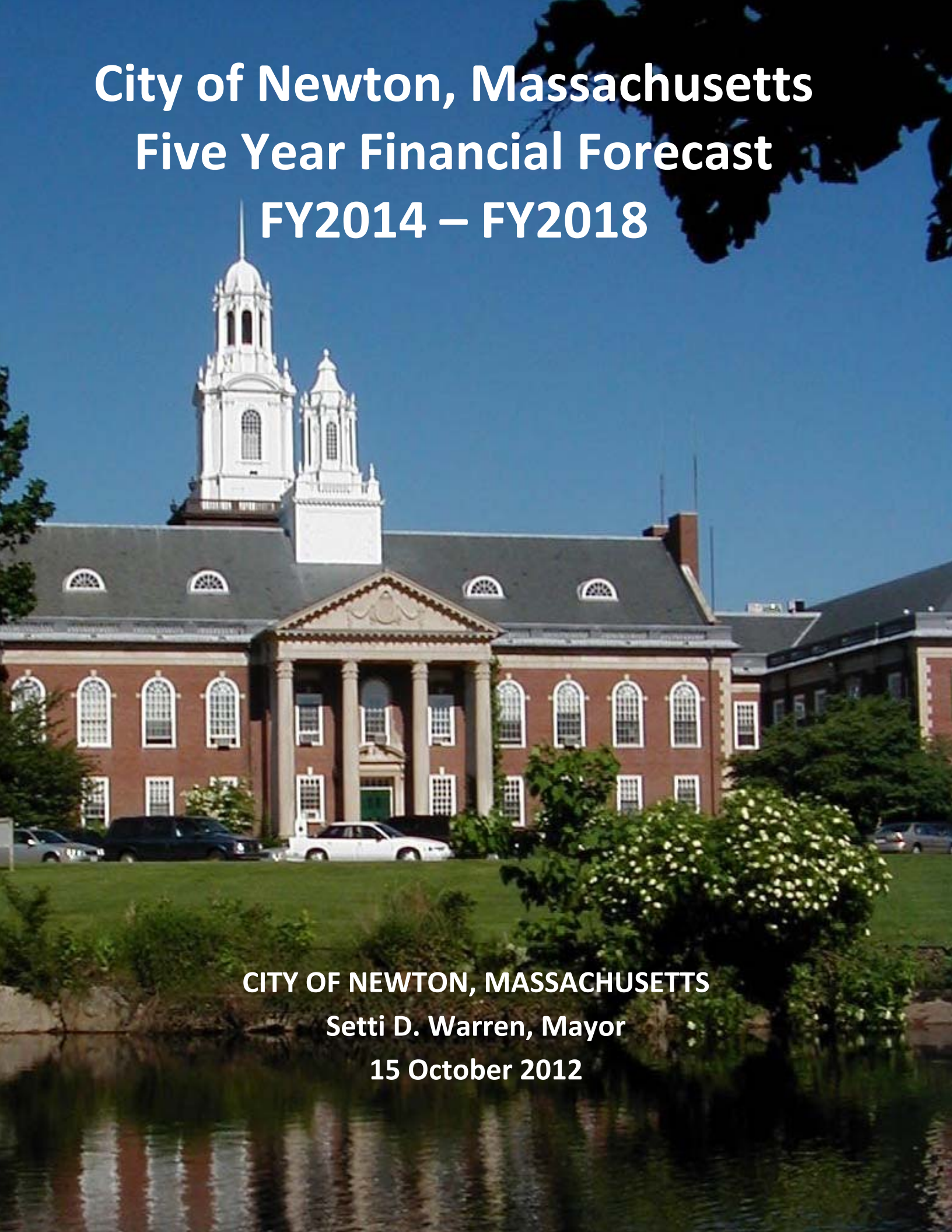
City of Newton, Massachusetts
Five Year Financial Forecast
FY2014 – FY2018



CITY OF NEWTON, MASSACHUSETTS

Setti D. Warren, Mayor

15 October 2012

SETTI D. WARREN
MAYOR

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October 15, 2012

Honorable Board of Aldermen
Newton City Hall
1000 Commonwealth Avenue
Newton, MA 02459

Ladies and Gentlemen:

I am pleased to submit for your review **The City of Newton FY2014 – FY2018 Five-Year Financial Forecast.** As you will see, my Administration has accomplished much through a targeted approach of negotiating affordable collective bargaining agreements, zero-basing department budgets, utilizing performance metrics to drive management and funding decisions, completing a comprehensive 20 Year Long Range Capital Plan, and facilitating the progression of the Chestnut Hill Square Project.

