



## Newton City Council

### Committee of the Whole Agenda

**Thursday, April 6, 2023**

The City Council will meet in a Committee of the Whole on Thursday, April 6, 2023 at 8 am.

**The City Council will hold this meeting as a virtual meeting on Thursday, April 6, 2023, at 8:00 am. To view this meeting using Zoom use this link:**

**<https://us02web.zoom.us/j/81582466397> or call 1-646-558-8656 and use the following Meeting ID: 815 8246 6397**

#### Referred to a Committee of the Whole

**#129-23 Discussion on the percentage growth rate to fully fund the Pension Trust and impact on the City Budget**

COUNCILORS ALBRIGHT, LIPOF, GROSSMAN, AND MARKIEWICZ requesting a meeting with the City Council's Committee of the Whole to discuss our study (with School Committee Member Chris Brezski) of the Newton Retirement Board's plan that increases funding to the pension trust annually by 9.6%, its request for Cost of Living (COLA) increase, and its impact on our city and school services annually until full funding is achieved.

**Respectfully submitted,**

**Susan Albright, President**

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The location of this meeting is accessible and reasonable accommodations will be provided to persons with disabilities who require assistance. If you need a reasonable accommodation, please contact the City of Newton's ADA Coordinator, Jini Fairley, at least two business days in advance of the meeting: [jfairley@newtonma.gov](mailto:jfairley@newtonma.gov) or (617) 796-1253. The city's TTY/TDD direct line is: 617-796-1089. For the Telecommunications Relay Service (TRS), please dial 711.



# Finance Committee Report

## City of Newton In City Council

**Wednesday, May 30, 2018**

Present: Councilors Gentile (Chair), Rice, Grossman, and Lappin

Absent: Councilors Ciccone, Norton, Cote, and Noel

Also present: Councilor Danberg

City staff present: Kelly Byrne (Director, Retirement Board), Tom Lopez (Retirement Board Member), Tony Logalbo (Retirement Board Member), Paul Bianchi (Retirement Board Member), Barney Heath (Director of Planning & Development), Sue Dzikowski (Comptroller), Maureen Lemieux (Chief Financial Officer), and Noah Rivkin (Executive Aide to the Mayor)

**#281-18      Request to increase the retiree COLA base from \$12,000 to \$13,000**

RETIREMENT BOARD requesting City Council approval of an increase to the retiree Cost Of Living Adjustment (COLA) base from twelve thousand dollars (\$12,000) to thirteen thousand dollars (\$13,000), pursuant to Chapter 32, Section 103(j), such increase to be effective July 1, 2018.

**Action:            Finance Denied 4-0**

**Note:**            Vice-chair of the Retirement Board Tom Lopez presented the request to increase the Cost of Living Adjustment (COLA) base of \$12,000 to \$13,000. The Retirement Board voted 3-2 in favor of increasing the retiree COLA base to \$13,000 effective July 1, 2018. Mr. Lopez has spoken with many of the city's retirees and one of their biggest concerns is that there has been no change in the COLA base since 1998. Approximately 66% of the communities in Massachusetts have increased the COLA base over the \$12,000 minimum. The attached list of the COLA base status provides further detail on the amount of the COLA base in a number of communities.

There are 1,300 retirees in the system and 20% of those retirees receive a pension of less than \$12,000 a year. Increasing the COLA base is a way to alleviate some of the pressure on retirees due to increasing costs of living. Many retirees are living on a tight budget. Although it is a small increase, it could be the co-pay for a needed prescription. Thirty-four percent of the city's retirees live in Newton, which is expensive. State law requires that if the COLA base is increased, all retirees must receive the increase. The city cannot provide the increase based on need or income.

An increase in the COLA base to \$13,000 with a 3% COLA would result in an additional \$30 a year per retiree or about \$2.50 per month. Changing the COLA base to \$13,000 results in an increase of \$3.2 million in the city's unfunded liability, which over the 11-year span of the pension-funding schedule results in a total cost of \$8,365,422. The summary of the preliminary results of the actuarial valuation from Segal Consulting are attached. In addition, Chief Financial Officer Maureen Lemieux provided the attached comparison of the funding schedule for COLA based on \$12,000 versus \$13,000.

The Comptroller voted against the base increase because the benefit of \$30 a year for the retirees did not seem to be a large enough benefit when compared to an \$8.365 million cost to the City. In addition, it is important that the city is able to fully fund its pension liability by 2030 in order to begin funding the over \$600 million OPEB liability. It is difficult to consider increasing the base when Newton's pension liability is not as well funded as other municipalities.

It was pointed out that the Newton retirees have received a 3% COLA on the \$12,000 each year over at least the past decade, which may not be the case in other communities. Over a similar timeframe, the Social Security Income increase average is 2.1%. The health benefits that the city's retirees receive are similar to most communities at a 20% cost to the retiree.

Committee member understand the request and empathetic to the retirees. The people that work for the City are invaluable but it is difficult to increase city liabilities for such a small benefit to retirees. Committee members felt that if it were a bigger financial gain for retirees, they could support increasing the base; however, it is too large an increase in the funding schedule to justify supporting the increase to the COLA base for a \$30 per year increase for retirees. It is troubling that the city's base COLA is lower than many other communities but in order to fund the pension liability, the Council must be fiscally responsible. With that, Councilor Gentile moved denial, which carried unanimously.

**#327-18      Transfer of \$20,000 for vehicle maintenance for ISD vehicles**

HER HONOR THE MAYOR requesting authorization to transfer the sum of twenty thousand dollars (\$20,000) from Inspectional Services Full-time Salaries to Inspectional Services Vehicle Maintenance to fund the costs of repairs to Inspectional Services Department vehicles.

**Action:**      Finance Approved 4-0

**Note:**      Chief Financial Officer Maureen Lemieux presented the request to move unused salary funds to a vehicle repair account in the Inspectional Services Department. As many of the department's vehicles are old, they require regular maintenance and repair to keep them operational. The transfer should provide enough funding to continue with repairs until the end of the fiscal year. There is currently a docket item requesting funds to purchase three new electric vehicles for the department, as a start to replacing the department's cars. Committee members understood the need for the transfer and Councilor Lappin moved approval, which carried unanimously.

**#326-18      Acceptance of Mass Housing Grant for \$85,000**

HER HONOR THE MAYOR requesting authorization to accept and expend the Commonwealth of Massachusetts Mass Housing Grant in the amount of eighty-five thousand dollars (\$85,000) for purpose of funding work with an expert fiscal impact team to analyze financial impacts from various building scenarios along Washington and Needham Streets, Riverside, as well as an examination of the proposed new Zoning Ordinance.

**Action:**      Finance Held 4-0

**Note:** Chief Financial Officer Maureen Lemieux informed the Committee that the docket request should be amended. The City learned today that it would only be receiving \$50,000 worth of consulting services instead of \$85,000. Director of Planning and Development Barney Heath presented the request to accept a grant to work with a consultant hired through MassHousing to develop a fiscal impact model for development proposals. MassHousing provided a list of several pre-qualified firms of consultants that Newton could choose to work with. The Planning & Development Department requested to work with the firm of TishlerBise, which has expertise in fiscal, economic planning and has worked on similar projects all over the country. TishlerBise is a sub-consultant of the Principle Group on the city's Washington Street Vision Plan project and is already familiar with the City. The consultant will work with department heads to develop an accurate model that guides the City in its work with developers.

It is important that the City be able to determine all of the fiscal impacts associated with proposed developments. The city is anticipating that several new development projects could bring as many as 2,500 new units of housing in the near future. Developers provide the City with fiscal impacts and an analytical model will allow the City to fact check their data. In addition, the Administration desires a full understanding of all fiscal impacts associated with development. The fiscal impacts include infrastructure, traffic, taxes, school enrollment, and other hard to quantify impacts. When the consultant completes their work, Mr. Heath expects that the city will have Newton specific model to input data for any development project to understand the fiscal impacts associated with a development project.

Mr. Heath provided the Committee with the attached letter from Mayor Fuller to the Manager of planning and Programs and the MassHousing application that was submitted to MassHousing with revisions from the Mayor that were made after the submittal of the application. The Mayor does not usually review grant application before they are submitted, which is the case with this application. Mayor Fuller reviewed the application after the fact and provided feedback to the Planning Department regarding language she would have preferred instead of some of the provided information in the application. Mayor Fuller's preferred language is underscored in the attached application.

A Committee member asked if there would be an opportunity for citizens to see the financial model and understand how it works. Mr. Heath will try to accommodate this but the modelling could be difficult for the public to comprehend, as it is a mathematical exercise with any number of variables depending on the project.

As the Committee received the letter and application at the meeting, the Chair suggested that the Committee hold the item in order to review the new information. Councilor Rice moved hold on the item, which carried by a vote of four in favor and none opposed. The Chair anticipates that the item will be discussed again on June 11, 2018.

**#328-18      Transfer of \$348,000 to fund an agreement with the Teamsters Union**

HER HONOR THE MAYOR requesting authorization to transfer the sum of three hundred forty-eight thousand dollars (\$348,000) from Current Year Reserve Accounts to various department budgets in order to fund the cost items set forth in the one-year contract agreement with the Teamster Union.

**Action:**            **Finance Approved 4-0**

**Note:**            Maureen Lemieux presented the request to transfer funds from current year wage reserve accounts in the general fund and enterprise funds to fund a 1-year contract extension with the Teamsters union. The extension includes funding for a 2% cost of living adjustment and a \$350 signing bonus for each member. The funding for the contract extension has been carried in the FY 2018 as wage reserve in the hopes that the City and the Teamsters Union could reach an agreement on the contract extension. The contract extension expires on June 30, 2018, which is when almost all of the city's contracts with union employees expire. With that, Councilor Grossman moved approval, which carried by a vote of four in favor and none opposed.

**Referred to Finance and Programs & Services Committees****#322-18      Home Rule Legislation to modify the 41A tax deferral program for seniors**

HER HONOR THE MAYOR seeking Home Rule Legislation allowing the City to modify the local cl. 41A tax deferral program for seniors by increasing the income limit for qualifying and participating property owners.

**Action:**            **Finance Approved 4-0**

**Note:**            Chief Financial Officer Maureen Lemieux presented the request to seek Home Rule Legislation to allow the City to modify the local cl. 41A tax deferral program. The program allows qualifying seniors to delay payment of their property taxes without discharging the tax obligation. The City eventually collects any deferred payments at the time of the sale of the property or the owner passes away. The program allows qualifying seniors the ability to defray living expenses by deferring some or all of their property taxes.

The City was granted Home Rule Legislation in 2004 to increase the State's income eligibility limit from \$40,000 to the new maximum limit of \$60,000. The income level for Newton has not been changed since 2004. The City currently has 64 qualifying property owners who use the tax deferral program, which is the highest in the State; however, an increase in the income limit would help more seniors living in Newton.

The above request is only for the special act to adopt a maximum qualifying gross receipts amount of more than \$40,000 but no more than the maximum qualifying gross receipts amount for the senior citizen circuit breaker tax credit. The Administration is in the process of determining the appropriate income limit. When the Administration has an appropriate limit and the State has acted on the requested Home Rule Legislation, it will be back to the Council to set the income eligibility level.

The Administration is hoping that the State legislature acts on the proposed Home Rule Legislation this fall.

The Committee members are supportive of the proposal, as it will help a number of Newton residents living on a fixed income. Councilor Grossman moved approval, which carried unanimously.

**#195-18 Investment Policy for the Rainy Day Stabilization Fund**

COUNCILOR GENTILE, on behalf of the Investment Advisory Committee, submitting its recommendation for an investment policy for the Rainy Day Stabilization Fund.

**Action: Finance Approved as Amended 4-0 by revising the buffer language**

**Note:** The above item was held by the Committee on April 23, 2018, (report attached) due to concerns related to the buffer language. When the investment policy for the Rainy Day Stabilization Fund (RDSF) was not approved by the City Council by April 30, 2018, the temporary \$2 million buffer reverted to Overlay Surplus. The Mayor has made it clear that she does not intend to include funding for a buffer in the RDSF for investments that the City cannot make at this time as they are not included as part of the State's legal list of investments. Some Committee members feel that there should be language clarifying the need for a buffer when investing in the higher risk investment options in Tier 3 of the RDSF Investment Policy.

