

Tuesday, March 28, 2023

Mayor's Newton Update



Fiscal Year 2024 Budget Update

The following is a letter I sent moments ago to members of the City Council and School Committee:

Honorable City Councilors and School Committee Members:

The voters of Newton made their decision on March 14, 2023 both to move forward with rebuilding the Countryside and Franklin Elementary Schools with debt exclusion overrides and, conversely, not to increase at this time the City's operating budget.

Elections matter. Without the additional funding, we are making challenging decisions.

NPS Operations:

I believe passionately in the mission of NPS. I will support the learning of our students and the work of our educators within our financial constraints.

I know the leadership at NPS is wholly committed to creating a sustainable budget, not just for this coming Fiscal Year 2024 but for the ensuing years.

Tomorrow morning, Interim Superintendent Kathy Smith is bringing forward to the School Committee her recommended budget.

I have taken three steps to support Superintendent Smith in these efforts. Tomorrow's NPS proposed budget incorporates these three steps, all of which require the approval of the City Council:

- Provide additional funding to support NPS operations by using one-time free cash towards one-time capital expenditures to lower our debt service costs and repurposing the \$600,000 of funds annually to help NPS transition to a sustainable budget.
- Support NPS operations with its \$1.4M one year gap in increased out-of-district tuition costs by using one-time free cash towards this one-time need.
- Support the mental health needs of NPS students with City funding.

More specifically, I have respectfully submitted a docket item to the Honorable Council requesting the use of \$10 million in FY2022 Free Cash for the Lincoln-Eliot Elementary School construction project that the Council has already approved. This \$10 million includes the \$7.5 million we originally planned to use for the Horace Mann Elementary School addition/renovation project and \$2.5 million we had set aside for snow/ice expenses this winter beyond what is included in the operating budget. This past winter was mild, fortunately, allowing the repurposing of these snow/ice funds.

This use of \$10 million from the unusually large FY2022 Free Cash amount will allow the City to reduce the bonding for Lincoln-Eliot from \$50 to \$40 million. This will in turn save the City approximately \$600,000 each year (over 30 years) in debt service costs.

I will repurpose the \$600,000 to supplement the 3.5% increase I had originally planned for the Newton Public Schools FY2024 operating budget. This \$600,000 will be added to the NPS base budget. Instead of a 3.5% increase, the base budget for NPS will rise by 3.73% in my proposed FY2024 budget for a total increase in the budget of \$9.772M. This has in turn reduced the NPS staffing level reductions being announced tomorrow.

I am also respectfully submitting a docket item to the Honorable Council requesting the use of \$1.4 million in FY2022 Free Cash to provide a “bridge grant” to NPS for the expected significant increase in student out-of-district costs in FY2024. This is a result of a dramatic, unanticipated state-imposed 14% rate increase for private special education school tuitions. The state’s circuit-breaker special education program operates on a reimbursement model; NPS has a one year funding gap as the state will provide financial relief from these rate increases in FY2025. This bridge grant allows NPS to fund this one-year gap in special education cost increases.

I will also propose in the City’s FY2024 Budget that the City absorb for one year the \$50,000 cost currently in the NPS budget for the INTERFACE referral service program through William James College. This program provides mental health and wellness referral services. NPS staff have found it invaluable for students and families. The \$104,000 budget for this ongoing program will be 100% funded in the City’s Department of Health & Human Services for FY2024. (NPS represents 60% of the calls to INTERFACE.)

Combined, these three funding decisions using one-time free cash in a financially responsible way assists NPS during this necessary transition to a long-term sustainable budget.

Supporting our Retirees and Bolstering Financial Sustainability:

This morning I met with the independent Newton Contributory Retirement System Board with a proposal to support our current retirees, ensure the funding of our pension system for future retirees, and adjust the pension system payments to a more sustainable level. This is a collaborative effort and I am extremely grateful to the Board members for considering the proposal.

More specifically, I have asked the Board to consider:

- Increasing the base amount that retiree COLAs are applied to by \$1,000 for each of the next three years, which requires City Council approval. In other words, the COLA would apply to the first \$13,000 in FY24, \$14,000 in FY25 and \$15,000 in FY26 (an additional \$30 dollars a year per retiree). Currently, the City of Newton is one of only six retirement systems out of 104 in the Commonwealth that limits the COLA to the first \$12,000. This action addresses the inflationary pressures that our retirees are facing daily.
- Extending the funding schedule to August 2031 (in the beginning of FY32) at which time the system will be 100% funded. Our current plan would have allowed us to fully fund our pension system by FY2030, but the losses in the stock market last year has pushed that into FY2031. This action will create a more sustainable funding schedule for the City in which to fully address this significant long-term liability and ensure funding of pensions for our retirees. In turn, fully funding our pension system will allow us to fund the \$665 million+ unfunded retiree health insurance (a.k.a., OPEB) liability.

Simultaneously, the change in date in the full funding schedule frees up the bonding capacity to enable moving forward with the Horace Mann (HM) Elementary School addition and renovation. These facility upgrades at HM are critically important to the community’s students, parents and staff. The school building is lacking a significant amount of space, creating educational hurdles for the staff and students every day. The addition/renovation is a \$23 million project with the cost of the bonding over thirty years being \$1.3 million annually for the associated debt service.

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I am giving my full attention toward working with the City Council, School Committee, NPS and City Departments, and our community to deliver a balanced municipal budget that reflects our community values and balances our books.

Sincerely,

Mayor Ruthanne Fuller



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