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To: Councilor Susan Albright, President, City Council
Councilor Rebecca Walker-Grossman, Chair, Finance Committee,
and the Honorable City Council

Cc: Mayor Ruthanne Fuller
Jonathan Yeo, C.O.O.
David Olson, Clerk of the Council
Nadia Kahn, Asst Clerk of the Council

From: Maureen Lemieux, C.F.O.

Date: June 5, 2020

Subject: FY2021 Budget – Supplemental Information

The Administration is pleased to provide the following supplemental information in response to questions posed by members of the Honorable City Council during the substantive committee reviews of the FY2021 Mayor's Proposed Municipal Budget.

The "Big" Picture

City Council President Susan Albright and other Councilors asked for a better understanding of the "big picture" of the FY21 Budget compared to both the FY20 Budget and the FY21 Budget the Administration had prepared and shared with Councilors in draft form at the end of February before COVID-19 emerged in full and the economy was largely shut down.

Administration Response: The information on the "Big Picture" is in the FY21 Budget but is in a number of locations and the Councilors are facing a particularly difficult challenge in reviewing a paperless budget. Therefore, I am providing here the analysis of the "Big Picture" and attaching the most useful tables that we included that illustrate the changes between the FY20 Budget, our "Pre" COVID-19 FY21 Budget and the final "Post" COVID-19 FY21 Budget.

FY20 vs. FY21: Although we are forecasting significantly less revenue than we expected in late February, the City of Newton FY21 Budget is still increasing compared to last year's, just not by as much as we had hoped or anticipated. The FY21 Budget submitted by the Mayor post COVID-19 is \$439.5 million, \$9.3 million or 2.15% greater than the FY20 Budget of \$430.28 million.

COVID-19 IMPACT TO FY21 REVENUE BUDGET						
(\$ M)		FY21 Projected	Variance FY20		FY21 Budget	Variance FY20
	FY20 Budget	Pre COVID-19	vs Pre COVID-19	FY20 Budget	Post COVID-19	vs Post COVID-19
Property Taxes	\$356.89	\$371.41	\$14.52	\$356.89	\$371.41	\$14.52
Ch 70 State Education Funding	\$24.68	\$25.60	\$0.92	\$24.68	\$25.60	\$0.92
Unrestricted State Funding	\$6.24	\$6.42	\$0.18	\$6.24	\$4.81	-\$1.43
Motor Vehicle Excise Tax	\$13.50	\$13.50	\$0.00	\$13.50	\$12.50	-\$1.00
Permitting/Licensing Revenues	\$5.90	\$6.90	\$1.00	\$5.90	\$5.90	\$0.00
Meals & Rooms Tax	\$4.40	\$4.50	\$0.10	\$4.40	\$2.00	-\$2.40
Interest Income	\$1.75	\$2.00	\$0.25	\$1.75	\$0.30	-\$1.45
Parking Meter Receipts	\$1.37	\$1.30	-\$0.07	\$1.37	\$0.75	-\$0.62
Parking Ticket Receipts	\$1.35	\$1.20	-\$0.15	\$1.35	\$0.75	-\$0.60
All Other	\$12.70	\$12.27	-\$0.43	\$12.70	\$11.52	-\$1.18
Projected Revenue	\$428.78	\$445.09	\$16.31	\$428.78	\$435.54	\$6.76

Projected Revenue	\$428.78	\$445.09	\$16.31	\$428.78	\$435.54	\$6.76
Free Cash	\$1.50	\$1.50	\$0.00	\$1.50	\$4.00	\$2.50
TOTAL BUDGETED REVENUE	\$430.28	\$446.59	\$16.31	\$430.28	\$439.54	\$9.26

“Pre” COVID-19 FY21 Budget and the final “Post” COVID-19 FY21 Budget: The Pre COVID-19 Budget that the Mayor reviewed in draft form with City Councilors at the end of February and early March had anticipated revenues of \$446.59 million, which was \$7.09 million higher than the one the Administration ultimately submitted to the Honorable Council. In our analysis, we have rounded this amount to \$7.1 million.

The Administration had to re-think the FY21 Budget to provide Newton’s core services as well as help those who are suffering from the many impacts of COVID-19. We used a multi-pronged approach.

One important step was to soften the impact on FY21 by making changes in FY20. We decided not to spend \$2.5 million on our roads from this year’s Free Cash to free up this funding for services in FY21. Otherwise, the budget we would have had to submit would have been by necessity \$9.6 million lower than the Pre-COVID-19 draft budget (\$7.1m + \$2.5m).

