rooms tax revenues of approximately \$1 million, exceeding our original budget by \$550K. While the hotel market is recovering faster than originally thought, we do not expect our room tax revenues to match our pre-COVID amounts in the next few years. Prior to the pandemic, Newton had three hotels in operation, the Four Points, the Marriott and Hotel Indigo. Ultimately, the Indigo closed in March 2020, due to COVID, and will not reopen. Once the hotel market fully recovers, we expect the two remaining Newton hotels will generate approximately \$1.6 million, as much as an \$800K variance from our peak revenues with the three hotels.

Hotel Room Occupancy Taxes--FY2022 Forecast: \$1M – FY2023 Budget: \$1M

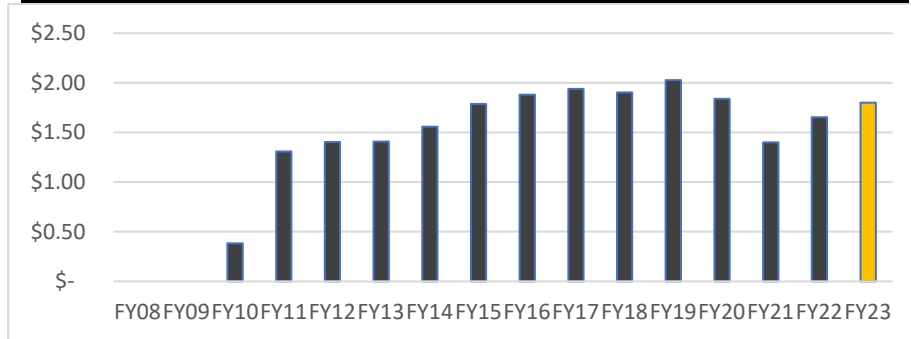


Meals Tax

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 had provided the City with a steady revenue stream of approximately \$1.9 million prior to the pandemic.

COVID-19 also hurt the restaurant industry. Approximately 3,600 or 20% of all restaurants across the Commonwealth have permanently closed. Restaurants that were able to provide “outdoor seating” through the warmer months last year saw hibernations, temporary closures, and permanent closures as the winter months progressed. As we look forward to a reopening of the economy, and a “relaxation” of COVID-19 restrictions, we are optimistic that we will see a rebounding of this industry which is so vital to the success of our village centers and commercial corridors. The City plans to help encourage restaurant dining by continuing the practice of “al fresco dining.” Restaurants will be able to reserve parking spots near their buildings to place tables and chairs outside. Not only will this increase restaurant capacity, but it will also improve the vibrancy of our village centers by attracting people to increase their time in them. We feel confident with increasing our FY2022 forecast by an additional \$100,000 at this time, versus our original budget (\$1.55 million). We expect this positive trend to continue and are increasing our FY2023 budget for meals tax revenues by another \$150,000, to \$1.8 million. While still lower than our peak year of FY2019 just prior to the pandemic, the trend is encouraging.

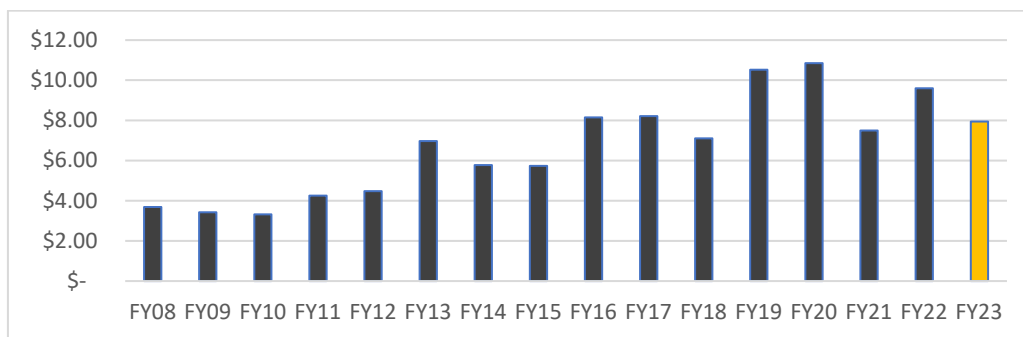
Meals Tax – FY2022 Forecast: \$1.65M - FY2023 Meals Taxes - \$1.80M



Revenue from Building Permits

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. FY2022 revenue is running significantly higher than originally budgeted; however, the overall economy, inflationary pressures, labor market and supply chain issues, and project delays are just a few of the complications we must recognize when budgeting this revenue source, and therefore, must always be conservative. The FY2023 budget for revenue from building permits has been set at \$6.5 million.

Projected FY2023 Revenue from Building Permitting - \$6.5M



Projected Building Permit Fees for Significant Projects

	Construction Cost	Building Permit Fee	Construction Timeline
Northland	\$500,000,000	\$10,000,000	Q3 of 2022 to Q1 of 2026
Riverside	\$296,500,000	\$5,930,000	Q1 of 2023 to Q2 of 2028
Dunstan East	\$85,000,000	\$1,700,000	Q2 of 2022 to Q4 of 2024
Riverdale	\$50,037,000	\$1,000,740	Q1 of 2022 to Q1 of 2023

Revenue from 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. In late April 2020, the Federal Reserve Bank decided in response to COVID-19 to again lower the Federal Funds Rate to that historical low of 0.25 percent. The Fed also signaled that they expected rates to remain at these historic lows until 2023. However, recent world events and actions taken by the Federal Open Market Committee (FOMC) have caused us to adjust our projection for this revenue source.

The following is an excerpt from the statement issued by the Federal Reserve Bank on actions taken by the Federal Open Market Committee on March 16, 2022.

"Indicators of economic activity and employment have continued to strengthen. Job gains have been strong in recent months, and the unemployment rate has declined substantially. Inflation remains elevated, reflecting supply and demand imbalances related to the pandemic, higher energy prices, and broader price pressures.

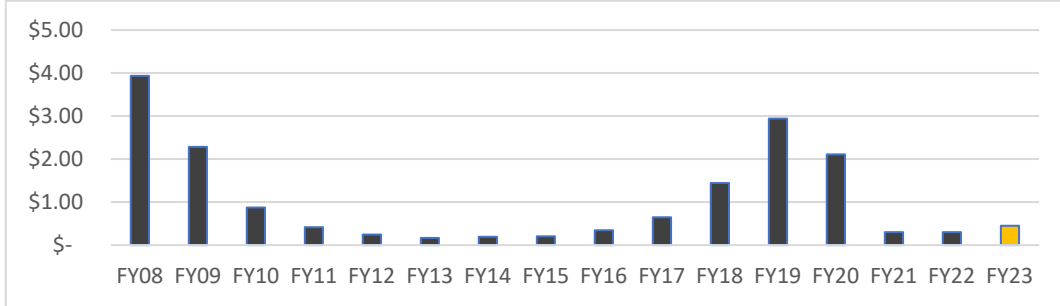
The invasion of Ukraine by Russia is causing tremendous human and economic hardship. The implications for the U.S. economy are highly uncertain, but in the near term the invasion and related events are likely to create additional upward pressure on inflation and weigh on economic activity.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. With appropriate firming in the stance of monetary policy, the Committee expects inflation to return to its 2 percent objective and the labor market to remain strong. In support of these goals, the Committee decided to raise the target range for the federal funds rate to 1/4 to 1/2 percent and anticipates that ongoing increases in the target range will be appropriate. In addition, the Committee expects to begin reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities at a coming meeting.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on public health, labor market conditions, inflation pressures and inflation expectations, and financial and international developments."

We have, therefore, adjusted our FY2023 budget upwards for Revenue from Interest on Investments to a total of \$450K.

Projected FY2023 Revenue from Interest on Investments - \$450K

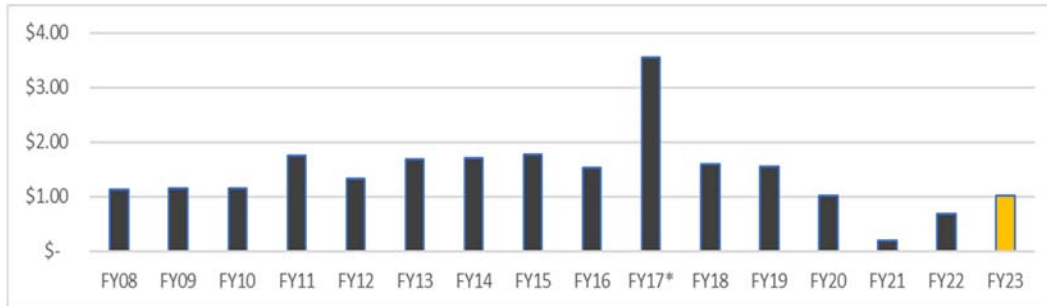


Revenue from Parking Meters & Parking Violations

Parking meters were first installed in the 1930s 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. Over the last few years, the City has installed new “smart” parking meters, which accept credit card payments and allow us to monitor how consistently they are utilized.

Throughout the pandemic, the City made the conscious decision to not enforce parking policies, as an attempt to entice people back to our village centers. Now that the pandemic has waned, the City has begun enforcing the parking restrictions again. As such, we expect our FY2023 budget to increase to \$1.0 million, as compared to the FY2022 forecast.

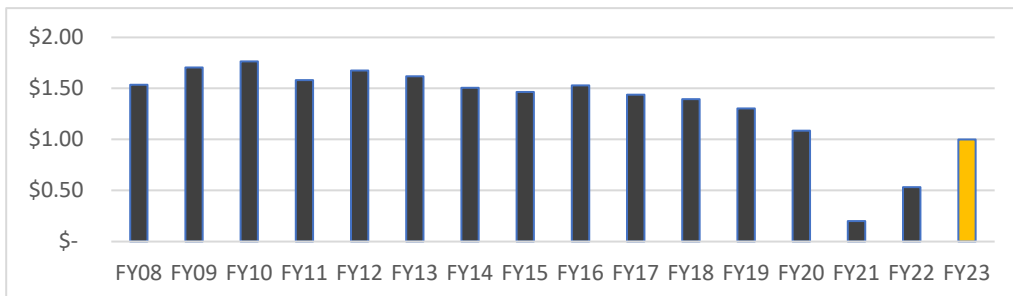
Revenue from Parking Meter Receipts
FY2022 Current Forecast - \$680 K – FY2023 Budget - \$1.0M



*FY17 reflects a change in accounting for Parking Meter Receipts, generating a one-year “windfall” of revenue.