Proposed buffer language was provided to the Law Department and Chief Financial Officer. They suggested the following amendment language for the buffer header as follows:

Before investing in any Equities or Mutual Funds there must be a buffer of no less than 30% of the value of Tier 3. This buffer must be over and above the target value of the fund, which is 5% of the City's Operating Budget. For example: Rainy Day Fund Balance \$20,000,000 x .33 in Tier 3 = \$6,600,000 x .30 = \$1,980,000 buffer

There were two technical amends. The first is to delete a bullet from the statement that "investments not to exceed 2 years in maturity, but "available' if needed with 5 business days of the request of the funds" to ensure that it is a standalone statement that makes it clear that the statement relates to all of the bulleted suitable investments for Tier 2. The second amendment is to include language that was inadvertently removed during revision. Under the header Tier 3 – Suitable Investments, sub-header **c. Fixed Income instruments** should state the following: "must be U.S. Government or its Agencies or State or corporate obligations. These instruments must be rated by both Standard and Poor's and Moody's as investment grade or better. The instrument must be evaluated for sale from the portfolio if either agency lowers the rating to below A. Duration of the instruments must be prudently selected by the investment managers."

Committee members were supportive of the proposed amendments and Councilor Rice moved approval of the amendments, which carried unanimously.

An additional concern was raised regarding investing in bonds as part of the investment options in Tier 2 of the policy. It was pointed out that the Investment Advisory Committee, which has four experts in investment and worked on the policy for two years did not have any concerns related to investing in bonds. Both the Chief Financial Officer and Comptroller stated that they are not concerned with investing in bonds. The attached legal list of investment provides the specific criteria for bond investment. It is also highly unlikely that the City will be purchasing bonds in the near future. There is a requirement that the Investment Advisory Committee review the policy semi-annually. The Advisory Committee will be meeting in the next month or two to discuss items such as whether the city should hire a manager for the RDSF. The agenda for that meeting will include a discussion on investing in bonds allowed by the State. If there is any issue with bond investments, the policy can be amended. Committee members agreed that this was the best course in regards the bonds.

Councilor Rice moved approval as amended, which carried by a vote of four in favor and none opposed. The draft investment policy with the amendments included is attached.

The Committee adjourned at 9:25 PM and all other items before the Committee were held without discussion. Draft Council Orders for the above items that are recommended for City Council action are attached.

Respectfully submitted,

Leonard J. Gentile, Chair

**FY18 COLA BASE STATUS – Provided by MA Retirees Assoc.**

1. Adams (1/23/17) \$14k
2. Amesbury (3/30/17) \$12k
3. Andover (5/25/17) \$12k
4. Arlington (3/30/17) \$15k
5. Attleboro (5/25/17) \$13k
6. Barnstable Cty (4/27/17) \$18k
7. Berkshire Cty (3/29/17) \$14k
8. Beverly (3/23/17) \$12k
9. Belmont (2/17/17) \$12k
10. Blue Hills RSD (12/27/16) \$16k
11. Boston (5/21/17) \$14k
12. Braintree (3/30/17) \$12k
13. Bristol Cty (3/22/17) \$18k
14. Brockton (1/25/17) \$12k
15. Brookline (5/9/17) \$13k
16. Cambridge (3/2/17) \$14k
17. Chelsea (2/16/17) \$12k
18. Chicopee (2/23/17) \$15k
19. Clinton (3/28/17) \$14k
20. Concord (4/26/17) \$12k
21. Danvers (4/26/17) \$13k
22. Dedham (6/17/17) \$15k
23. Dukes Cty (3/28/17) \$14k
24. Easthampton (3/28/17) \$14k
25. Essex Cty (4/5/17) \$14k
26. Everett (4/26/17) \$14k
27. Fairhaven (6/20/17) \$14k
28. Fall River (4/26/17) \$12k
29. Falmouth (5/25/17) \$12k
30. Fitchburg (5/9/17) \$12k
31. Framingham (4/25/17) \$12k
32. Franklin Cty (2/22/17) \$17k
33. Gardner (3/28/17) \$13k
34. Gloucester (3/29/17) \$14k
35. GLSD (4/26/17) \$12k
36. Greenfield (1/24/17) \$14k
37. Hampden Cty (5/20/17) \$18k
38. Hampshire Cty (3/8/17) \$13k
39. Haverhill (2/21/17) \$12k
40. Hingham (2/21/17) \$13k
41. Holyoke (5/25/17) \$12k
42. Hull (1/24/17) \$13k
43. Lawrence (4/25/17) \$12k
44. Leominster (6/29/17) \$12k
45. Lexington (2/27/17) \$14k
46. Lowell (3/30/17) \$17k
47. Lynn (3/28/17) \$14k
48. Malden (June) \$14k
49. Marblehead (6/13/17) 12k
50. Marlborough (5/31/17) \$12k
51. MassPort (6/29/17) \$14k
52. Maynard (3/28/17) \$15k
53. Medford (7/27/17) \$16k
54. Melrose (6/26/17) \$12k
55. Methuen (3/30/17) \$16k
56. MHFA (2/14/17) \$13k
57. Middlesex Cty (3/15/17) \$14k
58. Milford (5/23/17) \$13k
59. Milton (6/29/17) \$15k
60. Minuteman RSD (5/24/17) \$13k
61. Montague (5/30/17) \$18k
62. MWRA (March 2017) \$13k
63. N Adams (3/21/17) \$13k
64. Natick (6/21/17) \$13k
65. Needham (4/12/17) \$14k
66. New Bedford (5/30/17) \$12k
67. Newburyport (5/25/17) \$12k
68. Newton (3/22/17) \$12k
69. N Attleboro (5/25/17) \$14k
70. Norfolk Cty (5/31/17) \$17k
71. Northampton (2/23/17) \$13k
72. Northbridge (5/24/17) \$14k
73. Norwood (4/20/17) \$14k
74. Peabody (6/21/17) \$12k
75. Pittsfield (2/23/17) \$14k
76. Plymouth (2/24/17) \$14k
77. Plymouth Cty (2/28/17) \$14k
78. Quincy (6/29/17) \$12k
79. Reading (5/23/17) \$12k
80. Revere (5/17/17) \$12k
81. Salem (4/26/17) \$12k
82. Saugus (5/31/17) \$14k
83. Shrewsbury (5/24/17) \$12k
84. **Somerville (6/26/17) 14k 2.5%**
85. Southbridge (6/29/17) \$12k
86. Springfield (3/1/17) \$13k
87. Stoneham (3/21/17) \$13k
88. Swampscott (2/28/17) \$13k
89. Taunton (3/22/17) \$15k
90. W Springfield (5/24/17) \$13k
91. Wakefield (4/20/17) \$12k
92. Waltham (3/8/17) \$14k
93. Watertown (3/21/17) \$13k
94. Webster (4/29/17) \$16k
95. **Wellesley (2/28/17) \$15k 1.5%**
96. Westfield (3/23/17) \$13k
97. Weymouth (2/27/17) \$12k
98. Winchester (3/21/17) \$12k
99. Winthrop (3/28/17) \$12k
100. Woburn (5/30/17) \$12k
101. Worcester (6/7/17) \$13k
102. Worcester Cty (4/27/17) \$16k
103. State \$13k
104. MTRS \$13k





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Senior Vice President and Actuary  
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April 4, 2018

Retirement Board  
Newton Contributory Retirement System  
1000 Commonwealth Avenue  
Newton Centre, MA 02159-1449

Subject: Summary of Preliminary Results of January 1, 2018 Actuarial Valuation

Dear Board Members:

The following is a summary of the preliminary results of our January 1, 2018 actuarial valuation for the Newton Contributory Retirement System.

Chart 1 summarizes the data used in this year's valuation, compared to the data used in the January 1, 2017 valuation dated June 23, 2017. The number of active participants has declined for the second year in a row and average payroll has grown at a higher than expected rate.

During the plan year ending December 31, 2017, the market value rate of return was 16.61%. Because the actuarial value of assets gradually recognizes market value fluctuations, the actuarial rates of return for the plan year ending December 31, 2017 was 8.59%. The actuarial value of assets as of December 31, 2017 was \$340.8 million, or 97.0% of the market value of assets of \$351.2 million (as reported in the Annual Statement). As of December 31, 2016, the actuarial value of assets was 104.2%.

The total unrecognized investment gain as of December 31, 2017 was \$10.3 million. This investment gain will be recognized in the determination of the actuarial value of assets for the funding purposes in the next few years, to the extent it is not offset by recognition of investment gains derived from future experience. This implies that earning the assumed rate of investment return (net of expenses) on a market value basis will result in investment gains on the actuarial value of assets in the next few years. In the prior valuation, the unrecognized investment losses were reflected in the funding schedule. With these preliminary valuation results we have included two funding schedules that include the December 31, 2017 unrecognized investment gains and two schedules that exclude the unrecognized investment gains.

The unfunded liability was expected to decrease from \$307.7 million as of January 1, 2017 to \$307.5 million as of January 1, 2018. The actual unfunded liability as of January 1, 2018, before reflecting assumption or plan changes, is \$301.7 million or \$5.8 million lower than expected as detailed on the following page.

RECEIVED  
NEWTON CITY CLERK  
2018 MAY 30 AM 11:56  
David A. Olson, CPC  
Newton, MA 02449

Retirement Board  
 Newton Contributory Retirement System  
 April 4, 2018  
 Page 2

<b>1.</b>	Unfunded actuarial accrued liability as of January 1, 2017		\$307,719,721
<b>2.</b>	Normal cost at beginning of year		12,367,791
<b>3.</b>	Total contributions		-35,286,384
<b>4.</b>	Interest		
	(a) For whole year on <b>(1) + (2)</b>	\$24,006,563	
	(b) For half year on <b>(3)</b>	<u>-1,276,447</u>	
	(c) Total		<u>22,730,116</u>
<b>5.</b>	Expected unfunded actuarial accrued liability as of January 1, 2018		\$307,531,244
<b>6.</b>	Changes due to:		
	(a) Net gain from investments	-\$3,448,057	
	(b) Net loss from salary experience	3,594,420	
	(c) Net gain from other experience (primarily retirement and disability experience)	<u>-5,954,731</u>	
	(d) Net experience gain		<u>-5,808,368</u>
<b>7.</b>	Unfunded actuarial accrued liability as of January 1, 2018 before assumption and plan changes		\$301,722,876

Based on this experience and our discussions with you, we recommend the following assumption changes:

- Lower the investment return assumption from 7.50% to 7.25%.
- Update the mortality assumption for non-disabled participants from the RP-2000 Employee and Healthy Annuitant Mortality Table projected generationally from 2005 with Scale BB to the RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Table projected generationally with Scale MP-2017.
- Update the mortality assumption for disabled participants from the RP-2000 Healthy Annuitant Mortality Table set forward three years projected generationally from 2005 with Scale BB to the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.
- Revise the salary increase assumption from 3.5% per year all employees to the following service-based assumption:

Years of Service	Groups 1 and 2	Group 3
0	7.00%	8.00%
1	6.50%	7.50%
2	6.00%	7.00%
3	5.50%	6.50%
4	5.25%	6.00%
5	5.00%	5.50%
6	4.75%	5.25%
7	4.50%	5.00%
8	4.25%	4.75%
9	4.00%	4.50%
10	3.75%	4.25%
11+	3.50%	4.00%

Changing these assumptions increased the unfunded liability by approximately \$16.8 million and increased the normal cost by approximately \$1.6 million.

The 2018 budgeted administrative expenses of \$322,244 were added to the normal cost in addition to the net (3)(8)(c) assumption of \$250,000.

In addition to preparing funding schedules based on the current COLA base of \$12,000, we have prepared funding schedules that reflect an increase in the COLA base to \$13,000 effective July 1, 2018. Increasing the COLA base to \$13,000 increases the unfunded liability by \$3.2 million and the normal cost by \$66,000.