In addition to utilizing an additional \$2.5 million from Free Cash to balance the impact of the reduction of revenues, the Administration was required to reduce the FY2021 Proposed Expenditures by another \$7.1 million in order to balance the budget.

In order to accomplish this, the Newton Public Schools (NPS) have agreed to adjust their FY2021 Proposed Budget by \$1.5 million compared to eight weeks ago. The budget of the Newton Public Schools will continue to increase by \$6.8 million, or 2.9%. The Administration recognizes the impact that the closure of schools has had on our students and wants to ensure that NPS has the resources to address the emotional, social and academic issues that they will be faced with when schools hopefully reopen in the fall.

Additionally, Mayor Fuller met with the Newton Contributory Retirement Board of Trustees in April and requested a one-time adjustment to the Newton Pension Funding Schedule. She requested a pension system funding increase of \$1.4 million or 4.8% rather than the \$2.8 million or 9.6% that the Administration had recommended eight weeks ago. On April 22, 2020, the members of the Newton Retirement Board approved the following motion unanimously: Vote to have the City’s Actuary prepare the 1/1/20 valuation report using a funding schedule that

changes the FY2021 line item increase from 9.6% to 4.8% (all other assumptions remaining the same).

The Mayor also turned to the expenditure budget for the municipal departments. Every effort has been made to develop an expenditure budget that is sufficient to address projected operating requirements of the various departments of the City for the next fiscal year while being ever mindful of the complicated, unprecedented times that we face.

As the City of Newton had sold bonds in February 2020, the debt service for the City of Newton for FY2021 is already established. Decisions we make in the coming months about major capital investments and bonding will impact FY2022 debt service and beyond.

The following charts summarize the many, many decisions that were made in the development of this budget as a result of the impacts of the Coronavirus Pandemic. Every decision has been made thoughtfully and strategically so as continue to provide the highest level of municipal services while recognizing the financial impact of COVID-19.

COVID-19 IMPACT TO FY21 EXPENDITURE BUDGET				
(\$ M)		FY21 Projected	FY21 Projected	
		Pre COVID-19	Post COVID-19	Variance
Projected Expenses				
Newton Public Schools		\$ 244.65	\$ 243.15	\$ (1.50)
Debt Service		\$ 25.12	\$ 25.12	\$ -
Pensions/Muni Ret Health		\$ 44.93	\$ 43.37	\$ (1.56)
Municipal Departments		\$ 131.90	\$ 127.91	\$ (3.99)
TOTAL BUDGETED REVENUE		\$ 446.59	\$ 439.54	\$ (7.05)