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

Revenue from Parking Violations
FY2022 Current Forecast - \$530 K – FY2023 Budget - \$1 million



Revenue from Medical, Retail and Delivery Operations Marijuana Establishments

The City of Newton receives two streams of money from stores selling or delivering 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 medical, recreational retail and delivery operations marijuana sales may, to repeat, may, come to us as a community impact fee if agreed to as part of a Host Community Agreement (HCA). These HCA funds must be used to address the public health, safety, education, administrative, infrastructure and other effects or impacts by the marijuana establishment on the City and our municipal and school programs, services, personnel and facilities.

As this is an emerging industry with significant uncertainty about the level of the funding stream, the Administration will be conservative in budgeting this 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 it first opened in 2019 through March 15, 2022, Garden Remedies, has provided the City of Newton with more than \$1.1 million in funds from its Host Community Agreement. In Q1 FY2022, Redi opened its doors, and Ascend followed suit in Q2 of FY2022. As of December 31, 2021, the City has received more than \$58,000 from Redi and \$13,000 from Ascend. Further information is provided in the HCA section of this budget document where all revenues and related expenditures are tracked in a transparent manner. We are forecasting an increase in HCA funds in FY2023, as both new dispensaries will have become more established with a growing customer base.

Significant One-Time Revenues

The CARES Act

The Federal Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), enacted on March 27, 2020, was a \$2.2 trillion economic stimulus bill in further response to the economic fallout of the COVID-19 pandemic in the United States. The City of Newton received \$7,838,462. As is clear in the table below, the City of Newton invested the majority of our CARES funding (\$6.4 million of our \$7.8 million appropriation) on the Newton Public Schools, supporting the health and safety of our educators, staff and students.

FEDERAL CARES ACT FUNDS				
CITY OF NEWTON GRANT - \$7,838,462				
	FY20 ACTUAL	FY21 ACTUAL	FY22 ACTUAL	TOTAL
<u>CARES FUNDS - CITY DEPT OPERATIONS</u>				
2020 PRESIDENTIAL ELECTION		\$ 125,682		\$ 125,682
CLEANING/CUSTODIAL SUPPLIES & SVCS	\$ 39,711	\$ 187,443	\$ 99,629	\$ 326,783
PUBLIC HEALTH STAFFING			\$ 19,517	\$ 19,517
UNEMPLOYMENT BENEFITS		\$ 85,120	\$ 16,983	\$ 102,103
MISC MUNICIPAL EXPENSES		\$ 38,874		\$ 38,874
TOTAL CITY DEPT OPERATIONS	\$ 39,711	\$ 437,119	\$ 136,129	\$ 612,959
<u>CARES FUNDS - CITY INFRASTRUCTURE</u>				
BUILDING VENTILATION/RECONFIGURATIONS		\$ 364,707		\$ 364,707
TOTAL CITY DEPT INFRASTRUCTURE	\$ -	\$ 364,707	\$ -	\$ 364,707
<u>CARES FUNDS - NPS OPERATIONS</u>				
REGULAR OVERTIME		\$ 151,497		\$ 151,497
CLEANING/CUSTODIAL SVS		\$ 6,739		\$ 6,739
MEDICAL SCREENINGS		\$ 909,876		\$ 909,876
MEDICAL SERVICES		\$ 23,900		\$ 23,900
OFFICE SUPPLIES		\$ 56,231		\$ 56,231
BUILDING MAINT SUPPLIES		\$ 134,004		\$ 134,004
TENTS THROUGHOUT DISTRICT		\$ 247,623		\$ 247,623
TESTING SUPPLIES		\$ 27,232		\$ 27,232
CONSTRUCTION SUPPLIES		\$ 13,130		\$ 13,130
PUBLIC SAFETY SUPPLIES		\$ 2,431		\$ 2,431
TOTAL NPS OPERATIONS	\$ -	\$ 1,572,663	\$ -	\$ 1,572,663
<u>CARES FUNDS - NPS INFRASTRUCTURE</u>				
NPS HVAC/VENTILATION/RECONFIGURATION		\$ 4,514,031	\$ 249,372	\$ 4,763,403
NPS PROJECT- PUB BLDG'S PT MGMT		\$ 106,730		\$ 106,730
TOTAL NPS INFRASTRUCTURE	\$ -	\$ 4,620,761	\$ 249,372	\$ 4,870,133
<u>CARES FUNDS - VULNERABLE RESIDENTS</u>				
ASSISTANCE TO RESIDENTS FOR HOUSING & UTILITY COSTS			\$ 418,000	\$ 418,000
CARES ASSISTANCE-VULNERABLE RESIDENTS	\$ -	\$ -	\$ 418,000	\$ 418,000
TOTAL NEWTON CARES GRANT	\$ 39,711	\$ 6,995,250	\$ 803,501	\$ 7,838,462

American Rescue Plan Act (ARPA)

By far, the largest pandemic package is the American Rescue Plan Act of 2021 (ARPA), 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.

The City of Newton will receive approximately \$63.2 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 following chart is a summary of all of the ARPA initiatives, investments, and commitments that Mayor Fuller has announced to date. An entire section of this FY2023 Budget is dedicated to discussing the City’s utilization of these very important one-time funds, including details of each of these line items.

AMERICAN RESCUE PLAN ACT (ARPA) GRANT				
CITY OF NEWTON GRANT - \$63.2 MILLION				
	FY21 ACTUAL	FY22 ACTUAL	FY23 BUDGET	TOTAL
ARPA INVESTMENTS - CITY OPERATIONS, INFRASTRUCTURE, AND STAFF RECOGNITION				
FY22 CITY OPERATING BUDGET		\$ 1,611,276		\$ 1,611,276
FY23 CITY OPERATING BUDGET			\$ 1,050,000	\$ 1,050,000
CITY INFRASTRUCTURE IMPROVEMENTS		\$ 7,580,000		\$ 7,580,000
CITY STAFF RECOGNITION		\$ 1,100,000		\$ 1,100,000
TOTAL ARPA CITY INVESTMENTS	\$ -	\$ 10,291,276	\$ 1,050,000	\$ 11,341,276
ARPA INVESTMENTS - NPS OPERATIONS, INFRASTRUCTURE, AND STAFF RECOGNITION				
FY22 NPS OPERATING BUDGET		\$ 2,992,369		\$ 2,992,369
FY23 NPS OPERATING BUDGET			\$ 1,950,000	\$ 1,950,000
NPS OPERATIONS		\$ 3,380,000		\$ 3,380,000
NPS INFRASTRUCTURE IMPROVEMENTS		\$ 4,675,000		\$ 4,675,000
NPS STAFF RECOGNITION		\$ 3,000,000		\$ 3,000,000
TOTAL ARPA CITY INVESTMENTS	\$ -	\$ 14,047,369	\$ 1,950,000	\$ 15,997,369
ARPA INVESTMENTS - ASSISTANCE TO MOST VULNERABLE RESIDENTS				
ASSISTANCE TO VULNERABLE RESIDENTS		\$ 2,349,530		\$ 2,349,530
TOTAL ARPA CITY INVESTMENTS	\$ -	\$ 2,349,530	\$ -	\$ 2,349,530
TOTAL ARPA INVESTMENTS	\$ -	\$ 26,688,175	\$ 3,000,000	\$ 29,688,175

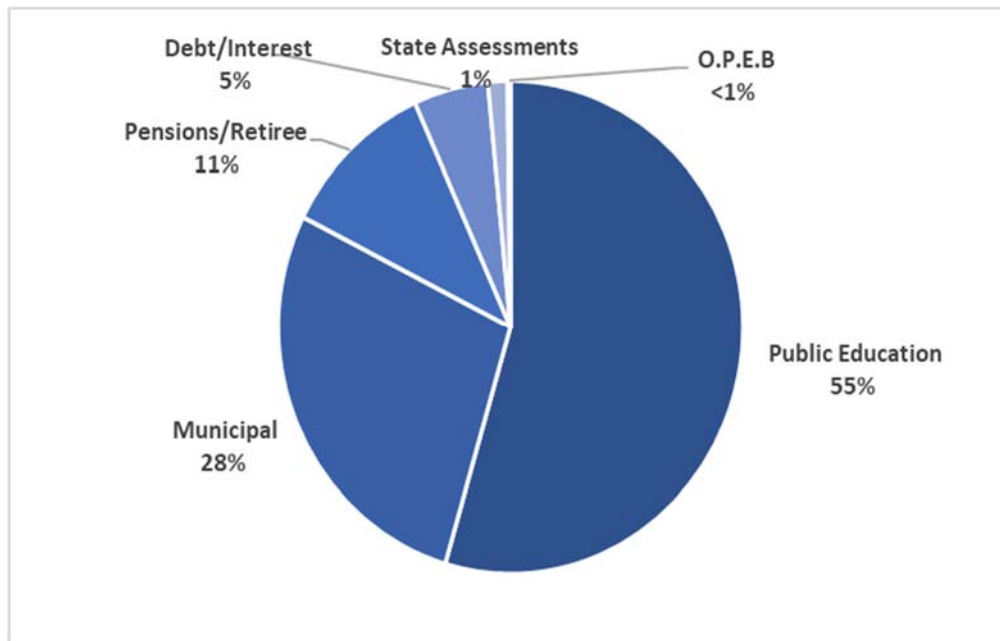
Projected Expenditures – Fiscal Year 2023

To ensure that expenditures do not exceed revenues, the Administration projects revenues conservatively while simultaneously moving toward developing expenditure budget estimates sufficient to address not less than 100% of projected operating requirements of the various departments of the City for the next fiscal year.

Although the City has made significant progress in budgeting anticipated expenditures sufficiently, much remains to be done. Therefore, the FY2023 municipal budget includes a significant commitment again to funding increases in maintenance of buildings and infrastructure, as well as increased funding to bolster the City’s snow and ice control budget, rainy day reserves, and pension and retiree health care liabilities.