We have included four funding schedules for your review. All schedules fully fund the System by June 30, 2030, the same as the prior valuation. Schedules 1 and 2 reflect the current COLA base. Schedule 1 reflects the deferred investment gains in the schedule. This is the same approach used in the prior valuation. Schedule 2 does not reflect the deferred investment gains in the schedule. Reflecting the deferred investment gains, which equal \$10.3 million, results in slightly lower appropriation increases in the later years of the schedule. Schedules 3 and 4 reflect a COLA base of \$13,000. Schedule 3 reflects the deferred investment gains and Schedule 4 does not reflect the deferred investment gains.

In the prior valuation, the increases in the appropriation were spread uniformly over the schedule resulting in appropriation increases of 9.6% per year and a smaller payment in fiscal 2030. With the exception of Schedule 4, we have maintained the 9.6% increases in the appropriation. For Schedules 1-3, the appropriation is the same in all years through 2029. There are different appropriations in fiscal 2030. The normal cost and unfunded liability differ in all schedules, depending on which COLA base is reflected and whether or not the deferred investment gains are reflected. For Schedule 4, the appropriation increases 9.65% per year through fiscal 2029 with a smaller increase in fiscal 2030.

Retirement Board  
 Newton Contributory Retirement System  
 April 4, 2018  
 Page 4

As noted above, we maintained the 9.6% annual increase in the appropriation for Schedules 1-3. Although we did not include schedules with lower annual increases, we have determined what those lower annual increases would be. For Schedules 1 and 3, which reflect the deferred investment gains, if the increases in the appropriation were spread uniformly over the schedule, the appropriations would increase 9.05% and 9.25% per year, respectively. For Schedule 2, which does not reflect the deferred investment gains, a uniform annual increase would be 9.45%.

For your information, we have included the funded ratio as of January 1, 2018, based on the market value and actuarial value of assets, with the recommended assumption changes, and with and without the increase in the COLA base.

Funded Percentage	\$12,000 COLA Base	\$13,000 COLA Base
Actuarial Value of Assets	51.69%	51.44%
Market Value of Assets	53.26%	53.00%

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Retirement System. The census information and financial information on which this actuarial valuation was based was prepared by the staff of the Newton Contributory Retirement System.

The actuarial assumptions and plan provisions used for this valuation are as described in Section 4 of the January 1, 2017 actuarial valuation dated June 23, 2017, except for the changes noted above. The financial information used in this valuation is as of December 31, 2017.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law.

An actuarial valuation is a measurement at a specific date – it is not a prediction of a plan's future financial condition. We have not been retained to perform an analysis of the potential range of financial measurements, except where otherwise noted.

The actuarial calculations were directed under my supervision. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of my knowledge, the information supplied in this actuarial valuation is complete and accurate. In my opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.

Retirement Board  
Newton Contributory Retirement System  
April 4, 2018  
Page 5

We look forward to reviewing these results with you.

Sincerely,



Kathleen A. Riley, FSA, MAAA, EA

KCR/jpb

Enclosure

8696144V5/02729.006

CHART 1 – TABLE OF PLAN COVERAGE

Category	Year Ended December 31		Change From Prior Year
	2017	2016	
<b>Active participants in valuation:</b>			
• Number	1,581	1,633	-3.2%
• Average age	46.1	45.9	0.2
• Average years of service	12.0	11.9	0.1
• Total payroll	\$95,610,249	\$93,475,180	2.3%
• Average payroll	60,475	57,241	5.6%
• Member contributions	89,091,577	87,606,181	1.7%
• Total active vested participants	883	889	-0.7%
<b>Inactive nonvested participants due a refund of employee contributions</b>			
	587	621	-5.5%
<b>Inactive vested participants with a vested right to a deferred or immediate benefit</b>			
	29	34	-14.7%
<b>Retired participants:</b>			
• Number in pay status	954	925	3.1%
• Average age	74.2	74.3	-0.1
• Average monthly benefit	\$2,472	\$2,420	2.1%
<b>Disabled participants:</b>			
• Number in pay status	137	142	-3.5%
• Average age	69.1	68.7	0.4
• Average monthly benefit	\$3,057	\$2,961	3.2%
<b>Beneficiaries:</b>			
• Number in pay status	224	243	-7.8%
• Average age	78.5	79.3	-0.8
• Average monthly benefit	\$1,569	\$1,523	1.6%

Notes: Calendar year 2017 payroll figures were increased by 10.90% for police sergeants and school custodians to reflect unsettled bargaining contracts. Calendar year 2016 payroll figures were decreased for school clerical, firefighters and police officers to reflect retroactive contract settlements and were increased by 7.67% for police sergeants and school custodians to reflect unsettled bargaining contracts.

**FUNDING SCHEDULE 1 – APPROPRIATION INCREASES BY 9.6% PER YEAR AND  
SYSTEM IS FULLY FUNDED BY 2030, \$12,000 COLA, DEFERRED INVESTMENT GAINS**

(1) Fiscal Year Ended June 30	(2) Normal Cost	(3) Amortization of Unfunded Actuarial Accrued Liability	(4) Appropriation (2) + (3)	(5) Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(6) Percent Increase in Appropriation
2019	\$4,973,856	\$23,334,871	\$28,308,728	\$329,879,790	-
2020	5,132,670	25,893,695	31,026,365	326,333,280	9.60%
2021	5,296,490	28,708,406	34,004,897	320,356,647	9.60%
2022	5,465,474	31,803,892	37,269,367	311,389,807	9.60%
2023	5,639,783	35,207,443	40,847,226	298,826,663	9.60%
2024	5,819,583	38,948,977	44,768,559	282,005,268	9.60%
2025	6,005,045	43,061,297	49,066,341	260,197,533	9.60%
2026	6,196,345	47,580,365	53,776,710	232,598,596	9.60%
2027	6,393,665	52,545,609	58,939,274	198,315,701	9.60%
2028	6,597,193	58,000,251	64,597,444	156,356,375	9.60%
2029	6,807,124	63,991,675	70,798,799	105,615,628	9.60%
2030	7,023,654	45,304,305	52,327,959	45,040,828	-26.09%
2031	7,246,993	0	7,246,993	0	-86.15%

Notes: Recommended contributions are assumed to be paid on August 1.  
Assumes contribution of budgeted amount for fiscal year 2019.  
Item (2) reflects 2.75% growth in payroll, plus an additional 0.15% adjustment to total normal cost to reflect the effects of mortality improvement due to generational mortality assumption.  
Projected normal cost does not reflect the impact of pension reform for future hires.  
Projected unfunded actuarial accrued liability reflects deferred investment gains.

**FUNDING SCHEDULE 2 – APPROPRIATION INCREASES BY 9.6% PER YEAR AND  
SYSTEM IS FULLY FUNDED BY 2030, \$12,000 COLA, WITHOUT DEFERRED INVESTMENT GAINS**

(1) Fiscal Year Ended June 30	(2) Normal Cost	(3) Amortization of Unfunded Actuarial Accrued Liability	(4) Appropriation: (2) + (3)	(5) Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(6) Percent Increase in Appropriation
2019	\$4,973,856	\$23,334,871	\$28,308,728	\$329,879,790	-
2020	5,132,670	25,893,695	31,026,365	328,914,973	9.60%
2021	5,296,490	28,708,406	34,004,897	325,151,829	9.60%
2022	5,465,474	31,803,892	37,269,367	318,114,636	9.60%
2023	5,639,783	35,207,443	40,847,226	307,266,645	9.60%
2024	5,819,583	38,948,977	44,768,559	292,003,096	9.60%
2025	6,005,045	43,061,297	49,066,341	271,643,482	9.60%
2026	6,196,345	47,580,365	53,776,710	245,422,983	9.60%
2027	6,393,665	52,545,609	58,939,274	212,482,983	9.60%
2028	6,597,193	58,000,251	64,597,444	171,860,580	9.60%
2029	6,807,124	63,991,675	70,798,799	122,476,971	9.60%
2030	7,023,654	63,493,882	70,517,536	63,124,619	-0.40%
2031	7,246,993	0	7,246,993	0	-89.72%

Notes: Recommended contributions are assumed to be paid on August 1.  
Assumes contribution of budgeted amount for fiscal year 2019.  
Item (2) reflects 2.75% growth in payroll, plus an additional 0.15% adjustment to total normal cost to reflect the effects of mortality improvement due to generational mortality assumption.  
Projected normal cost does not reflect the impact of pension reform for future hires.  
Projected unfunded actuarial accrued liability does not reflect deferred investment gains.



**FUNDING SCHEDULE 3 – APPROPRIATION INCREASES BY 9.60% PER YEAR AND  
SYSTEM IS FULLY FUNDED BY 2030, \$13,000 COLA, DEFERRED INVESTMENT GAINS**

(1) Fiscal Year Ended June 30	(2) Normal Cost	(3) Amortization of Unfunded Actuarial Accrued Liability	(4) Appropriation: (2) + (3)	(5) Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(6) Percent Increase in Appropriation
2019	\$5,041,374	\$23,267,353	\$28,308,728	\$333,225,824	-
2020	5,202,149	25,824,217	31,026,365	329,995,459	9.60%
2021	5,367,987	28,636,910	34,004,897	324,360,042	9.60%
2022	5,539,048	31,730,319	37,269,367	315,761,365	9.60%
2023	5,715,493	35,131,732	40,847,226	303,595,341	9.60%
2024	5,897,492	38,871,068	44,768,559	287,202,190	9.60%
2025	6,085,215	42,981,126	49,066,341	265,856,144	9.60%
2026	6,278,843	47,497,867	53,776,710	238,754,831	9.60%
2027	6,478,560	52,460,714	58,939,274	205,008,174	9.60%
2028	6,684,554	57,912,890	64,597,444	163,626,571	9.60%
2029	6,897,021	63,901,778	70,798,799	113,508,116	9.60%
2030	7,116,163	53,914,929	61,031,093	53,601,375	-13.80%
2031	7,342,187	0	7,342,187	0	-87.97%

Notes: Recommended contributions are assumed to be paid on August 1.  
Assumes contribution of budgeted amount for fiscal year 2019.  
Item (2) reflects 2.75% growth in payroll, plus an additional 0.15% adjustment to total normal cost to reflect the effects of mortality improvement due to generational mortality assumption.  
Projected normal cost does not reflect the impact of pension reform for future hires.  
Projected unfunded actuarial accrued liability reflects deferred investment gains.

**FUNDING SCHEDULE 4 – APPROPRIATION INCREASES BY 9.65% PER YEAR AND  
SYSTEM IS FULLY FUNDED BY 2030, \$13,000 COLA, WITHOUT DEFERRED INVESTMENT GAINS**

(1) Fiscal Year Ended June 30	(2) Normal Cost	(3) Amortization of Unfunded Actuarial Accrued Liability	(4) Appropriation: (2) + (3)	(5) Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(6) Percent Increase in Appropriation
2019	\$5,041,374	\$23,267,353	\$28,308,728	\$333,225,824	-
2020	5,202,149	25,838,371	31,040,520	332,575,587	9.65%
2021	5,367,987	28,667,943	34,035,930	329,136,828	9.65%
2022	5,539,048	31,781,349	37,320,397	322,431,691	9.65%
2023	5,715,493	35,206,322	40,921,816	311,920,723	9.65%
2024	5,897,492	38,973,279	44,870,771	296,995,789	9.65%
2025	6,085,215	43,115,585	49,200,800	276,972,232	9.65%
2026	6,278,843	47,669,834	53,948,677	251,080,181	9.65%
2027	6,478,560	52,676,165	59,154,725	218,454,931	9.65%
2028	6,684,554	58,178,601	64,863,156	178,126,287	9.65%
2029	6,897,021	64,225,430	71,122,450	129,006,774	9.65%
2030	7,116,163	70,287,361	77,403,524	69,878,589	8.83%
2031	7,342,187	0	7,342,187	0	-90.51%

Notes: Recommended contributions are assumed to be paid on August 1.  
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Projected unfunded actuarial accrued liability does not reflect deferred investment gains.