COVID-19 IMPACT TO FY21 GENERAL FUND EXPENDITURE BUDGET						
(\$ 000)		FY21 Projected	Variance FY20		FY21 Budget	Variance FY20
	FY20 Budget	Pre COVID-19	vs Pre COVID-19	FY20 Budget	Post COVID-19	vs Post COVID-19
Employee Compensation & Benefits						
Salaries, Compensation & Benefits	\$85,426.27	\$87,691.18	\$2,264.91	\$85,426.27	\$86,569.59	\$1,143.32
Overtime	\$2,726.00	\$2,748.00	\$22.00	\$2,726.00	\$2,296.00	-\$430.00
Training, Edu Asst, Public Safety Academy	\$327.70	\$324.17	-\$3.53	\$327.70	\$275.26	-\$52.44
Total Emp Comp & Benefits	\$88,479.97	\$90,763.35	\$2,283.37	\$88,479.97	\$89,140.85	\$660.88
Key DPW Infrastructure Accounts						
Street Maintenance	\$1,265.00	\$1,270.00	\$5.00	\$1,265.00	\$1,265.00	\$0.00
Street Light & Signal Rprs & Knock-Downs	\$750.00	\$750.00	\$0.00	\$750.00	\$625.00	-\$125.00
Pavement Markings	\$275.00	\$300.00	\$25.00	\$275.00	\$225.00	-\$50.00
Traffic Calming Supplies	\$175.00	\$225.00	\$50.00	\$175.00	\$175.00	\$0.00
Solid Waste & Recycling	\$8,794.49	\$9,712.72	\$918.23	\$8,794.49	\$9,682.43	\$887.94
Total Key DPW Accts	\$11,259.49	\$12,257.72	\$998.23	\$11,259.49	\$11,972.43	\$712.94
Parks, Rec, & Culture						
Public Grounds Maintenance	\$877.00	\$931.69	\$54.69	\$877.00	\$832.19	-\$44.81
Forestry/Tree Services	\$665.00	\$670.00	\$5.00	\$665.00	\$570.00	-\$95.00
Playground Equipment	\$150.00	\$150.00	\$0.00	\$150.00	\$0.00	-\$150.00
Total Key Parks & Rec Accts	\$1,692.00	\$1,751.69	\$59.69	\$1,692.00	\$1,402.19	-\$289.81
Public Buildings						
Municipal Bldgs - Rprs & Maint	\$630.58	\$686.68	\$56.10	\$630.58	\$581.08	-\$49.50
Public Buildings R & M	\$630.58	\$686.68	\$56.10	\$630.58	\$581.08	-\$49.50
Other Difficult Decisions						
Library Sunday Hours	\$136.00	\$136.00	\$0.00	\$136.00	\$0.00	-\$136.00
Consulting & Other Services	\$1,807.31	\$1,842.54	\$35.23	\$1,807.31	\$1,645.54	-\$161.77
Automobiles/Light Trucks	\$760.00	\$810.00	\$50.00	\$760.00	\$400.00	-\$360.00
Removal of Snow & Ice	\$4,500.00	\$4,750.00	\$250.00	\$4,500.00	\$4,500.00	\$0.00
Hardware, Software, Computers	\$1,017.21	\$1,218.27	\$201.06	\$1,017.21	\$1,093.77	\$76.56
Pensions & Municipal Retiree Health Insurance	\$41,817.88	\$44,936.98	\$3,119.11	\$41,817.88	\$43,368.56	\$1,550.68
Other Difficult Decisions	\$50,038.40	\$53,693.79	\$3,655.39	\$50,038.40	\$51,007.87	\$969.47
Debt Service	\$24,488.10	\$25,116.18	\$628.08	\$24,488.10	\$25,116.18	\$628.08
Utilities/Gas/Diesel, etc	\$3,659.81	\$3,963.41	\$303.60	\$3,659.81	\$3,898.14	\$238.33
State Assessments	\$6,446.78	\$6,370.58	-\$76.20	\$6,446.78	\$6,370.58	-\$76.20
Additional Approp to Rainy Day	\$150.00	\$150.00	\$0.00	\$150.00	\$0.00	-\$150.00
All Other	\$7,066.94	\$7,195.07	\$128.13	\$7,066.94	\$6,904.80	-\$162.14
FY2021 FINAL BUDGET DECISIONS	\$193,912.07	\$201,948.46	\$8,036.39	\$193,912.07	\$196,394.11	\$2,482.04
Newton Public Schools	\$236,372.31	\$244,645.34	\$8,273.03	\$236,372.31	\$243,145.34	\$6,773.03
FY2021 PROPOSED BUDGET	\$430,284.38	\$446,593.80	\$16,309.42	\$430,284.38	\$439,539.45	\$9,255.07

Although we have made many adjustments to the number of positions that will be funded in the FY2021 Municipal Budget, this proposal contains no layoffs of permanent, full-time employees. In April, we did make the difficult decision to furlough approximately 100 positions of part-time employees who had not been working.

For Fiscal Year 2021, we have proposed the creation of a very few new positions; we are moving forward with only the 4.5 most strategic and necessary hires (one of which is part-time and another which is not funded until January 2021). We have eliminated historically vacant positions (11) and have put many other vacancies on hold for either a year (7) or six months (4).

Thus, we will begin FY2021 with 19 fewer full-time equivalents in the budget but with no layoffs of permanent, full-time employees. Further, we have eliminated all intern and co-op positions for the FY21 budget. These decisions have yielded approximately \$1.5 million of the \$4 million budget adjustments required by the municipal departments. We have been very careful to preserve the services provided by and thus the positions and livelihoods of our trusted employees, many of whom have dedicated their lives to the service of the residents of this good City. Key changes are in the following areas:

FY21 POSITIONS ADDED				
				FY21 Projected
			<u># of Positions</u>	<u>Costs</u>
<u>New Positions</u>				
Mayor's Office - Energy Coach - 6 mos			1.0	\$ 50,000
DPW - Assistant Superintendent - Transportation			1.0	\$ 100,000
Health & Human Svcs - School Nurse			1.0	\$ 60,000
Health & Human Svcs - Social Svcs Asst			0.5	\$ 25,000
DPW Utilities - Payroll Assistant			1.0	\$ 50,000
TOTAL NEW POSITIONS			4.5	\$ 285,000