Along with the Newton Public Schools, the City must remain committed to our long-term financial health and being disciplined in our expenditures. This includes three areas in particular: (1) settling collective bargaining agreements that maintain parity between growth in revenue and expenditures, (2) following the planned funding schedules for pension and retiree health care (a.k.a., OPEB) liabilities, and (3) remaining vigilant in committing to and managing other municipal and school expenditures, both large and small. Fiscal Year 2023 expenditures will total \$480 million and are invested as follows:

Projected FY2023 Appropriations Budget - \$480 Million



Commitment to Our Students

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 one of the most unprecedented and challenging events of all our lives. The impact of COVID-19 on so many fronts for NPS students, families, teachers, and staff cannot be underestimated. Teachers and staff overnight had to transform face-to-face teaching and learning into virtual settings, and then reinvent education once again as our children reacclimated to in-person learning after having spent so many months learning in a remote/hybrid setting. This has led to educational, operational, and financial challenges for NPS.

Therefore, the Mayor continues to make a significant commitment to NPS in the City’s Fiscal Year 2023 Operating Budget. This coming academic year of 2022-2023, the Newton Public Schools is projected to serve 11,713 students in an integrated preschool, fifteen elementary schools, four middle schools, two high schools, and alternative high

school programs. The FY2023 NPS Proposed Budget is \$262,070,208, and includes an \$8.86 million increase, 3.5% over the FY2022 budget of \$253,207,930. Salaries and benefits make up 88% of this proposed budget.

While the rate of change that our students and staff have experienced has been incredible, what will remain constant is the City of Newton's and the Newton Public Schools' commitment to serve all students, and that is ensured with this budget. We will continue our commitment to meeting the academic, social and emotional needs of our children and to supporting our teachers and educators who do this important work.

The COVID-19 pandemic created significant costs for the Newton Public Schools along with revenue losses, both somewhat offset by direct state and federal grants to NPS. The City of Newton, separate from NPS, has also faced new costs and revenue losses and also received state and federal grants. As the grants directly to NPS have only partially made up for pandemic costs and revenue losses, the City has invested significant portions of its state/federal grants to assist the students.

We will continue to closely monitor and assess our educational and financial situation in the coming year and will work with our NPS partners to address the highly complex challenges that we face.

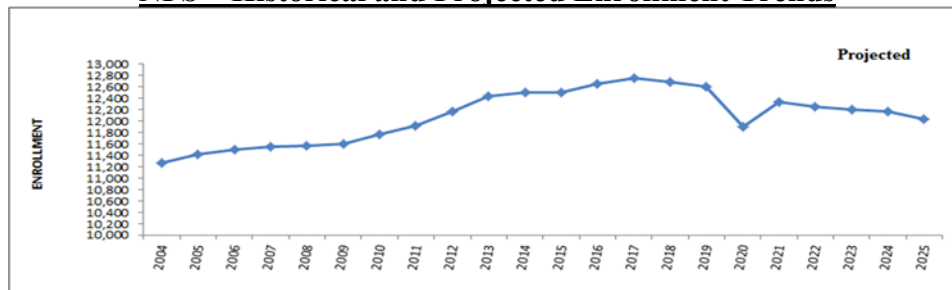
NPS AND CITY FUNDS USED TO SUPPORT NPS THROUGHOUT COVID					
	FY21 ACT	FY22 BUD	FY23 BUD	FY24 BUD	TOTAL
<u>NPS DIRECT GRANTS FOR OPERATIONS</u>					
21 ESSER RELIEF GRA-FEDERAL RE	\$ 745,725				\$ 745,725
ESSER II FEDERAL GRANT	\$ 1,508,665				\$ 1,508,665
2021 CVRF REOPENING-FEDERAL GR	\$ 2,886,525				\$ 2,886,525
2021 REOPENING GRANT - FEDERAL	\$ 421,400				\$ 421,400
NPS REMOTE LEARNING - FEDERAL	\$ 97,086				\$ 97,086
CVRF SCHOOL NUTR-FED PASS-THRU	\$ 24,804				\$ 24,804
2022 ESSER III- FED PASS-THRU		\$ 3,368,158			\$ 3,368,158
ARPA SPED IDEA- FED PASS-THRU		\$ 739,074			\$ 739,074
ARPA SPED EARLY -FED PASS-THRU		\$ 68,638			\$ 68,638
SUMMER ACCEL FED GRANT PASS		\$ 321,500			\$ 321,500
ARPA HOMELESS C-PUPIL TRANSPOR		\$ 5,704			\$ 5,704
IARPA HOMELESS C-INSTRUC SUPPL		\$ 5,700			\$ 5,700
MATH ACCELERATION ACADEMY		\$ 537,147			\$ 537,147
TOTAL NPS DIRECT FEDERAL GRANTS	\$ 5,684,205	\$ 5,045,921	\$ -	\$ -	\$ 10,730,126
<u>CITY FUNDS TO SUPPORT NPS OPERATIONS</u>					
<u>CITY FEMA FUNDS</u>					
REGULAR OVERTIME	\$ 256,431				\$ 256,431
<u>CITY CARES ACT FUNDS</u>					
REGULAR OVERTIME	\$ 151,497				\$ 151,497
CLEANING/CUSTODIAL SVS	\$ 6,739				\$ 6,739
MEDICAL SCREENINGS	\$ 909,876				\$ 909,876
MEDICAL SERVICES	\$ 23,900				\$ 23,900
OFFICE SUPPLIES	\$ 56,231				\$ 56,231
BUILDING MAINT SUPPLIES	\$ 134,004				\$ 134,004
TESTING SUPPLIES	\$ 27,232				\$ 27,232
CONSTRUCTION SUPPLIES	\$ 13,130				\$ 13,130
TENTS THROUGHOUT DISTRICT	\$ 247,623				\$ 247,623
PUBLIC SAFETY SUPPLIES	\$ 2,431				\$ 2,431
<u>CITY OF NEWTON - ARPA FUNDS</u>					
FY22 NPS OPERATING BUDGET		\$ 2,992,369			\$ 2,992,369
PUBLIC BUILDING R-M		\$ 750,000			\$ 750,000
MEDICAL SUPPLIES		\$ 60,000			\$ 60,000
2022 ESSER III- PC HARDW-INSTR		\$ 1,060,000			\$ 1,060,000
REIMBURSEMENT-REMAINING COVID EXP		\$ 1,100,000			\$ 1,100,000
HIGH SCHOOL GUIDANCE POSITION		\$ 100,000			\$ 100,000
SUMMER 2022 PROJECTS-HVAC/VENT, ETC		\$ 310,000			\$ 310,000
FY23 NPS OPERATING BUDGET			\$ 1,950,000		\$ 1,950,000
<u>CITY OF NEWTON - HCA FUNDS</u>					
SOCIAL WORKER/THERAPISTS		\$ 220,000	\$ 220,000	\$ 220,000	\$ 660,000
<u>CITY OF NEWTON - FREE CASH</u>					
LEASE CLOSE-OUT EDCO PROGRAM		\$ 162,500			\$ 162,500
<u>CITY OF NEWTON - GENERAL FUND</u>					
EMERGENCY PAID SICK LEAVE		\$ 550,000			\$ 550,000
CITY GRANT FUNDS TO NPS OPERATIONS	\$ 1,829,094	\$ 7,304,869	\$ 2,170,000	\$ 220,000	\$ 11,523,964
GRANTS & CITY FUNDS-NPS OPS	\$ 7,513,299	\$ 12,350,790	\$ 2,170,000	\$ 220,000	\$ 22,254,089
<u>OTHER - CITY ARPA FUNDS FOR NPS STAFF RECOGNITION</u>					
NPS STAFF RECOGNITION		\$ 3,000,000			\$ 3,000,000
TOTAL OTHER FUNDS		\$ 3,000,000			\$ 3,000,000
<u>CITY FUNDS TO NPS INFRASTRUCTURE</u>					
<u>CITY OF NEWTON CARES FUNDS</u>					
PUBLIC BUILDING HVAC/VENTILATION	\$ 4,514,031	\$ 249,372			\$ 4,763,403
PART-TIME PUB BLDG'S MGMT	\$ 106,730				\$ 106,730
<u>CITY OF NEWTON PUBLIC HEALTH GRANT</u>					
PUBLIC BUILDING HVAC/VENTILATION		\$ 70,567			\$ 70,567
<u>CITY OF NEWTON - ARPA FUNDS</u>					
COUNTRYSIDE FEASIBILITY STUDY		\$ 1,250,000			\$ 1,250,000
HORACE MANN PLAYGROUND		\$ 250,000			\$ 250,000
LINCOLN ELIOT DESIGN		\$ 350,000			\$ 350,000
FRANKLIN FEASIBILITY STUDY		\$ 100,000			\$ 100,000
HORACE MANN DESIGN		\$ 100,000			\$ 100,000
HIGH SCHOOL FIELD LIGHTS		\$ 1,400,000			\$ 1,400,000
LAND ADJACENT WILLIAMS 50%		\$ 1,225,000			\$ 1,225,000
CITY FUNDS TO NPS INFRASTRUCTURE	\$ 4,620,761	\$ 4,994,939	\$ -	\$ -	\$ 9,615,700
TOTAL NPS ASSISTANCE	\$ 12,134,060	\$ 20,345,730	\$ 2,170,000	\$ 220,000	\$ 34,869,789

Student Enrollment Trends

The Newton Public Schools system-wide K-12 enrollment of 11,815 students in the 2021-22 year is a decrease of 113 students from the previous year. This is the fourth year of a decline in enrollment. While this year's drop was smaller than the previous year, it is still noteworthy, as it continues the trend.

The projected K-12 enrollment in 2022-23 of 11,713 students, assumes an additional 102 fewer students in our classrooms. Several elementary schools are no longer experiencing enrollment pressure while some elementary schools continue to be enrolled at capacity. Newton's secondary schools are expected to be enrolled at capacity for the next five years. Detailed enrollment information is found in the [Enrollment Analysis Report](#) and [Enrollment Planning and Class Size Report](#).

NPS – Historical and Projected Enrollment Trends



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, reduce widespread school crowding, and improve space for districtwide programs for diverse learners. Detailed information about our [Building Projects and Long-Range Facilities Plan](#) can be found online.