**City of Newton, Massachusetts**  
**Retirement System Funding Schedule**  
**Comparison of COLA based on \$12,000 vs. \$13,000**

*May 30, 2018*

*mll*

	<u>\$12,000 COLA</u>	<u>\$13,000 COLA</u>	<u>INCREASED COST</u>
2019	\$ 28,308,728	\$ 28,308,728	\$ -
2020	\$ 31,026,365	\$ 31,040,520	\$ 14,155
2021	\$ 34,004,897	\$ 34,035,930	\$ 31,033
2022	\$ 37,269,367	\$ 37,320,397	\$ 51,030
2023	\$ 40,847,226	\$ 40,921,816	\$ 74,590
2024	\$ 44,768,559	\$ 44,870,771	\$ 102,212
2025	\$ 49,066,341	\$ 49,200,800	\$ 134,459
2026	\$ 53,776,710	\$ 53,948,677	\$ 171,967
2027	\$ 58,939,274	\$ 59,154,725	\$ 215,451
2028	\$ 64,597,444	\$ 64,863,156	\$ 265,712
2029	\$ 70,798,799	\$ 71,122,450	\$ 323,651
2030	\$ 70,517,536	\$ 77,403,524	\$ 6,885,988
2031	\$ 7,246,993	\$ 7,342,187	\$ 95,194
	<b>\$ 591,168,239</b>	<b>\$ 599,533,681</b>	<b>\$ 8,365,442</b>

**FUNDING SCHEDULE 2 – APPROPRIATION INCREASES BY 9.6% PER YEAR AND  
SYSTEM IS FULLY FUNDED BY 2030, \$12,000 COLA, WITHOUT DEFERRED INVESTMENT GAINS**

(1) Fiscal Year Ended June 30	(2) Normal Cost	(3) Amortization of Unfunded Actuarial Accrued Liability	(4) Appropriation: (2) + (3)	(5) Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(6) Percent Increase in Appropriation
2019	\$4,973,856	\$23,334,871	\$28,308,728	\$329,879,790	-
2020	5,132,670	25,893,695	31,026,365	328,914,973	9.60%
2021	5,296,490	28,708,406	34,004,897	325,151,829	9.60%
2022	5,465,474	31,803,892	37,269,367	318,114,636	9.60%
2023	5,639,783	35,207,443	40,847,226	307,266,645	9.60%
2024	5,819,583	38,948,977	44,768,559	292,003,096	9.60%
2025	6,005,045	43,061,297	49,066,341	271,643,482	9.60%
2026	6,196,345	47,580,365	53,776,710	245,422,983	9.60%
2027	6,393,665	52,545,609	58,939,274	212,482,983	9.60%
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2030	7,023,654	63,493,882	70,517,536	63,124,619	-0.40%
2031	7,246,993	0	7,246,993	0	-89.72%

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**FUNDING SCHEDULE 4 – APPROPRIATION INCREASES BY 9.65% PER YEAR AND  
SYSTEM IS FULLY FUNDED BY 2030, \$13,000 COLA, WITHOUT DEFERRED INVESTMENT GAINS**

(1) Fiscal Year Ended June 30	(2) Normal Cost	(3) Amortization of Unfunded Actuarial Accrued Liability	(4) Appropriation: (2) + (3)	(5) Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(6) Percent Increase in Appropriation
2019	\$5,041,374	\$23,267,353	\$28,308,728	\$333,225,824	-
2020	5,202,149	25,838,371	31,040,520	332,575,587	9.65%
2021	5,367,987	28,667,943	34,035,930	329,136,828	9.65%
2022	5,539,048	31,781,349	37,320,397	322,431,691	9.65%
2023	5,715,493	35,206,322	40,921,816	311,920,723	9.65%
2024	5,897,492	38,973,279	44,870,771	296,995,789	9.65%
2025	6,085,215	43,115,585	49,200,800	276,972,232	9.65%
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2027	6,478,560	52,676,165	59,154,725	218,454,931	9.65%
2028	6,684,554	58,178,601	64,863,156	178,126,287	9.65%
2029	6,897,021	64,225,430	71,122,450	129,006,774	9.65%
2030	7,116,163	70,287,361	77,403,524	69,878,589	8.83%
2031	7,342,187	0	7,342,187	0	-90.51%

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Projected unfunded actuarial accrued liability does not reflect deferred investment gains.

CITY OF NEWTON

IN BOARD OF ALDERMEN

2018

ORDERED:

That, in accordance with the recommendation of the Finance Committee through its Chair Leonard J. Gentile, a transfer of funds in the amount of twenty thousand dollars (\$20,000) to cover the costs of repairs to Inspectional Services Department vehicles, be and is hereby approved as follows:

FROM:	ISD Salaries (0122001-511001).....	\$20,000
TO:	ISD Vehicle Maintenance (0122001-52403).....	\$20,000

Under Suspension of Rules  
Readings Waived and Approved

(SGD) DAVID A. OLSON  
City Clerk

(SGD) RUTHANNE FULLER  
Mayor

Date: \_\_\_\_\_



Ruthanne Fuller  
Mayor

City of Newton, Massachusetts  
Office of the Mayor

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

March 28, 2018

Greg Watson  
Manager of Planning and Programs  
MassHousing  
One Beacon St  
Boston, MA 02108

Dear Mr. Watson,

The diversity of Newton's housing supply is one of the central issues challenging the City today. While I campaigned for Mayor last year, I heard countless stories from residents and businesses that illustrated how the lack of housing choices, particularly the lack of affordable housing options, was having real consequences for the city's prospects to be an economically diverse and welcoming community, to be a place where older adults can downsize and stay in the community they love, to be a place where young adult Newtonians who grew up here can settle with their families, and to be a place where businesses can thrive with nearby homes for their workforce, whether that is servers at a restaurant or millennial tech workers. With these stories in mind, I campaigned on continuing and expanding Mayor Warren's work identified under the 2016 Housing Strategy.

As we got to work on this issue at the start of the year, one of the key challenges we identified was the fiscal impacts of new development. With budget planning for the upcoming fiscal year in full swing coupled with my administration getting up to speed on the long-range capital and financial challenges the City faces, the dollars and cents of City government are front of mind. Many members of the community and the City Council are asking the same question I am, "How can we afford the costs of new residential development?"

To be confident that the City's housing and budgetary goals can be aligned we need good data; we need to be able to predict the potential costs of new development with reasonable certainty. With this data, we can do fiscally sound budgetary planning that includes the necessary capital spending to properly size new classrooms and/or schools. While many developers already do fiscal impact analyses, the City needs its own established methodology and formulas so that we can have confidence in the results and therefore confidence in our investment and spending plans.

Thank you for your consideration of our Planning grant application. The City will readily meet the match requirement of this grant. I look forward to this project being the opening of a future working relationship with MassHousing as we work to bring greater housing opportunities and affordability to Newton.

Sincerely,

Mayor Ruthanne Fuller

# MassHousing: Planning for Housing Production Program Application

Applicant Information			
Municipality	City of Newton		
Name of chief administrative official	Mayor Ruthanne Fuller		
Name, title, and email address of application contact	Barney Heath, Director of Planning & Development bheath@newtonma.gov		
Phone	617-796-1120		
Web address	www.newtonma.gov		
Mailing address 1000 Commonwealth Ave Newton, MA 02459	Physical address (if different)		
Does the municipality currently have a multifamily housing development moratorium?	No		
Type of housing production planning to be implemented (comprehensive master plan, Housing Production Plan, etc.)	Housing Strategy; Corridor Master Plan		
Type of technical assistance sought	Rezoning _____ Public infrastructure design _____	Community Development Capacity-Building _____ Data Transparency <u>X</u> _____	
Grant amount requested ( <b>Local design services only</b> , \$100,000 maximum)	\$ 80,000		
Latest DHCD Subsidized Housing Inventory percentage	7.5%	Has the municipality adopted the Community Preservation Act?	Yes
Does the municipality have a current DHCD-approved HPP?	No	Has the HPP been certified by DHCD?	NA
Does the municipality have a DHCD-approved Chapter 40R district?	No	Does the municipality have a zoning district that allows by-right multifamily housing?	No
Does the municipality have a signed Community Compact?	Yes	Is the municipality pursuing a housing best practice under the Community Compact?	No
Total new housing units to be created through this application	Approx. 2,500 <u>expected to be reviewed</u>	New affordable housing units to be created through this application	Approx. 325 (15%) <u>expected subject to review</u>



### **Application Narrative**

*Briefly describe the applicant municipality's current housing stock, the housing choices currently available to households of varied ages and incomes, and the local and regional need for additional housing growth.*

The great majority of Newton's housing stock is single-family at 55% of units. Following that is 2-3 unit buildings with 21%. The median home sale price is \$1.1 million, nearly double what it was in 2003. This combination of mostly single-family and high-priced units represents a significant challenge to Newton's ability to be an economically diverse community, which is reflected in the rapid demographic changes occurring as low, moderate, and middle-income household leave the City and are replaced with households earning more than \$200,000 a year.

The housing crisis in greater Boston is well documented with more than 400,000 additional units needed through 2040. Newton is well positioned to contribute towards that unit production because it offers good transportation access (transit and road network) to job centers in Boston and along Route 128, and has many smart growth oriented parcels that could accommodate greater densities of development in walking distance to transit, jobs, and services.

*Please describe the applicant municipality's planning vision for meeting local and regional housing needs. What planning efforts inform this vision? How did the municipality engage community stakeholders in setting this planning vision?*

Newton has had a long-standing commitment to supporting the diversity of the community through ensuring a supply of low and middle-income housing units as well as a diverse range of housing types.

Newton's 2007 Comprehensive Plan laid the groundwork for this vision and in 2016, Newton's Housing Strategy described the current state of Newton's housing market, its anticipated housing needs, and identified actions to be taken to advance diversification of its housing stock. The Housing Strategy was completed with significant community engagement including interviews with for-profit and non-profit housing developers active in the community, a number of public meetings and workshops, and direct meetings with the City Council.

*What strategies will the municipality employ to deliver on its housing vision? What actions, if any, has the municipality taken to implement its housing vision?*

Newton's Housing Strategy is multi-faceted with a range of projects and policy actions. An important aspect of the Housing Strategy was identifying specific priority housing projects.

Last year Newton adopted a significantly improved accessory apartment ordinance that allows all single and two-family homes in the City to have an accessory apartment by-right under the standards of the ordinance. The City Council is currently deliberating on a new inclusionary housing ordinance that would increase the percentage of affordable units required from the current 15% to 20% for some projects. The City is also in the midst of rewriting the entire Zoning Ordinance and through that effort will attempt to address many of the barriers to housing development in the City. Finally, the City has been supporting a number of development projects, a mix of private for-profit projects, non-profit led projects, and public-private partnerships. Two of those projects are breaking ground in 2018 with a total of more than 200 new units.

Under the current administration, and with the insights received through the election process for both the Mayor and the City Council this past fall, it is increasingly understood that the challenges of growth and development can only be addressed through localized, community-led planning efforts. The concerns the public feels about the future and change require that the community understands what the parameters of change will be and how the related issues will be planned for and addressed. To that end, the City of Newton is now coupling its city-wide strategies, such as the Housing Strategy, with a program of area master plans, the first of which will be for the Washington Street corridor, from West Newton to Newton Corner. This area of the City is considered to have great potential for new development, with at least one developer currently proposing a total of nearly 1000 new residential units on two different sites.

*Briefly describe the specific barriers that prevent the full realization of the municipality's vision for housing growth.*

Newton is not unusual in the range of obstacles to housing development in the City. Community opposition is foremost amongst those, with the out-dated zoning also presenting a significant barrier. One of the key issues for many members of the City Council is understanding fiscal impacts as, along with transportation concerns, this is one of the most frequently cited public concerns. School crowding and the backlog of public infrastructure and public building repairs are significant issues for the community and new residential development is seen as exacerbating these problems rather than offering solutions. The proposed master planning process described above is viewed as key to addressing these concerns.

*MassHousing's Planning for Housing Production Program will build local capacity to implement housing planning, by providing municipalities with high-impact consultant services.*

*What are the technical assistance services requested by the municipality, as part of this grant program? What specific activities will the municipality and MassHousing's technical assistance consultants collaborate on? How will these planning implementation services assist the municipality in overcoming locally-identified housing production roadblocks?*

The City of Newton is requesting funds to support one aspect of Newton's overall vision and strategy for housing development – the creation of fiscal/economic impact models that will allow clear understanding of how new development can benefit the City's fiscal position, ensuring that the additional costs that might be associated with new development will be adequately prepared for and, in some cases, compensated for by revenue derived from new development. School enrollment is one of the more prominent issues, and since it is the intention of the City to continue to seek three-bedroom units in these developments, understanding school enrollment projections from these developments will be an important factor.