COVID-19 IMPACT TO FY21 EXPENDITURE BUDGET				
				FY21 Projected
			# of Positions	Savings
Positions Eliminated				
Public Buildings Dept - Administrative Assistant			1.0	\$ 60,000
DPW - Streets Division - 2 HMEO, 2 SHMEO			4.0	\$ 240,000
Parks, Recreation,Culture - Small Engine Repair			1.0	\$ 60,000
DPW Utilities - 4 HMEO's, 1 SHMEO			5.0	\$ 300,000
TOTAL POSITIONS ELIMINATED			11.0	\$ 660,000
Positions "ON HOLD" for 1 Year				
Information Technology - Network Administrator			1.0	\$ 70,000
Planning Dept - Executive Assistant			1.0	\$ 70,000
Public Buildings - Plumber			1.0	\$ 70,000
DPW Motor Equipment Repairman			1.0	\$ 60,000
DPW Transportation - Snr Traffic Engineer			1.0	\$ 110,000
Library - Librarians			2.0	\$ 125,000
TOTAL POSITIONS "ON HOLD" for 1 Year			7.0	\$ 505,000
Positions "ON HOLD" for 6 Months				
Assessing - Excise Data Clerk			1.0	\$ 27,500
Law Dept - Assistant City Solicitor			1.0	\$ 60,000
Human Resources - HR Generalist			1.0	\$ 30,000
Parks,Rec,Culture - Beautification - HMEO			1.0	\$ 25,000
TOTAL POSITIONS "ON HOLD" for 6 Months			4.0	\$ 142,500
TOTAL SAVINGS FROM ELIMINATIONS/HOLDS - FULL TIME			22.0	\$ 1,307,500
Part-Time, Interns, Co-op Positions Eliminated				
Clerk of Council - PT Archivist Intern				\$ 11,000
DPW - Engineering - PT Admin				\$ 27,500
DPW Engineering - Co-op StudentS				\$ 39,300
DPW - Streets Division - PT Laborer				\$ 20,000
DPW - Vehicle Maint - Clk PT				\$ 19,650
DPW - Sustainable Materials - PT Co-op				\$ 15,000
DPW Transportation - Co-op StudentS				\$ 39,000
TOTAL PART-TIME, INTERNS, CO-OP'S ELIMINATED				\$ 171,450
TOTAL SAVINGS FROM ELIMINATIONS/HOLDS				\$ 1,478,950

Department of Public Works -

Question: During the Public Facilities Committee review of the Department of Public Works, members of the committee requested that we provide information to detail the increase between the DPW FY20 and FY21 Budgets.

Administration Response: Although the DPW Budget increased by \$2,228,244, which is a large increase in this year's budget (8.5%), it is the result of increases in three very specific areas.

Snow and Ice: In past years, we have budgeted \$1.5 million in the DPW budget and \$3 million in the Comptroller's budget for costs associated with the removal of snow and ice. In an effort to minimize requests to transfer funds over the holiday season, we have made the decision to budget \$3 million in the DPW budget and have appropriated \$1.5 in the Comptroller's budget. While this change accounts for \$1.5 million or 67% of what appears to be an increase in the DPW budget, in fact there is no change in the total appropriation for costs of snow and ice removal.

Solid Waste and Recycling: The second significant area of increase in the DPW budget is the cost for Solid Waste and Recycling. As you know, the combination of the recycling crisis as well as a newly negotiated contract (which must be based on a state provided, significantly increased prevailing wage calculation) has resulted in a \$751,121 increase in the Sustainable Materials Management Department.

Rumford Solar: Thirdly, the DPW budget includes the cost portion for the solar generation at Rumford, while the revenue associated with Rumford goes directly to the General Fund Revenue. Both the costs and the revenues for the solar generation have been increased since FY20. The cost for electricity in the DPW budget was increased by \$150,000 for this purpose.

As you can see, these three specific areas account for \$2.4 million, \$170,000 more than the increase in the DPW budget.

Questions Regarding Deferrals, Receivables, etc. by Councilor Baker -

Question: During the course of the Council deliberations, Councilor Baker posed several questions regarding property taxes that are deferred under agreement and from how many and what kinds of properties, as well as the number of property taxes unpaid.

Administration Response: The following table shows the number of participants and the tax dollars that were exempted or deferred last year in FY20.

Code	Type of Program	Total Amount of Exemptions Granted	No. of Participants
22E	100% Disabled Veteran	\$37,000	39
37A	Blind Person	\$16,500	33
22	Disabled Veteran	\$61,200	153
22A	Disabled Veteran	\$1,500	2
41C	Elderly	\$71,000	71
41A	Tax Deferral	\$538,764	71
17D	Widow or Surviving Spouse	\$4,608	24
		\$730,572	393

Additionally, we are providing schedules that detail unpaid real estate taxes, personal property taxes (from commercial properties), motor vehicle excise taxes, tax deferrals, and taxes on properties with liens. Please see the following tables.