Due to the financial impact of COVID-19, all major capital projects were placed on hold during the 2020-21 school year, with the important exception of a three-classroom addition at Oak Hill Middle School. This addition became available to students in September 2021.

Given the dramatic impact on City revenues and expenses brought about by COVID-19, 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 at 150 Jackson Road, had been delayed during the pandemic. However, as a result of the ARPA funds that the City is receiving, the Mayor has been able to resume the construction phase of the NECP project at 687 Watertown Street, and the design phase of the Lincoln-Eliot Elementary School at 150 Jackson Road.

We are pleased to report that on December 15, 2021, the Massachusetts School Building Authority (MSBA) Board of Directors voted to invite the Countryside Elementary School into the Feasibility Period of the MSBA's core grant program.

The MSBA process is broken into eight modules, the third of which is the Feasibility Period. Additional information about the MSBA Feasibility Period requirements can be found on their website [here](#). An overview of the entire eight module MSBA process, from Eligibility Period to Project Closeout, can be found at [MSBA Module Overview](#).

While the invitation into the MSBA's Feasibility 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 before construction can begin.

Despite the fact that MSBA funding is unlikely, the Franklin Elementary School project is equal in importance. The two schools had been co-ranked as top priorities for MSBA consideration in past submittals. A feasibility study to evaluate program, enrollment, space/facility options, and costs was recently begun using ARPA funds. Like the non-MSBA portion of the Countryside project costs, the source of funds for full design and construction of the Franklin project is not determined at this point.

The City and Newton Public Schools have also begun a feasibility study for 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 funding source for detailed design and construction is not determined at this point.

The district's two oldest schools, Underwood and Ward, will reach their centennials this decade. Both schools have low enrollment, outdated and undersized facilities, and 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, but that was put on hold due to the pandemic. NPS and the Public Buildings Department are currently discussing next steps on this evaluation.

City Investments in Education

The NPS budget of \$262 million is supplemented by approximately \$40 million funded by the City in the municipal operating budget but are education related costs. These municipal costs for education include school building debt service, pension and retiree health care for certain school employees, school health and school nurse services, school crossing guards, school athletic field maintenance, school property insurance, removal of solid waste and recyclables from schools, snow and ice control at school locations, as well as school building water and sewer charges.

Commitment to Municipal Services and Our Residents

The COVID-19 pandemic also created significant costs for the City's Municipal Departments along with unprecedented revenue losses, both somewhat offset by direct state and federal grants. As we did with NPS, the City has invested significant portions of its state/federal grants to ensure that our municipal departments, (particularly police, fire, public health, and public buildings) were able to respond throughout the crisis.

MUNICIPAL - GRANTS AND OTHER FUNDS FOR COVID EXPENDITURES				
	FY20 ACT	FY21 ACT	FY22 BUD	TOTAL
<u>DIRECT GRANTS FOR MUNICIPAL OPERATIONS</u>				
<u>PUBLIC HEALTH - OPERATING GRANT</u>				
COVID19-PART TIME < 20 HRS/WK	\$ 4,441	\$ 15,064	\$ (2,599)	\$ 16,906
COVID19-REGULAR OVERTIME	\$ 53,806	\$ 80,228	\$ 5,778	\$ 139,812
COVID19- PUBLIC BUILDING R-M	\$ -	\$ 70,567	\$ -	\$ 70,567
COVID19-CELLULAR TELEPHONES	\$ 1,175	\$ 2,464	\$ 664	\$ 4,303
COVID19-MEDICAL SUPPLIES	\$ -	\$ 6,282	\$ -	\$ 6,282
COVID19- TESTING SUPPLIES	\$ -	\$ 100,000	\$ -	\$ 100,000
COVID19-COMPUTER SUPPLIES	\$ 5,061	\$ 5,040	\$ -	\$ 10,101
COVID19-MEDICARE PAYROLL TAX	\$ -	\$ 1,484	\$ 3	\$ 1,486
<u>PUBLIC SAFETY GRANTS</u>				
EMERGENCY OPERATIONS CENTER GR		\$ 26,711	\$ -	\$ 26,711
ASSISTANCE TO FIREFIGHTERS GRANT		\$ 20,864	\$ -	\$ 20,864
PUBLIC SAFETY GRANT		\$ 20,708	\$ -	\$ 20,708
<u>OTHER ELECTIONS GRANTS</u>				
US CONFERENCE OF MAYORS-ELECTIONS		\$ 37,146		\$ 37,146
STATE - ELECTIONS GRANT		\$ 13,778		\$ 13,778
DIRECT GRANTS - MUNICIPAL OPERATIONS	\$ 64,483	\$ 400,336	\$ 3,845	\$ 468,664
<u>CITY FUNDS FOR MUNICIPAL OPERATIONS</u>				
<u>FEDERAL FEMA FUNDS</u>				
PUBLIC SAFETY OVERTIME		\$ 625,921		\$ 625,921
CLEANING/CUSTODIAL OVERTIME		\$ 173,416		\$ 173,416
ELECTIONS OVERTIME/STAFFING		\$ 25,592		\$ 25,592
PUBLIC SAFETY SUPPLIES & EQUIPMENT		\$ 187,152		\$ 187,152
BUILDING IMPROVEMENTS		\$ 85,425		\$ 85,425
TEMP HOUSING - PUBLIC SAFETY STAFF		\$ 11,974		\$ 11,974
CLEANING/CUSTODIAL SUPPLIES		\$ 9,108		\$ 9,108
MEDICAL SUPPLIES		\$ 4,907		\$ 4,907
FOOD FOR FAMILIES		\$ 3,634		\$ 3,634
MISCELLANEOUS		\$ 3,307		\$ 3,307
<u>FEDERAL CARES FUNDS FOR OPERATIONS</u>				
2020 PRESIDENTIAL ELECTION		\$ 125,682		\$ 125,682
CLEANING/CUSTODIAL SUPPLIES & SVCS	\$ 39,711	\$ 187,443	\$ 99,629	\$ 326,783
HEALTH & HUMAN SERVICES STAFF			\$ 19,517	\$ 19,517
UNEMPLOYMENT BENEFITS		\$ 85,120	\$ 16,983	\$ 102,103
MISC MUNICIPAL EXPENSES		\$ 38,874		\$ 38,874
<u>CITY OF NEWTON - ARPA FUNDS</u>				
FY22 MUNICIPAL OPERATING BUDGET			\$ 1,611,276	\$ 1,611,276
FY23 MUNICIPAL OPERATING BUDGET				\$ 1,050,000
TOTAL MUNICIPAL OPERATING GRANTS	\$ 39,711	\$ 1,567,555	\$ 1,747,405	\$ 5,341,999
GRANTS & FUNDS-CITY OPERATIONS	\$ 104,194	\$ 1,967,891	\$ 1,751,250	\$ 5,810,663
<u>OTHER - CITY ARPA FUNDS FOR STAFF RECOGNITION</u>				
CITY STAFF RECOGNITION			\$ 1,100,000	\$ 1,100,000
TOTAL OTHER FUNDS			\$ 1,100,000	\$ 1,100,000
<u>CITY GRANTS FOR MUNICIPAL INFRASTRUCTURE</u>				
<u>CITY CARES ACT FUNDS</u>				
MUNICIPAL BUILDING IMPROVEMENTS		\$ 364,707		\$ 364,707
<u>CITY OF NEWTON - ARPA FUNDS</u>				
ROAD REPAIR & PAVING			\$ 2,500,000	\$ 2,500,000
CHILDREN'S ROOM - LIBRARY			\$ 2,000,000	\$ 2,000,000
POLICE HQ HVAC			\$ 1,400,000	\$ 1,400,000
FIRE STATIONS 1 & 2			\$ 500,000	\$ 500,000
MUNICIPAL BLDGS - HVAC/RECONFIG			\$ 300,000	\$ 300,000
NEWCAL DESIGN			\$ 500,000	\$ 500,000
BIKE/PED MASTER PLAN			\$ 80,000	\$ 80,000
FEASIBILITY NEWTON CENTRE PAVILLION			\$ 50,000	\$ 50,000
PARKS & CONSERVATION TRAIL ACCESS			\$ 150,000	\$ 150,000
STREET TREE INVESTMENT			\$ 250,000	\$ 250,000
NEWTON HIGHLANDS VILLAGE CENTER			\$ 250,000	\$ 250,000
MUNICIPAL GRANTS - INFRASTRUCTURE	\$ -	\$ 364,707	\$ 7,980,000	\$ 8,344,707
TOTAL MUNICIPAL ASSISTANCE	\$ 104,194	\$ 2,332,598	\$ 10,831,250	\$ 15,255,370

Similarly, the COVID-19 pandemic created significant needs throughout the community. The shutdown of the economy triggered dramatic unemployment which then led to extraordinary needs for assistance with mortgages/rents, utilities, food, and social, emotional and mental health support. Again, City has invested significant portions of its state/federal grants to ensure that the needs of our most vulnerable residents were addressed.