*What is the deliverable work product, or set of deliverables, that will result from the technical assistance being sought?*

There are two deliverables associated with the request. The first is a fiscal impact model, to be developed as part of the Washington St Corridor Master Plan project. This model will be used as part of the community charrette in June to assess various development scenarios in real time with the public. Following that, the model will be used to assess fiscal impacts for the two other prominent development projects proposed for other locations in the City, totaling an additional 1,500 residential

units. The assessment of these two additional projects will build Newton's experience with the model in different parts of the city and establish the model as the City's standard with the City Council, the community, and developers. With this fiscal model, the City will be able to build new residential development into long range budget plans for renovation/replacement of the City's schools as well as for investment in transportation and utility infrastructure.

The second deliverable is a Fiscal Impact Model that can be used to assess policy choices in the rewrite of Newton's Zoning Ordinance. Newton has been engaged in the complete rewrite of its Zoning Ordinance for a number of years. This fall staff will be delivering to the City Council a complete draft of this new ordinance. Among the proposals to be included, will be a greater amount of small-scale multi-family development opportunities, referred to sometimes as the "Missing Middle" that will be proposed as by-right or via a site plan review process. One important aspect of passing this ordinance will be understanding fiscal impacts.

To the extent possible, both of these models will attempt to illustrate the second order impacts of residential development – that is how additional residents represent both greater customer base for commercial uses and more readily available workforce. Both of these factors are believed to contribute to greater value in the existing and new commercial parcels and otherwise support economic development efforts.

As the City has already selected its consultant team for the Washington St corridor project, including a fiscal impact consultant, the City is requesting that the MassHousing Partnership work with us to find a way to proceed under this grant program with our existing team. The City is working with Tischler Bice, widely recognized as one of the leading authorities on fiscal impact assessment.

*What is the anticipated duration of the consulting services engagement?*

The project would start right away and be completed by the end of 2018.

*Briefly describe the feasibility and marketability of the applicant municipality's housing planning vision.*

Newton's housing vision is focused primarily on mixed-use multi-family development in Transit-Oriented locations with particular focus at this time on three locations: the Washington Street corridor between West Newton and Newton Corner, the Riverside Green Line Station area, and the Needham St corridor.

Across all of these potential developments, attention is being given to design that is in keeping with the historic patterns and character of development in Newton, as called for in the Comprehensive Plan. With the potential for more than 2,000 residential units to be built in these areas, Newton is looking at one of the greatest single increases in new units in the City in decades. The feasibility of these projects being approved and built relies in large part in the confidence of the City Council and public at large that this level of development can be sustained without challenging Newton's high quality of life and public services – that is, can the City accommodate the fiscal and transportation impacts of this degree of new development. Newton's Transportation Strategy proposes solutions to the potential transportation challenges. The proposed fiscal model is intended to support sound budget planning for the future.

*Briefly describe how the proposed grant activities are consistent with previous local planning efforts.*

The primary direction of Newton's Housing Strategy was to identify and advance housing development projects, and this agenda has been generally successful. Still, moving housing development projects from concept to implementation in Newton remains challenging, primarily due to the development review process and the public and political concerns raised for fiscal and transportation related impacts. Developing a fiscal impact model for the City that predicts fiscal needs with reasonable accuracy will give the City confidence in future needs presented by necessary new development, allowing for City budgeting and service planning.

*Briefly describe how the proposed grant activities are consistent with previous regional planning efforts, where applicable.*

Newton's location in the inner core of the greater Boston region, served by multiple transit lines, makes it a clear smart growth location for new development. MAPC's MetroFuture plan and other policy documents point to the clear and compelling need for new residential development in the region, particularly multi-family development, and directs that growth to the types of smart growth locations exemplified by Newton. Affordable housing opportunities are particularly important in Newton, both for the benefit of Newton's diversity and economic development, but also so that a greater range of people can benefit from the opportunities presented by Newton's high quality of life and good schools.

*Briefly describe how the proposed grant activities are consistent with the Commonwealth's sustainable development and fair housing principles, including affirmative fair housing marketing requirements.*

Multi-family residential housing development in transit-oriented locations in Newton is clearly aligned with the Commonwealth's sustainable development and fair housing principles. This proposal seeks to develop a well researched and locally sourced method by which to identify and objectively quantify the positive and negative impacts of proposed development in Newton..~~supports the ability of the City to approve these projects and support new development.~~ Development of the currently envisioned projects, and other projects of varying scales that are sure to follow, promotes housing choice, equity, and mobility for low and moderate income households and reduces concentrations of poverty. Newton has long supported and advocated for the inclusion of three bedroom units in multi-family projects and would anticipate such units being included in these proposed projects as well.

With Newton's focus on new development in its existing commercial areas and near transit options, the proposed development projects, and others in the future, will be compact and conserve natural resources while taking advantage of existing infrastructure, particularly transit. Development in Newton is strongly encouraged to feature green design principles with attention to energy efficiency, alternative energy, and enhanced stormwater management. Finally, climate change mitigation and adaptation are priority issues for Newton and part of every development proposal discussion.

*How will the proposed grant activities result in the achievement or maintenance of production-related safe harbor status under Chapter 40B?*

Having a trusted and standardized approach to assessing fiscal impact will be an important step in facilitating the City's ability to evaluate ~~approve~~ the approximately 2,500 total residential units under

the different projects to be assessed under the proposed grant. The City anticipates that a minimum of 15% of the units created will qualify for SHI listing, resulting in 375 additional units on Newton's inventory, which is nearly half of what is left for the City to reach its 10%. More importantly, this model will help to facilitate a better understanding of subsequent projects, whether 40B, 40R, or under the City's special permit process, helping to advance the City towards reaching the 10% threshold.

*All awards will require a local cash match, equal to 10 percent of the value of the consultant services awarded. MassHousing will confirm the estimated cost of cost of the proposed grant activities with the Agency's vendors. Please confirm that the municipality is willing to provide match funding.*

Confirmed.

**Please email this completed application and any supplemental information, including a cover letter signed by the municipality's chief administrative official, electronic copies of relevant planning documents, a proposed timeline for the grant activities, and any relevant letters of support, to Greg Watson, Manager of Planning and Programs, at [gwatson@masshousing.com](mailto:gwatson@masshousing.com).**

**The application deadline is 5pm on Thursday, March 29, 2018.**

Thank you for your interest in MassHousing's Planning for Housing Production grant program.

CITY OF NEWTON

IN BOARD OF ALDERMEN

2018

ORDERED:

That, in accordance with the recommendation of the Finance Committee through its Chair Leonard J. Gentile, a transfer of funds in the amount of three hundred forty-eight thousand dollars (\$348,000) to various department budgets to fund the cost items set forth in the one-year contract agreement with the Teamsters Union, be and is hereby approved as follows:

FROM:	Current Year Wage Reserve	
	(0110498-5197).....	\$250,000
	(26A10491-5197) .....	\$18,000
	(27A10498-5790) .....	\$30,000
	(28A10498-5790) .....	\$50,000
TO:	Public Buildings-Wages	
	(0111501-511002).....	\$30,000
	DPW Wages	
	(0140101-511002).....	\$175,000
	Parks & Recreation Wages	
	(0160201-511002).....	\$45,000
	Stormwater Fund Wages	
	(26A401A-511002) .....	\$18,000
	Sewer Fund Wages	
	(27A401Y1-511002) .....	\$30,000
	Water Fund Wages	
	(28A401Z1-511002) .....	\$50,000

Under Suspension of Rules  
Readings Waived and Approved



## Finance Committee Report

### City of Newton In City Council

**Monday, April 23, 2018**

Present: Councilors Gentile (Chair), Ciccone, Cote, Noel, Grossman, and Lappin

Absent: Councilors Norton and Rice

City staff present: Maureen Lemieux (Chief Financial Officer), Jim McGonagle (Commissioner of Public Works), Lou Taverna (City Engineer), Ted Jerdee (Director of Utilities), Nick Read (Chief Procurement Officer), Joe Mulvey (Chief Information Officer), Karen Glasgow (Director of Human Resources), Karen Griffey (Director of Financial Information Systems) and Sue Dzikowski (Comptroller)

#### **#241-18      Appropriate \$350,000 from Free Cash to the Rainy Day Stabilization Fund**

HER HONOR THE MAYOR requesting authorization to appropriate and expend three hundred fifty thousand dollars (\$350,000) from Free Cash to the Rainy Day Stabilization Fund. This appropriation when combined with interest earned throughout FY 2018 and \$150,000 appropriated in the FY 2019 Mayor's proposed budget will allow the City to begin FY 2019 with a full 5% of the operating budget set aside in reserve.

**Action:**      **Finance Approved 5-0 (Cote not voting)**

**Note:**      Chief Financial Officer Maureen Lemieux presented the request to appropriate \$350,000 from Free Cash to increase the Rainy Day Stabilization Fund (RDSF) balance to 5% of the operating general fund for Fiscal Year 2019. The Fiscal Year 2019 proposed budget is \$412,513,389; therefore, the City needs to raise the Rainy Day Stabilization Fund balance to \$20,625,670 to reach the 5% level.

The requested appropriation of \$350,000 combined with interest earned on the RDSF and the \$150,000 appropriation in the proposed budget will ensure that the City starts the fiscal year with the full 5%. The RDSF has earned about \$30,000 per month in interest and Ms. Lemieux expects that it will generate another \$90,000 in interest by June 30, 2018.

In December 2017, \$2 million dollars was added to the RDSF to provide a buffer should the Investment Advisory Committee develop an Investment Policy for the RDSF that provides investment possibilities that are allowed by Massachusetts General Law and provide greater return on investments than what the City is currently getting on the fund. A \$2 million buffer would provide some security if the City invested a portion of the RDSF and lost money. When the appropriation of the \$2 million was approved, it was agreed that the \$2 million would revert to the Overlay Surplus Account if the City Council had not approved an investment policy for the RDSF by April 30, 2018. Reports for the discussions related to the \$2 million appropriation are attached.

Some Committee members were concerned that the \$2 million would most likely revert to overlay surplus because it is unlikely that the Council will approve the proposed investment policy by

the April 30, 2018 date. There was a suggestion that at least \$500,000 of the \$2 million should remain in the RDSF as a buffer. The Chair noted that the City could not invest the RDSF in any investment vehicle with even moderate risk, which means there is no need for a buffer. The City must abide by the Massachusetts List of Legal Investments, which is very conservative in regards to investing. He added that the proposed investment policy is even stricter than the State's legal lists of investments as it bans investment in individual stocks, which are included on the legal list of investments. It was pointed out that the City is going to contact the State to encourage a change to the legal list of investments to allow investment in mutual funds or similar less risky types of investments. If some of the \$2 million remains in the RDSF and the legal list is changed, the City will have a ready buffer to begin investing.

Ms. Lemieux explained that the \$2 million dollars would revert to the Overlay Surplus Account to be used to fund other projects. If the City does not expend the funds in this fiscal year, they will become part of next year's Free Cash. The Administration has made no decisions on how they will use the \$2 million. Ultimately, it is the Mayor's decision on whether to propose putting a portion of the \$2 million back into the Rainy Day Stabilization Fund but that decision will likely not be made until the end of the fiscal year because there may be need to expend the full \$2 million this year. Ms. Lemieux added that the Administration would not invest RDSF funds with a new investment vehicle without a buffer.

Councilor Ciccone moved approval of appropriating \$350,000 from Free Cash to the Rainy Day Stabilization Fund, which carried by a vote of five in favor and none opposed.

**#195-18 Investment Policy for the Rainy Day Stabilization Fund**

COUNCILOR GENTILE, on behalf of the Investment Advisory Committee, submitting its recommendation for an investment policy for the Rainy Day Stabilization Fund.