City of Newton, Mass							
Accounts Receivable - as of Dec 31, 2019							
						AMOUNT	
GENERAL FUND		PERSONAL PROPERTY				6,281,991.05	
GENERAL FUND		TAX LIENS RECEIVABLE				3,740,463.09	
GENERAL FUND		CL 41A DEFERRED TAXES				2,369,139.41	
GENERAL FUND		MOTOR VEHICLE EXCISE				1,994,275.50	

City of Newton, Mass							
Schedule of Unpaid Property Taxes							
Year	Count	Principal	Interest	Total Unpaid	Tax Levy	Principal as % of Tax Levy	Total as % of Tax Levy
1994	1	\$ 3,838	\$ 15,176	\$ 19,013	\$ 121,079,222	0.00%	0.02%
1995	2	\$ 1,086	\$ 4,233	\$ 5,319	\$ 125,293,531	0.00%	0.00%
1996	6	\$ 12,809	\$ 37,865	\$ 50,673	\$ 129,682,983	0.01%	0.04%
1997	6	\$ 14,548	\$ 42,712	\$ 57,260	\$ 134,082,167	0.01%	0.04%
1998	6	\$ 15,082	\$ 42,349	\$ 57,431	\$ 138,934,388	0.01%	0.04%
1999	6	\$ 9,842	\$ 31,768	\$ 41,610	\$ 144,105,992	0.01%	0.03%
2000	7	\$ 13,804	\$ 36,993	\$ 50,797	\$ 149,411,520	0.01%	0.03%
2001	9	\$ 23,593	\$ 59,769	\$ 83,361	\$ 156,140,737	0.02%	0.05%
2002	13	\$ 50,321	\$ 112,024	\$ 162,344	\$ 162,278,416	0.03%	0.10%
2003	15	\$ 57,464	\$ 131,794	\$ 189,258	\$ 180,174,491	0.03%	0.11%
2004	16	\$ 64,375	\$ 136,368	\$ 200,743	\$ 187,384,724	0.03%	0.11%
2005	23	\$ 106,418	\$ 188,920	\$ 295,338	\$ 194,189,921	0.05%	0.15%
2006	24	\$ 123,409	\$ 218,634	\$ 342,043	\$ 201,238,041	0.06%	0.17%
2007	28	\$ 143,343	\$ 209,934	\$ 353,277	\$ 208,504,128	0.07%	0.17%
2008	35	\$ 197,259	\$ 264,881	\$ 462,140	\$ 215,828,884	0.09%	0.21%
2009	40	\$ 215,939	\$ 254,647	\$ 470,586	\$ 224,896,509	0.10%	0.21%
2010	41	\$ 207,722	\$ 214,122	\$ 421,844	\$ 233,300,284	0.09%	0.18%
2011	48	\$ 242,793	\$ 199,470	\$ 442,263	\$ 241,707,854	0.10%	0.18%
2012	49	\$ 277,577	\$ 232,504	\$ 510,081	\$ 250,781,839	0.11%	0.20%
2013	54	\$ 330,535	\$ 250,839	\$ 581,374	\$ 260,175,335	0.13%	0.22%
2014	59	\$ 331,275	\$ 212,339	\$ 543,614	\$ 279,224,275	0.12%	0.19%
2015	76	\$ 434,248	\$ 207,138	\$ 641,385	\$ 291,627,432	0.15%	0.22%
2016	87	\$ 555,652	\$ 206,142	\$ 761,794	\$ 305,327,821	0.18%	0.25%
2017	142	\$ 910,433	\$ 242,243	\$ 1,152,676	\$ 318,006,048	0.29%	0.36%
2018	225	\$ 1,327,185	\$ 271,099	\$ 1,598,283	\$ 331,872,472	0.40%	0.48%
2019	465	\$ 2,713,029	\$ 284,254	\$ 2,997,284	\$ 346,936,564	0.78%	0.86%
TOTAL	1483	\$ 8,383,577	\$ 4,108,215	\$ 12,491,792			

The City of Newton is fortunate to have a very high rate of collection on all taxes owed, a point that is often cited and is instrumental in the City's Aaa Bond Rating.

Per the Massachusetts Collector's manual, cities and towns have many resources, and also many specific requirements, to ensure payment of all taxes owed. Exactly how to do collections is highly regulated. I am providing the link to Chapter 4 of this manual, Other Collection Procedures, which begins on *page 36*, and provides detailed information.

https://www.masscta.com/sites/mcta/files/uploads/collectors_manual.pdf