ASSISTANCE TO THE VULNERABLE				
	FY20 ACT	FY21 ACT	FY22 BUD	TOTAL
CITY GRANTS TO ASSIST THE VULNERABLE				
CITY CARES ACT FUNDS				
RENT & UTILITIES			\$ 418,000	\$ 418,000
CITY ARPA FUNDS				
COMMUNITY NEEDS ASSESSMENT			\$ 50,000	\$ 50,000
NEWTON HIRES			\$ 28,600	\$ 28,600
EMERGENCY HOUSING & UTILITY RELIEF			\$ 582,000	\$ 582,000
LAND WILLIAMS/AFFORD HOUSING 50%			\$ 1,225,000	\$ 1,225,000
HELP FOR RESTAURANT - OUTDOOR DINING			\$ 12,830	\$ 12,830
REVITALIZE CREATIVE NEWTON			\$ 75,000	\$ 75,000
NEIGHBORHOOD PARKS & GARDENS			\$ 300,000	\$ 300,000
COVID ANTIGEN TESTS			\$ 76,100	\$ 76,100
COMMUNITY DEV'T BLOCK GRANT - CDBG				
Emergency Housing Assistance Program	\$ 391,800	\$ 108,200	\$ -	\$ 500,000
Small Business Recovery Program	\$ 290,000	\$ 320,000	\$ -	\$ 610,000
2Life Communities / Emergency COVID-19	\$ -	\$ 40,000	\$ -	\$ 40,000
Barry Price Rehabilitation Center /	\$ -	\$ 17,500	\$ -	\$ 17,500
Family ACCESS of Newton / Childcare	\$ -	\$ 61,934	\$ 93,066	\$ 155,000
Horace Cousens Industrial Fund /	\$ -	\$ 67,196	\$ 8,524	\$ 75,720
Newton Community Development	\$ 12,303	\$ 12,303	\$ -	\$ 24,606
Newton Housing Authority / Resident	\$ -	\$ 16,460	\$ -	\$ 16,460
Newton Senior Services / Food and	\$ 1,663	\$ 20,002	\$ 18,485	\$ 40,150
Pathway to Possible / P2P COVID-19	\$ -	\$ 35,950	\$ 7,955	\$ 43,905
Boys & Girls Club / Out of School Time	\$ -	\$ 23,275	\$ 10,225	\$ 33,500
West Suburban YMCA / Out-of-School	\$ -	\$ 32,080	\$ 51,420	\$ 83,500
CDBG-CV Program Administration	\$ 18,415	\$ 49,998	\$ 5,973	\$ 74,386
EMERGENCY SOLUTIONS GRANT				
Middlesex Human Service Agency /	\$ -	\$ 157,821	\$ 53,370	\$ 211,191
City of Waltham's Temporary Emergency	\$ -	\$ 67,564	\$ -	\$ 67,564
Community Day Center of Waltham /	\$ -	\$ 52,320	\$ -	\$ 52,320
Community Day Center of Waltham /	\$ -	\$ 141,590	\$ -	\$ 141,590
REACH Beyond Domestic Violence / Safe	\$ -	\$ 325,708	\$ 30,812	\$ 356,520
Brookline Community Mental Health	\$ -	\$ 103,371	\$ 47,907	\$ 151,278
The Second Step / Homelessness	\$ -	\$ 34,676	\$ 15,822	\$ 50,497
Brookline Community Mental Health	\$ -	\$ 50,640	\$ 39,182	\$ 89,823
ESG-CV Program Administration	\$ 2,733	\$ 18,529	\$ 988	\$ 22,250
COMMUNITY PRESERVATION FUNDING				
Emergency Housing Relief		\$ 2,724,124		\$ 2,724,124
ASSISTANCE TO THE VULNERABLE	\$ 716,914	\$ 4,481,242	\$ 3,151,259	\$ 8,349,415

FY2023 Key Budget Initiatives

Although the municipal department operating budget as a whole was limited to a 3% total increase, in addition to the many aforementioned areas, Mayor Fuller focused on several important key initiatives when crafting the FY2023 budget.

- **“In-Sourcing” Soft Yard Waste – Saving approximately \$400K**

Concurrent with a tremendous increase in the volume of soft yard waste and a very real labor shortage in the Northeast, our municipal solid waste collector has struggled keeping up with the demand. Due to these challenges, and the fact that the City will save hundreds of thousands of dollars (approximately \$400K), we have made the decision to bring the collection of soft yard waste in-house. Additional details are provided below.

- **Planning Department Staff**

We are adding two full-time positions in the Planning Department to provide more capacity to review and oversee large special permits and comprehensive 40B permits as well as to increase our resources in vetting, managing and reviewing our affordable housing initiatives. Over the last several years, the City has had an increase in special/comprehensive permit approvals and affordable housing initiatives which in turn requires additional management time. \

- **Deputy Chief Planner for Current Projects:** A new Deputy Chief Planner position will add much needed capacity to the Current Planning section of the Planning & Development Department. This position will work closely with the Chief Planner and Senior Planners to review large Special Permit and Comprehensive Permit projects, to coordinate the building permit review process for large projects with Councilors, residents, outside consultants and city staff, to oversee the tracking of ongoing Special Permit conditions (in part by using the NewGov system), and to work to standardize and improve internal processes and coordination with Inspectional Services staff. Special Permits and Comprehensive Permits have been approved for over 2,000 units that will be constructed in the next few years and these require close attention. Special Permit conditions are quite detailed, particularly at Northland and Riverside. Additional capacity at a management level in Current Planning is critical to ensure that the review process for these projects, as well as future projects, is thorough and timely.

- **Housing Program Manager:** A Housing Program Manager will provide the Planning & Development Department with much-needed additional capacity to manage ongoing affordable housing programs and to develop and monitor of new affordable and mixed-income housing projects. Specifically, the Housing Program Manager will manage the city’s more expansive Inclusionary Zoning program, from the Special Permit process through lease-up and post-occupancy and annual compliance, and assist with new project development (e.g., the Armory) as well as overseeing Real Property Reuse processes involving affordable housing (e.g., the Walker Center property).

- **Commitment to Critical Municipal Needs**

Although not necessarily “new initiatives”, the Administration is proud to have prepared a municipal operating budget that preserves the progress we have made in so many important areas of municipal government. The chart below reflects the significant investment we have been able to make in areas such as paving, traffic calming, athletic fields and grounds maintenance, building maintenance, and forestry under Mayor Fuller. The pandemic has shown us just how critical these expenditures are in order to support the social, emotional, mental, and physical health of all of our residents.

MAYOR FULLER'S COMMITMENT TO CRITICAL MUNICIPAL NEEDS			
Mayor Warren's			
DESC	Last Budget FY 2018	Mayor Fuller's FY 2022 Budget	Mayor Fuller's FY 2023 Budget
Mayor's Initiatives			
Climate Action - Consultants	\$ -	\$ 40,000	\$ 40,000
DEI Consulting	\$ -	\$ 250,000	\$ 100,000
Consultants - Translation Services	\$ -	\$ -	\$ 100,000
Mayor's Initiatives	\$ -	\$ 290,000	\$ 240,000
Planning, Housing, Zoning			
	\$ 1,055,537	\$ 1,408,317	\$ 1,589,889
Conservation Land			
	\$ 25,000	\$ 50,000	\$ 50,000
Building Maintenance			
	\$ 375,000	\$ 650,000	\$ 650,000
Paving/Traffic			
Paving/Road Maintenance	\$ 1,545,000	\$ 1,720,000	\$ 1,720,000
Pavement Marking	\$ 225,000	\$ 300,000	\$ 300,000
Traffic Calming	\$ -	\$ 350,000	\$ 350,000
Paving/Traffic	\$ 1,770,000	\$ 2,370,000	\$ 2,370,000
Social, Emotional, Mental Health - All Ages			
	\$ 234,000	\$ 592,800	\$ 682,800
Arts & Culture			
	\$ 2,500	\$ 21,600	\$ 57,500
Grounds Maintenance			
	\$ 550,000	\$ 700,000	\$ 700,000
Athletic Fields			
	\$ 30,000	\$ 250,000	\$ 300,000
Forestry			
	\$ 570,000	\$ 850,000	\$ 880,000
	\$ 4,612,037	\$ 7,182,717	\$ 7,520,189

Salaries, Compensation, and Benefits

This Administration is deeply grateful to the approximately 915 full-time and many part-time municipal employees who are working to support the vulnerable, recover and reopen, and build a better future. The costs of salaries, compensation, and health benefits for the City's current employees are 69% of the municipal operating expenditures (excluding retiree pensions, retiree health benefits, debt service, and state assessments) and are consequently the single most important cost element in the municipal budget.

When the Administration was tasked in April 2020 with making the very difficult decisions of reducing the FY2021 department expenditure budgets, one of the places that we had to evaluate was personnel. Funding the appropriate number of employees to provide City services, keep Newton safe, improve streets, sidewalks, and mobility as well as public buildings and infrastructure, cultivate economic, artistic and cultural development, plan for Newton's future, make Newton more "all age" friendly, address climate change, and provide appropriate financial and administrative staff to support the operations of the City continues to be a critical priority.

Although the FY2021 budget contained no layoffs or furloughs of permanent, full-time employees, we eliminated many historically vacant positions, and put many other vacancies on hold for either a year or six months. Thus, we began FY2021 with 19 fewer full-time equivalents in the budget, after moving forward with only the 4.5 most

strategic and necessary hires. The FY2022 Budget included the restoration of many of the positions put on hold in FY2021 and added positions for the Finance/Payroll reorganization, as well as strategic positions to maintain a continuity of operations and to provide social, emotional, and mental health support for our vulnerable residents, particularly as we began to emerge from the crisis of the coronavirus pandemic.

The Fuller Administration has been extraordinarily careful throughout the pandemic, analyzing each position to ensure that we only add what we can sustain into the future. The FY2023 municipal department budgets (excluding retiree pensions and health care and debt service) are increasing by only 3.0%. Within this 3% increase we have carefully and strategically invested in six new full-time positions required throughout several departments, another six new full-time positions to facilitate the cost saving (\$400K) move of bringing Soft Yard Waste collection “in-house”, restored one full-time position, eliminated two full-time and one part-time positions, and deferred two positions that will not be filled this year for a total of nine additional full-time equivalents (FTEs).

New positions within the Planning Department will focus on critically important development plan and permit reviews and expanding affordable housing initiatives, while one new position in each of the Human Resources, Public Buildings, and Parks Recreation & Culture departments will focus on the necessary delivery of their core services. (Human Resources needs additional support for benefits and compliance; Public Buildings needs an additional custodian as cleaning needs across multiple buildings have emerged during the pandemic; Parks, Recreation & Culture needs to restore a recreation program manager that had been deferred during the pandemic.) The FY2023 budget also includes a Deputy Director of Senior Services, scheduled to start in the spring of 2023, to help better address the needs of the rapidly expanding and diverse senior population in the City and to begin preparation for the programmatic needs and offerings at the new Newton Center for Active Living (NewCAL), expected to open in 2025.