**Action:** **Finance Held 6-0**

**Note:** See above note for the discussion related to this item. The Committee previously discussed and approved the above item at its March 26, 2018 meeting; however, the Chair of Finance polled his Committee at the Council meeting on April 2, 2018 to hold the item in Committee. At the Council meeting, the Chair explained that he made the request to hold the item because the recent storms have affected the City's Free Cash position and there are a number of projects that the Administration would like to fund in the near future. The two million dollars that was appropriated to the Rainy Day Stabilization Fund from Overlay Surplus was approved with the condition that if the investment policy for the Rainy Day Stabilization Fund (RDSF) was not approved by April 30, 2018, the \$2 million would revert to Overlay Surplus. The \$2 million would give the Administration additional funding for snow/ice and other projects.

The \$2 million was added to the RDSF to provide a buffer to ensure that the RDSF remains at 5% of the General Fund if the City were to expand its investment portfolio to include less conservative investments that carry a small risk but provide greater return on investments. After learning that the State's legal list of investments is very limited in what it allows municipalities to invest in, the Chair



believes that there is no need for a \$2 million buffer. He would like to reconvene the Investment Advisory Committee to discuss whether the City needs a buffer and if it does, how much that buffer should be. He would recommend approving the Investment Policy with an amendment to strike the following language "In order to accomplish these objectives, the City has temporarily provided a reserve of \$2 million over and above the target value of the fund (5% of the City's Operating Budget)."

Several Committee members felt that some portion of the \$2 million dollar buffer should remain in the RDSF. The hope is that in the near future the State will consider revising the legal list of investments to allow the City to invest up to 30% of 1/3 of the RDSF in equities, which would require a buffer to cover any losses. The Chair would also like to see a portion of the \$2 million reappropriated to the RDSF but would like to have a discussion with the Investment Advisory Committee to understand how much of a buffer is needed. He also pointed out that the RDSF Investment Policy can be amended at any time to include additional language related to a buffer. Chief Financial Officer Maureen Lemieux stated that the City would never invest any RDSF monies in any new investment vehicles without a buffer. There was a suggestion that the Committee look at amending the RDSF Investment Policy to include some type of buffer requirement. Several Committee members supported the suggestion; however, the Law Department and the Investment Advisory Committee should vet any amendment adding language to the policy. With that, Councilor Ciccone moved hold, which carried by a vote of six in favor and none opposed.

**#153-18      Discussion with Procurement Officer on criteria for bidding contracts**

COUNCILORS GENTILE, MARKIEWICZ, AND NORTON requesting a discussion with the Chief Procurement Officer regarding the City's process for hiring consultants. Discussion should focus in particular on 1) the criteria, which determines whether a consulting contract is put out for public bid; and 2) when there is no bid process, what criteria are used to choose consultants.

**Action:**      **Finance Held 5-0 (Cote not voting)**

**Note:**      On March 26, 2018, the Finance Committee discussed and held the above item for further discussion. Chief Purchasing Officer Nick Read provided the Committee with the attached email related to whether the Council can establish thresholds for bidding contracts not subject to bidding law and a handout detailing the legal requirements vs. City of Newton policy requirements. Chief Financial Officer Maureen Lemieux began the discussion with a review of the how the City purchases goods and services through the requisition process, Law Department contract, and Purchasing Department contract. The City does approximately 5,000 requisition orders and about 120 contracts through the Purchasing Department each year. Requisitions and Purchasing contracts are subject to the requirements of Massachusetts General Law (MGL) Chapter 30B and are done through the public bidding process. The L-contracts (Law Department contracts) are exempted from MGL 30B and do not require a bid process. Since 2013, the City has entered into 636 L-contracts for a variety of services, which include design engineering services, indemnification, legal services, health services, special education services, and architectural services.

**The Commonwealth of Massachusetts**

**OFFICE OF THE**

**COMMISSIONER OF BANKS**

**LIST OF LEGAL INVESTMENTS**

**Pursuant to**

**GENERAL LAWS**

**CHAPTER 167**

**SECTION 15A**

**As of July 1, 2017**  
**Terence A. McGinnis**  
**Commissioner of Banks**

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**LIST OF LEGAL INVESTMENTS**

**July 2017**

This Legal List of Investments is prepared as of July 1, 2017. Investors are advised to take note of changes to individual investments on this List that occur after this date.

The following is a list of and related provisions regarding stocks, bonds, notes, railroad equipment trust certificates and other interest-bearing obligations which, in the opinion of the Division of Banks, are now legal investments, under the provisions of Massachusetts General Laws chapter 167, sections 15A-15K, inclusive.

As used throughout this document and in G.L. c. 167, sections 15A-15K, inclusive, the terms "legal list" and "legal investments" shall mean the list of securities approved for investment by the Commissioner. All references to the General Laws herein are as amended or added by Chapter 343 of the Acts of 2014.

An entity issuing stocks, bonds, notes or other interest-bearing obligations shall apply directly to the Commissioner of Banks and identify itself as being eligible for possible inclusion on the List under Sections 15E to 15K of G.L. c. 167, provided, however, that investments governed by said Section 15B must follow the process for inclusion on the List set out in that statute.

Approval of any security by the Commissioner of Banks for addition to or inclusion in the List should not in any way be construed as a recommendation by the Division for investment. Each investor has the

responsibility of evaluating the merits of a particular investment for the individual institution as well as determining whether that investment meets the investor's financial objectives.

For more information contact:

Andrea L. Cipolla, Chief Director  
Commonwealth of Massachusetts Division of Banks  
1000 Washington Street  
10<sup>th</sup> Floor  
Boston, Massachusetts 02118-6400  
(617) 956-1532

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## FEDERAL, STATE, AND INTERNATIONAL OBLIGATIONS

Statutory Requirements: (Now governed by G.L. c. 167, section 15C)

An entity that may invest pursuant to section 15A or the legal list may invest in bonds, notes or other interest-bearing obligations of the following classes:

1. United States: Direct obligations of the United States or in obligations that are unconditionally guaranteed as to the payment of principal and interest by the United States.
2. Massachusetts: Legally issued, assumed or unconditionally guaranteed bonds, notes or other interest-bearing obligations of this Commonwealth, including legally issued bonds, notes or other indebtedness of an entity established as a public instrumentality by general or special law.
3. Other States: Legally issued, assumed or unconditionally guaranteed bonds, notes or other interest-bearing obligations of any state of the United States other than this Commonwealth, which has not, within the 20 years prior to the making of such investment, defaulted for a period of more than 120 days in the payment of any part of either principal or interest of any legally issued or assumed obligation; provided that the full faith and credit of such state shall be pledged for the payment of the principal and interest of such obligations.
4. Canada: Bonds, notes or other obligations issued, or guaranteed as to both principal and interest, by the Dominion of Canada or any of its provinces; provided (a) that such bonds, notes or obligations shall be payable in United States funds either unconditionally or at the option of the holder of the bonds, notes or other obligations; and (b) that at the date of investment the Dominion of Canada or the applicable province shall not have been in default in the payment of interest or principal of any of its obligations for a period in excess of 31 days at any time within the 20 years preceding such date of investment. Not more than 5% of the assets of an entity authorized to invest pursuant to section 15A or the legal list may be invested in obligations authorized under this paragraph.
5. Other International Obligations: Bonds, notes or obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank or the Asian Development Bank containing an unconditional promise to pay, or an unconditional guarantee of the payment of, the interest on the bonds, notes or obligations regularly and the principal of the bonds, notes or obligations by a specified date, in United States currency; provided that not more than 3% of the assets of an entity authorized to invest pursuant to section 15A or the legal list shall be invested in such bonds, notes or obligations; and provided, further, that the Commissioner may at any time on his or her own initiative suspend the authorization granted by this clause for periods as the Commissioner may determine.

6. Federal Agency Obligations:

- (a) Obligations of, or instruments issued by, and fully guaranteed as to principal and interest by the Federal National Mortgage Association, established under the federal National Housing Act, 12 U.S.C. 1715 et seq., as amended;
- (b) Debentures, bonds or other obligations issued by any Federal Home Loan Bank or consolidated Federal Home Loan Bank debentures or bonds issued by the Federal Home Loan Bank Board under the Federal Home Loan Bank Act, 12 U.S.C. 1421 et seq., as amended;
- (c) Debentures issued by the Central Bank for Cooperatives or consolidated debentures issued by said central bank and the 12 regional banks for cooperatives under the Farm Credit Act, as amended;
- (d) Collateral trust debentures or other similar obligations issued by any federal intermediate credit bank or consolidated debentures or other similar obligations issued by the federal intermediate credit banks under the Federal Farm Loan Act, as amended;
- (e) Farm loan bonds issued by any federal land bank under the Federal Farm Loan Act, as amended;
- (f) Promissory notes representing domestic farm labor housing loans authorized under federal law when the notes are fully guaranteed as to principal and interest by the Farmers Home Administration of the United States Department of Agriculture;
- (g) Bonds, notes or obligations issued, assumed or guaranteed by the Export-Import Bank of the United States;
- (h) Obligations of any person, including any form of mortgage-backed security, as to which the payment of principal and interest according to the terms of such obligations shall be guaranteed by the Government National Mortgage Association under the provisions of the National Housing Act, as amended;
- (i) Certificates issued by the Federal Home Loan Mortgage Corporation representing interests in mortgage loans made, acquired or participated in by said Federal Home Loan Mortgage Corporation;
- (j) System-wide obligations issued under the provisions of the Farm Credit Act, as amended, by the institutions included in the federal farm credit system.

## MUNICIPAL OBLIGATIONS

Statutory Requirements: (Now governed by G.L. c. 167, section 15D)

An entity authorized to invest pursuant to section 15A or the legal list may invest in bonds, notes or other interest-bearing obligations of the following classes:

1. Massachusetts: Legally issued or assumed bonds, notes or other interest-bearing obligations of a county, city, town or legally established district of this Commonwealth.
2. Other States: Legally issued or assumed bonds, notes or other interest-bearing obligations of a county, city, town or legally established district outside of the Commonwealth; provided, however, that this clause shall not authorize investments in obligations of any city or town outside of the Commonwealth which have been in default for more than 120 days in the payment of any part of principal and interest of all bonds, notes or other interest-bearing obligations legal for investment under this section.

3. Full Faith and Credit Requirement: The full faith and credit of the county, city, town or district shall be pledged for the full payment of principal and interest of all bonds, notes or other interest-bearing obligations legal for investment under any provision of this section.

## RAILROAD OBLIGATIONS

Statutory Requirements: (Now governed by G.L. c. 167, section 15E)

Bonds, notes or other interest-bearing obligations of railroad corporations subject to the conditions, limitations and requirements of section 15E.

Not more than 20% of the assets of the entity shall be invested in the railroad obligations.

## RAILROAD EQUIPMENT OBLIGATIONS AND TRUST CERTIFICATES

Investments in railroad equipment obligations shall be those of, or guaranteed by, a railroad incorporated in the United States or any state and which is doing business principally within the United States.

The outstanding Philadelphia Plan Equipment Trust Certificates of the following companies are legal.

Burlington Northern Santa Fe  
Norfolk Southern Railway Company  
Union Pacific Railroad Company

## TELEPHONE COMPANY OBLIGATIONS

Statutory Requirements: (Now governed by G.L. c. 167, s. 15F)

Bonds, notes or other obligations of telephone companies subject to the conditions, limitations and statutory requirements of section 15F.

Not more than 20% of the assets of the entity shall be invested in the bonds of telephone companies.

All outstanding issues, which meet statutory requirements, of the following companies:

AT & T, Inc. [1]  
Carolina Telephone & Telegraph Company  
Indiana Bell Telephone Company  
United Telephone Company of Pennsylvania  
Verizon Florida, Inc. (formerly General Telephone Company of Florida)  
Verizon New England, Inc. (formerly New England Telephone & Telegraph Company)  
Verizon New Jersey, Inc. (formerly New Jersey Bell Telephone Company)  
Verizon New York, Inc. (formerly New York Telephone Company)  
Verizon, Northwest, Inc. (formerly General Telephone Company of the Northwest, Inc.)  
Verizon Pennsylvania, Inc. (formerly Bell Atlantic Pennsylvania)  
Verizon Virginia, Inc. (formerly Chesapeake & Potomac Telephone Company of Virginia)

Holders of obligations of companies affected by the mergers or acquisitions noted below should contact the appropriate service representative office of the company for further direction:

1. The merger of Bell Atlantic and GTE was finalized on June 30, 2000 under the new name of Verizon Communications.

2. SBC Communications completed the acquisition of Ameritech Corporation on October 8, 1999.
3. SBC Communications completed the acquisition of AT & T Corporation on November 21, 2005. See footnote.
4. AT & T completed the acquisition of Bell South Corporation on December 29, 2006.
5. CenturyTel, Inc., and EMBARQ merged on July 1, 2009 to become CenturyLink, Inc.
6. Frontier Communications Corporation acquired Verizon Communications, Inc. local exchange businesses in fourteen states effective July 1, 2010.