- New Full-Time Positions
 - Planning Department – Deputy Chief Planner/Plan & Permit Review Coordinator
 - Planning Department – Housing Program Manager
 - Human Resources – Business Partner for Benefits & Compliance
 - Public Buildings – Building Custodian – City Hall Maintenance/Operations
 - Public Works – Waste Collection Specialists (5) & Working Foreman (1) – Sustainable Materials
 - Senior Services – Deputy Director – starting spring 2023
 - Parks, Recreation & Culture – Recreation Program Manager

- Restored Positions
 - Public Buildings - Plumber

- Eliminated Positions
 - Public Buildings – HVAC/Oil Burner
 - Public Works – Part-time Construction Engineer
 - Library – Reference Librarian

- Deferred Positions
 - Financial Services Payroll Analyst – deferred for 1 year, salary not included in the FY2023 Budget
 - Executive Office Part-time Board & Commissions Coordinator – deferred for 1 year, salary not included in the FY2023 Budget

Collective Bargaining Agreements

As mentioned earlier, salaries, compensation, and benefits for the City’s approximately 915 full-time and many part-time dedicated employees comprise 69% of the municipal department budgets. Most of the full-time employees (83%) are members of a union and are covered by Collective Bargaining Agreements. Although not

our preference, Collective Bargaining Agreements are not always settled until sometime after the previous contract has expired. Generally, the new contract, once it is settled, will be retroactive, with an effective date coinciding with the expiration of the prior contract. In such cases, the employees will usually receive a retroactive payment for wages that would have been earned under the terms of the newly negotiated contract. In anticipation of this, we set aside a wage reserve, recognizing that we will always reach agreement and will owe retroactive payments to our covered employees. In other words, we set aside funds to pay for increases in pay so that the funds are available once a contract that has expired is settled.

Our bargaining schedules were not immune from the effects of COVID-19 and were disrupted. However, we have successfully settled several contracts in the past six months that are reflected in the FY2023 department budgets. When contracts are open for several years, we carry-forward the retroactive portion of the prior years' wage reserve and continue to budget a current year wage reserve that equals the projected settlement of each contract.

Because of the accounting of wage reserves, several of the FY2023 department budgets reflect what appear to be significant wage increases but are reflecting the compounding effect of having settled collective bargaining agreements that had expired, in our case sometimes as far back as FY2018.

For example, the City and AFSCME Local 3092, representing employees throughout many of our municipal departments (administrators, librarians, inspectors, dispatchers, custodians, etc.), settled both a 2-year FY2020-FY2021, and a 3-year FY2022-2024 Collective Bargaining Agreement this past fall. Therefore, all employees in this union received retroactive raises for FY2020 and FY2021, and their current increase in FY2022. The FY2023 Budget reflects the increased rate of pay from their FY2019 rate of pay to the new FY2023 rate of pay.

STATUS OF CONTRACTS – MUNICIPAL DEPARTMENTS

Settled through June 30, 2018

- Newton Police Superior Officers Association (NPSOA) – 35 budgeted positions
- AFSCME 2913 - Parking Control & Crossing Guards – 10 FT Parking Control Officers budgeted, and 52 PT Crossing Guards budgeted

Settled through June 30, 2019

- AFSCME – 2443 – Foremen – 21 budgeted positions

Settled through June 30, 2021

- Newton Police Association (NPA) – 111 budgeted positions

Settled through June 30, 2023

- International Association of Firefighters (IAFF Local 863) – 193 budgeted positions
- MNA – Nurses – 30 budgeted positions

Settled through June 30, 2024

- Teamsters – 161 budgeted positions
- AFSCME – 3092 & 3092B – City Hall Associates – 183 budgeted positions
- AFSCME – 1703 – Engineers – 13 budgeted positions

STATUS OF CONTRACTS – NEWTON PUBLIC SCHOOLS

Settled through June 30, 2023

- Newton Teachers Association (NTA) – 2,225 members, March 22, 2022
- Newton Educational Secretaries Association (NESA) – 84 members, March 22, 2022
- Newton Public School Custodians Association – 92 members, March 22, 2022

In addition to our unionized employees, the City employs approximately 150 municipal and 70 NPS unaffiliated, or non-unionized staff members.

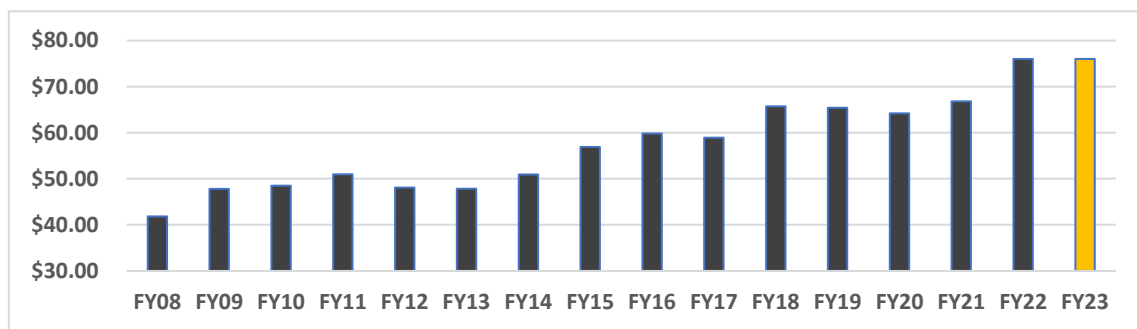
Health Insurance Benefits

The City provides health insurance benefits for more than 8,600 people. This includes approximately 2,500 active employees and their dependents and more than 2,900 retirees and their spouses.

The City has been able to provide excellent health benefits at a reasonable cost by being self-insured. The costs of a self-insured program fall into three main areas: (1) the actual cost of claims, (2) the administrative fees charged by the health insurance carriers, and (3) an “Excess Policy” or “Stop Loss Policy” for 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. To do this, the City maintains a Health Insurance Trust Fund to manage any variances between the projections and actuals.

As a result of the COVID-19 pandemic and the elimination of elective procedures for many months, we saw less of an increase in our actual cost of claims in Fiscal Years 2020 and 2021 than we otherwise would have expected, and consequently, a building of our Health Insurance Trust Fund Reserve. However, we have seen a significant increase in our claims experience throughout FY2022. While we understood that we would see a “surge”, not the insurance carriers, nor the administration can predict just how significant it will be, nor how long it will last. We estimate that FY2022 total cost of claims may total as much as \$76 million and are currently estimating a similar total for FY2023.

FY2023 Total Cost of Health Insurance Program ≈ \$76M



The FY2023 total cost of the City’s Health Insurance is projected to approximate \$76 million comprised of the following:

- City portion of Active Municipal Employees (including Utility employees) \$13.0M
- City portion of Municipal Retirees \$13.0M
- School Department portion of Active School Employees \$27.0M
- School Department portion of School Retirees \$ 7.8M
- Contributions from Active Employees and Retirees \$15.2M

Retiree Benefits: Pensions and Healthcare

The City’s long-term pension and retiree health insurance obligations currently exceed \$1 billion. Our employees earn two types of compensation — current and deferred. Salaries and other forms of current compensation (e.g., health insurance) are received by employees during their employment. Deferred compensation is received after the employee retires and only when vesting and age requirements have been met.

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

The City’s commitment to funding long-term retiree obligations – specifically pensions and OPEB – following sound financial policies and developing conservative budgets and forecasts will be key factors in the City’s ability to maintain the Aaa rating it has earned from Moody’s Investors Service. Commitment to fully funding the long-term retiree liabilities is also critical to maintaining the City of Newton’s financial sustainability.

Pensions

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

Notably, 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, and secretaries) are part of the City’s plan. In the City of Newton Contributory Retirement Plan, school employees make up 42% of the active employees and account for slightly more than 20% of the unfunded liability.

Prior to the 2008 downturn in the economy, the total funded actuarial accrued pension liability was approximately 67%. However, because of the dramatic drop in the value of the stock market experienced by the fund in the years of the “Great Recession” combined with the increased life expectancy of Americans, the total funded actuarial accrued liability fell to a low of 50.8% but has now finally begun to increase and is 62.8% as of January 1, 2022. Unfortunately, Newton continues to lag many of the surrounding communities in percent funded for this significant liability.

Maintaining our full funding schedule of 100% by FY2030 will remain one of the highest priorities for the Fuller Administration.

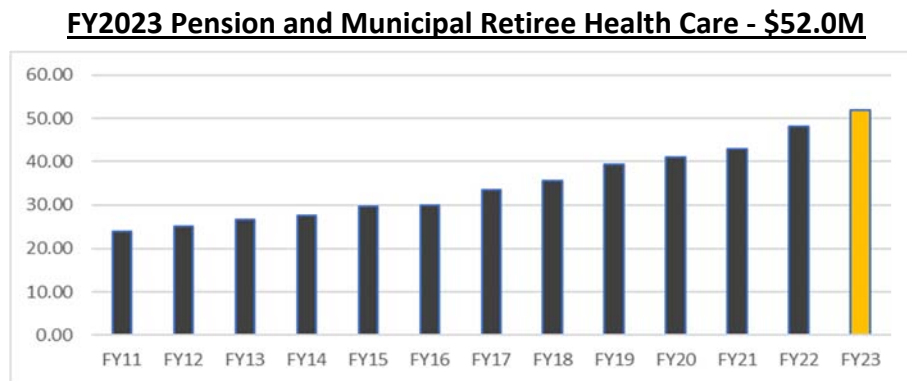
These funding liabilities matter. Newton’s employees, like all Massachusetts public employees, do not pay into, nor do they receive, Social Security in their retirement. Police officers, firefighters, and other Newton employees depend on their pensions for income in their retirement. The funding gaps also matter because if 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 for the City lies in proactively managing tax revenues, operating expenditures, capital investments and retiree benefit expenses while maintaining a Aaa credit rating. The magnitude of the pension and 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 through FY2030 and beyond.

In early 2020, following the onset of the financial impact of the coronavirus pandemic, Mayor Fuller met with the Newton Contributory Retirement Board of Trustees who make the decisions about the pension funding and requested a one-time lower adjustment in the funding schedule (\$1.4 million or 4.8% less than required by the funding schedule).

On April 22, 2020, the members of the Newton Retirement Board approved the following motion unanimously: *Vote to have the City’s Actuary prepare the 1/1/20 valuation report using a funding schedule that changes the FY2021 line item increase from 9.6% to 4.8% (all other assumptions remaining the same).* This vote of the City of Newton Contributory Retirement Board of Trustees maintained anticipated full funding of the City’s unfunded pension liability by FY2030 while full funding of the City’s OPEB (Other Post-Employment Benefits) liability is anticipated by the year 2045.

That reduction in funding for FY2021 was only temporary. In FY2022, the Fuller Administration included the usual 9.6% annual increase as well as an additional 4.8% for a total increase of 14.4%, thus resuming the prior approved FY2022 funding amount. The City is maintaining the 9.6% year-over-year increase, by increasing the FY2023 yearly contribution to \$52 million.



Retiree Health Insurance or OPEB

In addition to pension obligations, the City of Newton (like most municipalities) provides health 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% for most of our current retirees which is more than the minimum required level of contributions and benefits. However, 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.

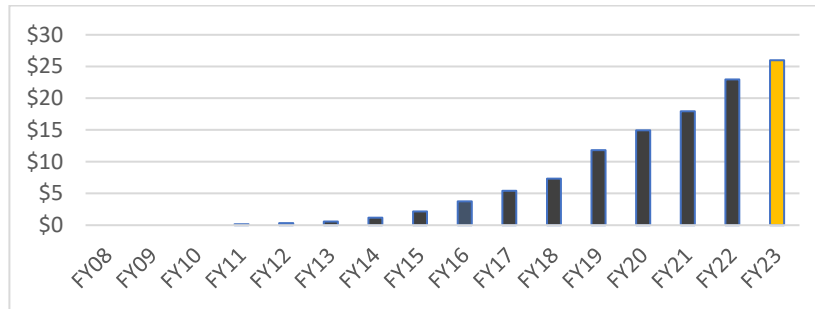
In 2010, the City established an Other Post-Employment Benefits (OPEB) Liability Trust Fund and subsequently established an OPEB Trust Agreement for the purpose of providing an irrevocable, dedicated trust fund as a vehicle to make advance contributions for these retirement health care benefits.

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 salary for all 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 in its first Budget increased the percentage in the FY2019 Budget from 3.25% to 3.50% for newly insured employees beginning July 1, 2012 and increased the percentage further to 3.6% in the FY2020 budget. As a result of the financial impact of COVID-19, the Administration made the decision not to increase this percentage in FY2021. The Fuller Administration resumed its prior practice in FY2022 and increased the percentage to 3.65%. In FY2023, the percentage has been increased further to 3.70%. It is important to note that the City should be setting aside

approximately 8% of the salary of all employees and it is the goal of the Fuller Administration to keep moving towards the 8% level.

Due to the continued addition of employees (1,445 currently) covered using this financial strategy as well as the increased percentage, the February 28, 2022 value of the OPEB liability trust fund totaled \$26.0 million (an increase of \$3.0 million over the June 30, 2021 value).

Projected OPEB Trust Fund Value (June 30, 2022- \$25.98M)



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. As Newton is setting aside a small portion of its liability, the City’s policy is primarily pay-as-you-go until FY2031.

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 value their plan using a 20-year municipal bond index rate. The “Go-bond” rate 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 resulted in a \$190 million increase, resulting in a total unfunded OPEB liability as of June 30, 2019 of \$870 million. Although the June 30, 2021 20-year Go-bond rate was only 2.0%, the rate as of April 8, 2022 is 2.94%. Unfortunately, GASB 74/75 may cause annual fluctuations in our OPEB valuation that we will need to be prepared for.

The way that the City had been dealing with each of these significant long-term retiree liabilities over the past several decades is problematic. That practice has transferred costs of former Newton taxpayers to current and future Newton taxpayers, costs that were accrued throughout the past few decades.

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

The Fuller Administration remains committed to the funding strategy of investing significantly in the pension system liabilities for the next eight years until full funding, still currently projected in the fiscal year 2030. Then the City of Newton will begin significant investments in the retiree health care or OPEB liability so all of the City’s retiree costs will be fully funded by FY2045.

Even with the COVID-19 financial repercussions, this strategy is still intact.

Investing in Capital Infrastructure

One of the top priorities for the Fuller Administration is to maintain and improve the City of Newton’s infrastructure. The 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 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 overarching goals. This results in a plan put into a financial context by which to evaluate investments over the next five years.

As detailed in the Coronavirus Pandemic section of this document, the Administration is in the process of assessing the needs (both operating and capital) of the City and will determine how best to utilize ARPA funds to augment our prior plans. The Supplemental FY2023-FY2027 CIP provides updated funding plans for projects, schedules and funding.

Debt Service

Capital assets with a life expectancy of ten 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 full and fair cash value of the property in Newton). The City's current (October 2021) equalized valuation is just slightly more than \$34.4 billion, which means that the current statutory debt limit is just over \$1.7 billion. The City's current outstanding principal of bonded debt is significantly lower and approximates \$362 million or 21% of the City's debt capacity.

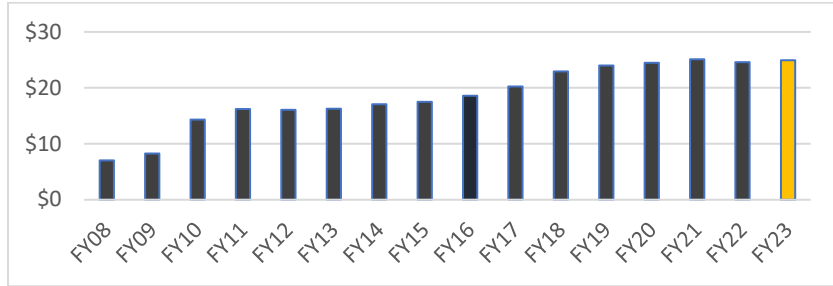
In conjunction with the state statutory debt limit, the City of Newton has developed its own financial policy of limiting debt service on long-term bonded debt to between 4.0% and 7.5% of the annual General Fund budget. General Fund Debt service, which includes both principal and interest, totals 5.2% of the Fiscal Year 2023 General Fund Budget.

In addition to the current bonded debt in the City's operating budget, significant capital investments are currently 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. Further, the City includes annual appropriations within the operating budget, the CIP, the Community Preservation Act as well as the use of Free Cash to accomplish additional infrastructure improvements.

The City also leverages funding from the State and Federal government to pay for capital improvements. Funding sources range from the Massachusetts School Building Authority and the State Chapter 90 infrastructure funds to the Massachusetts Transportation Improvement Program 3 (TIP) and federal Community Development Block Grant (CDBG) funds. Private developers also provide mitigation funds that help pay for such improvements as street, sidewalk and traffic signal improvements, undergrounding of utilities, and water and sewer upgrades. The Fuller Administration will continue to utilize these different funding strategies, as well as ARPA funds as allowed, to further improve the City's infrastructure.

As a result of COVID-19, the Administration was careful and conservative, and consequently did not sell any bonds during Fiscal Year 2021. As such, the FY2023 budget will be the first year with a year-over-year increase in debt service since the pandemic began.

General Fund Projected FY2023 Debt Service - \$24.94M

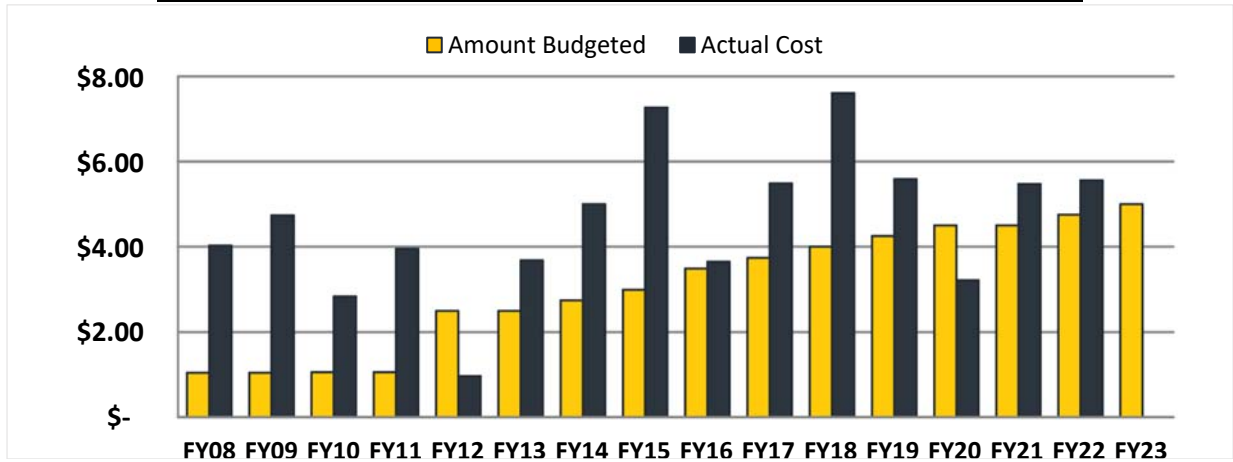


Cost of Removal of Snow and Ice/Inclement Weather Expenditures

The policy of the Fuller 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 at least the average cost of the previous seven to ten years. The current target average is \$6.0 million.

The FY2022 budget of \$4.75 million has been increased by \$150K in FY2023 for a total of \$4.9 million set aside to cover the cost of snow and ice removal and other inclement weather expenditures.

FY2023 Budgeted Reserves for Costs of Snow/Ice Removal (\$ millions)



Solid Waste, Recyclables and Soft Yard Waste

The Sustainable Materials Management Division manages trash, recycling, yard waste, organics 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 are also in this division’s purview.

In FY2020, the residential trash and recycling generated grew by 3% and 0.7%, respectively, over FY2019 as a result of more time spent at home due to the pandemic. Residential trash and recycling generated in FY2021 increased by 5.4% and 2.1%, respectively, compared to pre-pandemic FY2019. Through April of FY2022, trash tonnage has decreased year over year by 5.1%, which is a 1.5% increase over pre-pandemic levels. Recycling tonnage has decreased by 6.1% year over year, and is 3% lower than pre-pandemic levels. Yard waste collection from July through January FY2022 is down 36% year over year, which still results in a 41% increase over pre-pandemic generation.