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[1] SBC Communications completed the acquisition of AT & T Corporation on November 21, 2005. Following the acquisition, SBC adopted AT&T, Inc. as its name.

## **GAS, ELECTRIC LIGHT AND WATER OBLIGATIONS**

Statutory Requirements: (Now governed by G.L. c. 167, s. 15G)

### A. Massachusetts Companies

Bonds, notes or other interest-bearing obligations of a gas, electric light or water company incorporated or doing business in this Commonwealth and subject to the control and supervision of the Commonwealth.

### B. Other Companies

Bonds of any company which at the time of the investment is incorporated under the laws of the United States or any state and transacting the business of supplying electrical energy or artificial gas or natural gas purchased from another company and supplied in substitution for or in mixture with artificial gas for light, heat, power and other purposes or transacting any or all of the business. The bonds shall be part of an original issue of not less than \$25,000,000 in principal amount.

### C. Investment Limitations

Not more than 25% of the assets of the entity shall be invested in obligations under this section and no more than 4% shall be invested in the obligations of any 1 company.

AEP Texas Central Company (formerly Central Power & Light Company)  
AEP Texas North Company (formerly West Texas Utilities Company)  
Allete (formerly Minnesota Power and Light)  
Alliant Energy (formerly Interstate Power Company)  
Atlantic City Electric Company  
Carolina Power & Light Company (d/b/a Duke Energy Progress, Inc.)  
Constellation Energy Group (formerly Baltimore Gas & Electric)  
Delmarva Power & Light Company  
Duke Energy Corporation  
Empire District Electric Company  
Eversource Energy  
Florida Power & Light Company  
Florida Power Corporation (d/b/a Progress Energy Florida, Inc.)

Gulf Power Company  
Hawaiian Electric Company  
Idaho Power Company  
Kentucky Utilities Company  
Louisville Gas and Electric Company  
Madison Gas & Electric Company (formerly MGE Energy)  
Narragansett Electric Company  
New England Power Company  
Northern States Power Company (Minnesota)  
Northern States Power Company (Wisconsin)  
OGE Energy (formerly Oklahoma Gas and Electric Company)  
Potomac Electric Power Company  
PPL Electric Utilities Corporation (formerly Pennsylvania Power & Light Company)  
Public Service Company of Oklahoma  
Public Service Electric & Gas Company  
South Carolina Electric & Gas Company  
Southern Indiana Gas & Electric Company  
Southwestern Electric Power Company  
Southwestern Public Service Company  
Virginia Electric & Power Company  
Wisconsin Electric Power Company  
Wisconsin Power & Light Company  
Wisconsin Public Service Corporation

## **STOCK OF BANKS AND BANK HOLDING COMPANIES**

Statutory Requirements: (Now governed by G.L. c. 167, s. 15H and 15I)

An entity that may invest pursuant to section 15A or the legal list may invest in the common stock of (i) a bank in stock form incorporated under the laws of and doing business within the Commonwealth; provided, however, that there shall be no preferred stock outstanding; or, in the common stock of a federally chartered bank in stock form doing business within the Commonwealth; provided, however that there shall be no preferred stock outstanding; provided further, that state-chartered or federally-chartered banks shall be well capitalized under bank regulatory criteria;

(ii) In the common stock of a state-chartered bank or federally chartered bank doing business anywhere within the United States, which is a member of the Federal Reserve System and is well capitalized under bank regulatory criteria;

(iii) In the common stock of a bank holding company as defined in chapter 167A; provided, however, that the stock shall be received pursuant to an offer made by the bank holding company to exchange shares of its common stock for shares of a bank in stock form incorporated under the laws of the Commonwealth or for shares of a federally chartered bank doing business in the Commonwealth; or provided, however, that the stock shall be received pursuant to a plan for the merger or consolidation of the bank with or into or the transfer, sale or exchange of property or of assets of the bank or with a bank in stock form incorporated under the laws of the Commonwealth or a federally chartered bank doing business in the Commonwealth the stock of the bank, as the case may be, shall be at the time owned by the bank holding company.

(iv) In the common stock of a bank holding company as defined in said chapter 167A acquired otherwise than as set forth in the first paragraph or in the common stock of a bank holding company as defined in the federal Bank Holding Company Act of 1956, 12 U.S.C. 1841 et seq.; provided, however, that the holding company shall own 80 per cent or more of the voting stock of the qualifying bank; provided further, that if at any time after an investment in the common stock of the bank holding company, no bank

of the holding company shall meet the requirements of clauses (iii) or (iv), the holding company's stock shall be disposed of within the reasonable time as the Commissioner shall determine; and

(v) In the common stock of a company as defined in chapter 167A or in said federal Bank Holding Company Act of 1956; provided, however, that the banking institution or bank represents at least 50% of the company's assets at book value at the end of its fiscal year immediately preceding the date of investment or at the date of investment in the case of a newly formed company.

(vi) In the purchase of the whole or any part of the stock of a savings bank, co-operative bank, federal savings and loan association or federal savings bank; provided, however, that the bank or association shall be well capitalized under bank regulatory criteria.

## **INSURANCE COMPANY STOCKS**

Statutory Requirements: (Now governed by G.L. c. 167, section 15J)

An entity that may invest pursuant to section 15A or the legal list may invest in the capital stock of any insurance company that may conduct a fire and casualty insurance business; provided, however that no insurance stock shall be purchased if the cost of the insurance stock added to the cost of the insurance stocks and bank stocks already owned shall exceed 66 2/3% of the total of the assets of the entity.

## **BANK DEBENTURES AND NOTES**

Statutory Requirements: (Now governed by G.L. c. 167, section 15K)

An entity that may invest pursuant to section 15A or the legal list may invest in the securities of any of the following classes: debentures, convertible debentures, notes or other evidences of indebtedness of a banking corporation in the common stock of which the corporation may invest pursuant to paragraph 1 of section 15H; provided, however, that the entity that may invest pursuant to said section 15A or the legal list shall be well capitalized under regulatory criteria; or of a banking corporation in the common stock of which the corporation may invest pursuant to paragraph 2 of said section 15H shall be well capitalized under regulatory criteria.

## **OTHER OBLIGATIONS**

Now governed by G.L. c. 167, section 15B)

Massachusetts Bay Transportation Authority: Various Issues<sup>[2]</sup>

Massachusetts Port Authority: Various Issues

Massachusetts Turnpike Authority: Various Issues<sup>[3]</sup>

Tennessee Valley Authority: Various Issues

Washington D.C. Metropolitan Area Transit Authority:

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<sup>[2]</sup> Massachusetts transportation agencies, including the Massachusetts Bay Transportation Authority, were integrated into the Massachusetts Department of Transportation effective November 1, 2009.

<sup>[3]</sup> Massachusetts transportation agencies, including the Massachusetts Turnpike Authority, were integrated into the Massachusetts Department of Transportation effective November 1, 2009.



## COMMON AND PREFERRED STOCKS

(Now governed by G.L. c. 167, section 15B)

Pursuant to G.L. c. 167, s. 15B(g), not more than 10% of the assets of the entity shall be invested in investments authorized under this section.

Abbott Laboratories

Altria Group (formerly Philip Morris Companies)

American International Group, Inc.

Bank of America Corporation

Bristol Myers Squibb Company

Coca Cola Company

Consolidated Edison

Eli Lilly & Company

Emerson Electric Company

General Electric Company

General Mills, Inc.

Hewlett-Packard Company

Johnson & Johnson

Kimberly-Clark Corporation

McDonald's Corporation

Merck & Co., Inc. (merged with Schering-Plough Corporation)

PepsiCo, Inc.

Pfizer, Inc.

Procter & Gamble Company

Rockwell Automation (formerly Rockwell International Corporation)

Southern Company

Unilever N. V.

## INVESTMENT FUNDS

As provided under General Laws chapter 167, section 15B, such list shall include the name of any investment fund, approved by the commissioner, which invests only in such stocks, bonds, notes and other interest-bearing obligations which are legal investments as provided herein. The shares of any such investment fund so approved shall be legal investments pursuant to this section to the same extent as any such stocks, bonds, notes and other interest bearing obligations.

Pursuant to General Laws chapter 167, s. 15B(g), not more than 10% of the assets of the entity shall be invested in investments authorized under this section.

BLACKROCK/iSHARES EXCHANGE TRADED FUNDS:

iShares U.S. Treasury Bond ETF  
iShares Treasury Floating Rate Bond ETF  
iShares Short Treasury Bond ETF  
iShares 1-3 Year Treasury Bond ETF  
iShares 3-7 Year Treasury Bond ETF  
iShares 7-10 Year Treasury Bond ETF  
iShares 10-20 Year Treasury Bond ETF  
iShares 20 Year+ Treasury Bond ETF  
iShares Agency Bond ETF  
iShares TIPS Bond ETF  
iShares 0-5 Year TIPS Bond ETF  
iShares GNMA Bond ETF  
iShares MBS ETF

BLACKROCK PROVIDENT INSTITUTIONAL FUNDS:

T-Fund

DREYFUS:

Government Cash Management  
Treasury & Agency Cash Management  
Treasury Securities Cash Management (formerly Treasury Prime Cash Management)

FEDERATED INVESTORS FUNDS:

Federated Government Income Trust

Federated Government Ultrashort Duration Fund

Federated U.S. Government Securities Fund: 2-5 yrs.

FIDELITY:

Fidelity Treasury Portfolio

Fidelity Treasury Only Money Market Fund

RBC:

RBC US Government Money Market Fund: Institutional Classes 1 and 2

TRANSWESTERN CAPITAL:

Institutional Short Duration Government Bond Fund

TRUST FOR CREDIT UNIONS:

Ultra Short Duration Portfolio

Short Duration Portfolio

UBS GLOBAL ASSET MANAGEMENT:

UBS Select Treasury Institutional Fund

*INVESTMENT POLICY*

*GUIDELINES*

*FOR THE*

*NEWTON RAINY DAY*

*STABILIZATION FUND*

Adopted Date

# Newton Rainy Day Stabilization Fund

## Investment Policy Statement

### INTRODUCTION

In 2010 the City of Newton established a Rainy Day Stabilization Fund and on December 21, 2015, the City Council (formerly known as the Board of Aldermen) of the City of Newton through Board Order # 337-15 authorized the conversion of the Undesignated Stabilization Fund (known as the Rainy Day Stabilization Fund) to a formal statutory stabilization fund per MGL Chapter 40, Section 5B to improve investment income earnings for the Rainy Day Stabilization Fund. The fund was established as a reserve for years when the City faces a multiple year economic recession or a rare, catastrophic, expenditure. These funds may be utilized to assist in addressing cyclical declines in operating revenues, generally resulting from economic factors outside the City's control, or an unusually large expenditure resulting from such things as a catastrophic weather event. The primary reason for these segregated funds is not only to prevent these reserves from being depleted for unrelated city needs, but to demonstrate that resources are in fact being set aside specifically for extraordinary and unforeseen revenue disruption or catastrophic expenditure need while creating a growing safeguard for the debt and credit rating vital to the City.

To ensure that the Rainy Day Stabilization funds are available for multiple years of an economic downturn, no more than 1/3<sup>rd</sup> of the funds can be used in any single fiscal year. Appropriations may be made from the Rainy Day Stabilization Fund into the General Fund for operating purposes, upon the recommendation of the Mayor and by a two-thirds vote of the City Council. The target size of the Rainy Day Stabilization Fund is 5% of the annual general fund operating budget. The fund reached the desired goal of 5% of the City's Budget in November 2014 and has remained at that level ever since.