Concurrent with the tremendous increase in the volume of soft yard waste, a very real labor shortage has hit the Northeast, causing our municipal solid waste collector to struggle keeping up with the demand. Due to these challenges, and the fact that the City will save hundreds of thousands of dollars (approximately \$400K), we have made the decision to bring the collection of soft yard waste in-house. We will lease three “packers” and hire six employees to perform this function. We will also utilize other DPW and Parks, Recreation and Culture employees

in the high season (spring and fall) to keep up with the demand. Additionally, we will transfer two employees from Parks, Recreation and Culture who currently pick up the trash and recyclables in our village centers and parks throughout the City, and three vehicles to DPW so that all refuse collection functions will now be housed in the Sustainable Materials Management division of Public Works.

The processing cost of recyclables increased from \$60/ton in FY2019 to \$89/ton in FY2020 as a new contract took effect. This significant increase 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 increased operational costs in collection and sorting of single stream recycling. As other overseas buyers were sought and domestic markets have opened up, pricing has leveled out, but the commodity value of the recovered materials is still recovering. The \$89/ton cost is a cap on the price and will adjust as recyclable commodity values increase.

Notwithstanding the increased tonnage in all aspects of trash and recycling, and significant worldwide events, the Solid Waste/Recyclable collection and disposal budget, when combined with the reduction in PRC from the transfer of beautification employees is less than ½ of 1 percent. Sincere thanks go to the Commissioner of Public Works and the Director of Sustainable Materials Management for conducting the cost/benefit analysis and taking on the task of transitioning this very important yard waste service into one that will be done effectively and more efficiently by City employees.

The Newton Sustainable Materials Management Commission, an advisory body to the Mayor and City Council, completed in November 2021 an important report *Setting the Path to Zero Waste: Recommendations on the Future of Residential Curbside Waste Management in Newton*. This report presents the Commission's findings on the current and future trends in residential waste management and their recommendations for action. In conjunction with a state-funded study that DPW is working on, the City will be using FY2023 to examine critical next steps on residential trash and recycling collection, hauling and disposal.

Rainy Day Stabilization Fund

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 Administrations, the fund has reached its goal of 5% of the total operating budget. The current fund balance totals approximately \$23.2 million. The Mayor has submitted a docket item to the Honorable Council in conjunction with this budget document to transfer \$800K from Free Cash to the Rainy Day Stabilization Fund to maintain this 5% balance.

One of the most important recommendations that the Fuller Administration has made throughout the financial uncertainties of the past two years is the maintenance of the 5% balance in the City's Rainy-Day Reserve Fund. Although we have experienced unprecedented and tremendously uncertain times, we knew it was important to maintain this fund. We were fortunate to benefit from an infusion of one-time federal funds and will emerge from this crisis with this Rainy-Day Reserve fund intact so that we can have funds to tap into to absorb any significant

reductions in state aid and revenues, catastrophic weather events, a dramatic economic impact of a surge in new variants of the coronavirus or world events.

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 businesses, and maintains stormwater drainage systems throughout more than 300 miles of roadways. While Newton purchases its water from the Massachusetts Water Resources Authority (MWRA) and sends its sewage to the MWRA treatment facility at Deer Island, the City owns all the pipes, drains, and infrastructure required to supply these critical services.

As is customary in many municipalities, the City of Newton has established a Water Enterprise Fund, Sewer Enterprise Fund, and a Stormwater Enterprise Fund. Through these Enterprise Funds, fees are charged to all property owners to support each of these three different enterprise activities. These funds are separate from the general operating fund of the City (which is supported primarily through tax revenues). Rates are set on an annual basis and must cover all operations of each enterprise activity.

While last year, FY2022, we held Water, Sewer, and Stormwater rates level, to help residents who may have been facing financial challenges, this year, FY2023, we will raise the Water, Sewer, Stormwater rates by a combined average of 3.9%, a percentage increase that the City has implemented for several years prior to the pandemic.

Water Enterprise Fund

The City of Newton has been identifying, evaluating and improving Newton's water main distribution system for many years. In 2016, the Newton Fire Department was rated a Class 1 agency, the highest possible ranking from the Insurance Service Organization (ISO), in part because of improvements made to water flow and water pressure through the fire hydrants. The Newton Fire Department is one of only five departments in the Commonwealth rated a Class 1 agency. (The ISO grades on a point system, with fire department operations accounting for 50 percent of the rating, fire flow or available water supply 40 percent of the grade, and dispatch operations constituting the remaining 10 percent.)

The City recognized the need to increase the renewal of the aging water distribution pipe network, much of which dates back to the 1870s, 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. This required the replacement of pipes, not just cleaning and lining of older pipes.

We completed a hydraulic model analysis in 2016, and we redirected our efforts to target and replace leak prone pipes, especially the pipes installed circa World War II. FY2023 will be the ninth year of this twenty-year water main repair, replacement, 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. It shows graphically, by pipe type, how much replacement is required annually. The results of the analysis indicate that the City should be renewing approximately 4 to 5 miles of water main pipe per year.

In addition, a risk-based ranking system was developed for integrating and managing the water system pipe assets. The ranking takes into account the consequence of failure of the pipe and the probability of its failure.

Consequence of failure reflects 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 (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, cleaning and cement lining.

Improvements to the City's major water storage facility, the Waban Hill Covered Reservoir in Chestnut Hill built in 1891, are ongoing. Construction to replace valves, piping and roofing systems as well as the cleaning of four 2.5 million-gallon chambers will be underway during CY2022. A water meter replacement program is also scheduled over the next several years to change out 125 larger water meters and approximately 26,000 residential meters to keep the system up-to-date and reduce maintenance costs. The project will also include a new online customer portal for residents and businesses to closely track their water consumption and billings.

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

Sewer Enterprise Fund

Prior to the development of the City's comprehensive strategic plan for the improvement of the sewer infrastructure, 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 seeps into the sewer pipes through cracks and other imperfections). Inflow and infiltration had been costing the City in excess of \$5 million per year. Furthermore, back-ups in the sewer lines due to insufficient capacity combined with the additional groundwater/stormwater resulted in sewer surcharges/overflows from some manholes in the streets and parks.

The City developed a 10-phase program to address systematically the approximately 300 miles of sewer mains and related manhole structures. The program began 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 divided into 3 categories: Inspection and Assessment, including heavy cleaning; Design of repair work; and Construction, including post-construction flow assessment. Sewer work in each project area is generally completed over a two-year period. As a result of the financial benefits of recent lower MWRA sewer assessment increases for Newton than most other MWRA communities, the funding and schedule for this program had been accelerated.

The City's program is now in Area 7, with all eleven project areas expected to be completed in 2026. At that time, the City will reassess the asset priorities, maintenance needs, and set further targets for I&I reduction, perhaps focusing on service laterals to homes.

The Utilities Division has recently completed a study of all 11 sewer pump stations that are critical for system reliability. The study identified a series of needed improvements that will be funded and completed over the next five years.

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

Stormwater Enterprise Fund

Like many communities, Newton's storm water system is old and we face challenges related to storm water quantity and quality, system maintenance and upgrades, and localized flooding.

In 2006, the City became one of the first communities in Newton England to institute a Storm Water Fee to fund necessary improvements.

While the City has completed localized drainage repairs, the Department of Public Works' Utilities Division has developed a comprehensive plan to identify and address storm water needs throughout the City and the associated funding to accomplish this work. This includes addressing the National Pollutant Discharge Elimination System (NPDES) MS4 Permit, which is mandated for all communities by the EPA. (MS4 stands for Municipal Separate Storm Sewer System.) The NPDES MS4 Permit took effect on July 1, 2018 and has increased requirements for maintaining and improving storm water quality. Developing a solution to mitigate the impact of stormwater runoff is paramount to the long-term sustainability of local waters including the Charles River. The City is currently completing permitting phases for the e process of dredging the City Hall ponds, design work on the Bulloughs Pond dam repair, completing the Illicit Discharge and Detection Elimination Investigations in the Laundry Brook Drainage Basin, and completing the second phosphorous inactivation treatment in Crystal Lake.

The City Council has also approved funding for the Newton Free Library Parking Lot. This project involves expansion of the existing lot, as well as repaving, and improved drainage and accessibility. The work involved will allow more stormwater to be absorbed by the land itself, as opposed to running into the storm drains.

Sustainable Budget Strategy

To summarize, a well-managed, fiscally-sound City of Newton is essential to provide exceptional teaching and learning to approximately 11,700 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 a pandemic. We must also ensure that we maintain our deep commitment to the health, well-being, and safety of our approximately 3,500 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, providing services our residents need and want, fully funding all liabilities from debt service to pensions to retiree health care, and developing and maintaining 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. When we delivered the FY2021 budget to the Honorable City Council on May 11, 2020, we reported that more than 67,500 Americans had perished with COVID-19. One year later, in May 2021, that number had escalated to 575,000 American lives, and now we have reached the staggering realization that more than 965,000 Americans have perished with this virus.

Our world has changed dramatically in the past two years. Physical distancing, isolation, quarantine, unemployment, and uncertainty have all become a part of our daily lives in these unprecedented times. Currently we are facing inflationary pressures, supply chain and labor force issues, instability in energy markets, growing climate change challenges and mental health pressures. The Newton Public Schools and the City are challenged by increasing costs, rising needs and the requirement of balancing our budget.

The role that our municipal government has served during the health pandemic and will continue to serve as we confront financial, social, emotional, and educational challenges is critical. We have worked diligently to propose a FY2023 City of Newton Budget that is responsive to the needs of our community and reflects the financial

challenges that the City faces and funding opportunities we have.

Although we are hopeful that we are emerging from the circumstances of the pandemic in the past two years, we have a tremendous amount of work to do as we recover, rebound, and rebuild. So many of us have missed so much during these 24 months – the milestones of birthdays, weddings and graduations and the pleasures of an afternoon at Fenway or a Sunday dinner with extended family. So many could not comfort loved ones in a hospital or come together collectively to mourn at a funeral. Many have suffered forms of anxiety over how to keep safe and stay healthy, frustration about getting a vaccine for ourselves or a loved one, loneliness as we physically distanced from friends and colleagues, distress as our children learned remotely, and worry as jobs disappeared, unpaid bills mounted, and keeping food on the table or a roof over our head became difficult.

We will continue to carefully evaluate the many needs within our community and the opportunities for investing the ARPA funds. We will be judicious in our deliberations, transparent in our decision making and ensure that every investment that we make will be in the best interest of the people of this good City.