Maintaining a Rainy Day Stabilization Fund that totals 5% of the City's Annual Budget requires that the City set aside 5% of the annual budget increase each year or approximately \$750,000. Because interest rates have been historically low for the past several years, the City has had to "appropriate" a large portion of this amount, consequently preventing the appropriation of these funds that would otherwise be used to provide City services or improve City infrastructure. Therefore, as mentioned previously, the City Council of the City of Newton approved Board Order # 337-15 to authorize the conversion of the Undesignated Stabilization Fund (known as the Rainy Day Stabilization Fund) to a formal statutory stabilization fund.

*Consistent with MGL c. 40 §5B, the Treasurer may invest stabilization funds in a trust company, co-operative bank or savings bank, national bank, federal savings bank or federal savings and loan association, provided these institutions have locations in Massachusetts and provided*

*federally or state-chartered banks are insured by the FDIC; in participation units in a combined investment fund established by the Treasurer of the Commonwealth pursuant to MGL c. 29 §38A; or in securities that are legal investments for savings banks under Massachusetts Law, pursuant to the “List of Legal Investments” issued annually by the Commissioner of Banks pursuant to MGL c. 167 §§15A - 15K.*

Additionally, the City Council, through Board Order # 25-15, established the City’s Investment Advisory Committee. Per the Board Order, the Investment Advisory Committee was established to maximize investment income earnings on temporarily idle cash in the City treasury, consistent with state and federal law and City investment policies. The activities of the Investment Advisory Committee shall be advisory only.

The Committee shall take no action that is inconsistent with State law or the City Charter or Code of Ordinances, nor shall it abridge any investment management authority/responsibility assigned to the City Treasurer/Collector or Trustee by virtue of State Law; City Charter or Code of Ordinance; or trust agreement.

The purposes of the Investment Advisory Committee shall be:

- 1) To advise the City Treasurer/Collector on investment management options that minimize the need for ongoing tax levy subsidies for the City’s Rainy Day Stabilization Fund, while maintaining appropriate levels of liquidity and complying with State law governing the investment of Stabilization Fund assets.
- 2) To advise the City Treasurer/Collector on investment management options to maximize investment earnings on temporarily idle operating cash that are consistent with liquidity needs; State and Federal law; and City investment policies.
- 3) To advise the City Treasurer/Collector on investment management options to maximize investment earnings on trust and internal service funds, consistent with liquidity needs; State and Federal law; and any related trust agreements.
- 4) To assist the Finance Committee in monitoring the City’s compliance with state law and City investment policies.
- 5) To recommend changes in the City’s investment policies and/or State law, when the Committee determines that such changes are appropriate in order to meet the City’s investment management safety/liquidity/return objectives.

## **RESPONSIBILITIES AND SCOPE**

### **A. RESPONSIBILITIES**

The Mayor, the Treasurer and the Comptroller, in consultation with the Investment Advisory Committee, shall develop the policy for investment of the City of Newton Rainy Day Stabilization Fund for the approval of the City Council. This policy shall be reviewed on a regular basis and, at a minimum, every five years. The Treasurer shall report on the review to the City Council Finance Committee.

Pursuant to the City of Newton Investment Policy (Board Order # 15-13) the Treasurer has the responsibility and authority to manage the investment of City funds (see Massachusetts General Laws, Chapter 44, section 55B and Acts of 1985, Chapter 740). The Treasurer shall carry out established written procedures and internal controls for the operation of the investment program consistent with this investment policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer. If the Treasurer wishes to make a decision to deviate from the terms of this policy, the Treasurer shall obtain prior written approval from the City Council. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

The selection of financial institutions and broker/dealers authorized to engage in transactions with the City of Newton shall be at the sole discretion of the Treasurer in consultation with the Investment Advisory Committee.

The Treasurer and those responsible to the Treasurer shall be bonded as required by law and insured for their fiduciary responsibilities.

The Treasurer shall be responsible for monitoring changes to the General Laws governing the type and method of investing City funds referred to in this Investment Policy.

#### **B. SCOPE**

This investment policy is to be used by the Treasurer as a general guideline for the investment of the City of Newton's Rainy Day Stabilization Fund. This policy specifically applies to the Rainy Day Stabilization Fund and only the Rainy Day Stabilization Fund.

## **STANDARDS OF CARE**

#### **A. PRUDENCE**

The standard of prudence used by the Treasurer, employees, and City of Newton Investment Advisory Committee members involved in the investment process shall be the "prudent person" standard. Such fiduciaries must act in the manner of a prudent person, with judgment and care, discretion and intelligence. They must act not for speculation but for investment, considering the probable safety of the capital as well as the probable income to be derived, with the understanding that no investment is completely without risk. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

#### **A. ETHICS AND CONFLICT OF INTEREST**

The Treasurer and employees involved in the investment process as well as members of the Investment Advisory Committee shall disclose any business relationship that could conflict with the proper execution and management of the investment program, or that could

impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

## **OBJECTIVES**

The Rainy Day Stabilization Funds are to be invested in a manner which will meet the specific purpose of the fund – to be available for extraordinary and unforeseen revenue disruption or catastrophic expenditure, while no more than 1/3<sup>rd</sup> of the funds are used in any single fiscal year. The investment activities shall conform to all applicable federal and state statutes and City ordinances governing the investment of public funds.

*Consistent with MGL c. 40 §5B, the Treasurer may invest stabilization funds in a trust company, co-operative bank or savings bank, national bank, federal savings bank or federal savings and loan association, provided these institutions have locations in Massachusetts and provided federally or state-chartered banks are insured by the FDIC; in participation units in a combined investment fund established by the Treasurer of the Commonwealth pursuant to MGL c. 29 §38A; or in securities that are legal investments for savings banks under Massachusetts Law, pursuant to the “List of Legal Investments” issued annually by the Commissioner of Banks pursuant to MGL c. 167 §§15A - 15K.*

### **Prohibited Investments**

The City at the present time will not make direct investments in the following types of investments:

- Hedging, or speculative type of investments;
- Reverse Repos, Leveraging or similar investments;
- Master Trust and Custodial Bank Security Lending Programs;
- Unregistered or Registered Letter Stock;
- Private Placements, Short Sales, Margin Trading, Futures, Commodities;
- Non-publicly-traded Limited Partnerships and Limited Liability Corporations (LLC);
- Real Estate Purchases (excluding REITs);
- Any other investment type not authorized by this policy; and,
- Any entity doing business with Sudan pursuant to Newton City Ordinances Sec. 2-117, except as exempted by the ordinance.

## **RETURN ON INVESTMENT**

### **TIER 1 – 1<sup>ST</sup> 34% OF THE FUND**

Safety of principal and liquidity are the foremost goals of Tier 1 (or the 1<sup>st</sup> 34%) of the City’s Rainy Day Stabilization Fund. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital. Safety also is the assurance that the investment expectation will be



fulfilled in a timely fashion. To attain this objective, diversification of types of investments, duration of investments and financial institutions holding the investments shall be considered. The Treasurer shall invest in quality issues and comply with state statutes regarding investment requirements.

Suitable investments for the Tier 1 – 1st 34% of the Fund include the following:

- Demand Deposit Accounts (DDA's),
- Money Market Accounts (MMA's and MMDT),
- Certificates of Deposit (CD's) with a maturity of 1 year or less, but "available" if needed within 5 business days of request of the funds, and
- Treasury securities with a 1-year maturity or less.

### **TIER 2 – 2<sup>ND</sup> 33% OF THE FUND**

Investments will be limited to relatively low risk financial instruments in anticipation of earning a fair return relative to the risk being assumed. Similarly, investments are limited to financial instruments that have higher credit risks with all fixed income investments rated A, or above by Standard & Poor's (S&P) or a similar rating by another nationally recognized rating agency.

Suitable investments for the Tier 2 – 2nd 33% of the Fund include the following:

- Longer term – 2 year CDs (brokered and collateralized),
- Treasury securities with a maturity of up to 2 years,
- Commercial Paper rated A or higher, and
- Bonds.

Investments not to exceed 2 years in maturity, but "available" if needed within 5 business days of request of the funds.

### **TIER 3 – REMAINING 33% OF THE FUND**

The final 33% of the fund – or Tier 3 - shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and liquidity needs. Tier 3 – final 33% of the fund may be invested in those securities allowed by MGL for Stabilization Funds. Such funds should be consistent with the following guidelines:

- Portfolio diversification, liquidity, and professional management;
- Maturity of funds should be staggered;
- Regulated by the Securities and Exchange Commission;
- Portfolio contains no direct investment in derivative products; or individual stocks
- Mutual funds and other pooled products. ,

### **Tier 3 – Suitable Investments**

Suitable investments to be considered for the Tier 3 – final 33% of the Fund include index funds, mutual funds, US Treasuries, unlevered diversified exchange traded funds, U.S. agency bonds, municipal bonds, and investment grade corporate bonds.

- a. **Mutual funds** should be selected with due consideration given to performance history, current management history, and costs, including management fees, buying and selling "loads."

b. **Unlevered Diversified Exchange Traded Funds**

c. **Fixed income instruments** must be U.S. Government or its Agencies or State or corporate obligations. These instruments must be rated by both Standard and Poor's and Moody's as investment grade or better. The instrument must be evaluated for sale from the portfolio if either agency lowers the rating to below A. Duration of the instruments must be prudently selected by the investment managers.

d. **Cash equivalents** must have ratings of Standard and Poor's A-1 or Moody's P-1.

**Tier 3 - Asset allocation targets should be as follows.** Investment management of the assets of the fund shall be in accordance with the strategic asset allocation parameters as mandated by the Treasurer who may in consult with the Investment Advisory Committee from time to time. Benchmarks are always recommended to gauge success of an investment strategy. The issue is that the investment managers are not managing the fund for growth of assets but rather to preserve capital and growth beyond the Lipper Money Market Index. Tier 3 asset allocation targets shall be as follows:

<b><u>Asset Class</u></b>	<b><u>Range</u></b>	<b><u>Benchmark</u></b>
Diversified equities or equity funds <sup>1</sup>	0% - 30%	S&P 500 or MSCI (Morgan Stanley Capital International) ACWI (All Country World Index)
Bond	0% -85%	Bloomberg Barclays US Aggregate Bond Index
Short Term Bond (1-5 year Maturities)	0% - 85%	Bloomberg Barclays Capital U.S. 1-3 Year Treasuries Index
Cash and cash equivalents	0% - 100%	Lipper Money Market

**Rebalancing the fund.** Adjustments shall be made to keep the asset allocation and diversification within guidelines as specified in the above table. The rebalancing should occur at the time of the semi-annual review. Exceptions to the limits as specified above can only be made with approval of three-fourths of the entire Investment Advisory Committee.

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<sup>1</sup> At no time shall more than 10% of the total value of the Rainy Day Stabilization Fund be invested in this class of funds.

## **OTHER POLICY REQUIREMENTS**

**Semi-Annual review.** At least semi-annually, the Newton Rainy Day Fund Investment Advisory Committee shall formally review the asset allocation plan and the portfolio performance.

**Insurance.** If a custodian is chosen, the custodian must furnish insurance from the Securities Investor Protection Corporation (SIPC) and such further coverage, as the Treasurer deems necessary to protect the portfolio's value against the custodian's business failure.

**Buffer.** Before investing in any Equities or Mutual Funds there must be a buffer of no less than 30% of the value of Tier 3. This buffer must be over and above the target value of the fund, which is 5% of the City's Operating Budget. For example: Rainy Day Fund Balance \$20,000,000 x .33 in Tier 3 = \$6,600,000 x .30 = \$1,980,000 buffer

If the value of the fund should drop below 5% of the operating budget for more than 90 days, the City shall take action to reimburse the fund up to the 5% within the following 90 days.

## **OTHER CONSIDERATIONS**

**Reinvesting in the Newton Community.** As with the City of Newton's overall Investment Policy, the Treasurer and/or custodian is encouraged to consider financial institutions that have a record of financially reinvesting in the Newton community when making investment decisions; such consideration to be subordinate to the specifications and guidelines set forth within this Investment Policy.

The **Newton Rainy Day Fund Investment Committee** has adopted this Investment Policy Statement on XXXX, XX, 2018. (Signed copy on file).