During the course of the past year, I once again went out into the community conducting a series of "Town Hall" meetings to engage the citizenry in conversation to assess the true needs of our City. Throughout those conversations it was clear that the people of Newton value education as the first and foremost bedrock of their community, that outdated dysfunctional educational facilities are unacceptable, and that class size and breadth of program are of the utmost importance. It was also clear that public safety in the form of fire response time and fire communications are a priority, that the City's streets and sidewalks have deteriorated and need to be repaired, and that our residents want to be able to walk and bicycle throughout their city without fear of injury.

Therefore, in order to position the City to have the opportunity for state reimbursement from the Massachusetts School Building Authority, to maintain the quality of life that the citizens of Newton expect and deserve, to preserve a community that reflects the reasons people chose to live in Newton, and to enable the Administration to address infrastructure and school enrollment needs without having a negative effect on the education, public safety, public works, recreational and cultural needs of the residents of the City of Newton, I am requesting that the Honorable Board of Aldermen authorize a special election to be held on March 12, 2013 asking the citizens of Newton to support an operating override in the amount of $8,400,000 and debt exclusion overrides for the Angier and Cabot Elementary Schools.

Successful passage of these override questions will provide the necessary funding to enable the City to address the deplorable conditions, inadequate teaching areas, and capacity issues at the Angier, Cabot, and Zervas Elementary Schools, operational needs to support increasing student enrollment throughout the City, relocation of the Fire Department's Wires Division, replacement of the antiquated Fire Headquarters and Fire Station in Newton Centre thereby improving response times and protecting

the City's vital communications system, accelerated pavement schedules of streets and sidewalks, and the addition of public safety personnel dedicated to ensuring the safety and security of the citizens of the City of Newton.

This override is designed to strike a balance between the needs of the community and the amount that the City's residents can afford and is estimated to cost approximately $0.36 per thousand dollars of valuation in the first year and increasing to $0.50 per thousand dollar of valuation in year two or three. It is an integral component in the financial, operational and infrastructure forecast presented here and is designed to enable the Administration to address very specific needs of the City. This additional revenue will be utilized as follows:

- Four and one half million ($4,500,000) will be allocated to the Newton Public Schools to fund teachers and other costs associated with the growth in enrollment,
- One million dollars ($1,000,000) will be dedicated on an annual basis to accelerating the City's paving program to address the City's deteriorating streets and sidewalks,
- Five hundred thousand ($500,000) will be dedicated to the addition of 4 Police Officers and other costs associated with targeted control of the increasing traffic and safety concerns throughout the City,
- Two million four hundred thousand dollars ($2,400,000) will be set aside on an annual basis to support the debt service associated with the expanded Zervas Elementary School, relocation of the Fire Department Communications Division, and replacement of Fire Headquarters and Fire Station #3, and
- Approximately three million dollars ($3,000,000) will be set aside on an annual basis following a determination of the final project costs and state reimbursement for the Angier and Cabot Elementary Schools.

As is evident in the following pages, the Administration will be challenged in the preparation of the annual budgets. The Administration will continue to zero base its budgets, and employ performance management strategies throughout all departments. The Administration recognizes the sacrifice it is asking of many of Newton's citizens with the request of additional funding and pledges to remain vigilant in its financial oversight so that the people of the City of Newton can be confident that each and every one of their hard earned tax dollars will be spent wisely.

I look forward to discussing this strategic plan with the Honorable Board and the residents of our great City in the weeks and months to come.

Sincerely,

Setti D. Warren
Mayor

SUSTAINABLE BUDGET STRATEGY

For any budget or financial plan to be sustainable, it must provide a "balance" of revenue and expenditures, while simultaneously addressing infrastructure needs and developing and maintaining an appropriate level of reserves. This five year financial forecast has been designed to eliminate the operating deficit by FY2015. This will require strict adherence to a forecast and budget that maintains an expenditure growth rate that does not exceed the revenue growth rate of approximately 2.5%. In addition to reaching agreement with the City's union membership, the administration will continue to work with the citizens to define and prioritize the City's core services, refine the newly developed zero-based budgets, continue to employ performance management techniques to streamline operations, begin to implement the conclusions of the recent comprehensive citywide infrastructure assessment, and work to encourage economic development where appropriate.

FY2013 – FY2017 Financial Forecast
07 November 2011

This forecast begins where it ended one year ago. . . .

Introduction

One of the most important functions of the municipal leadership of the City of Newton is to position the community for long-term fiscal stability by defining policy guidelines, establishing clear and measurable objectives, providing for consistency of financial management, maintaining the City's Aaa bond rating, instilling public confidence and avoiding setting policy in crisis. As such, this five-year, comprehensive, financial forecast is meant to enable the leadership of the City of Newton to proactively manage projected revenues and expenditures, personnel costs, operating expenditures, capital improvement plans, equipment replacement schedules, and debt service schedules for the next five years and beyond.

This five-year financial forecast discusses the very real fiscal challenges faced by the City of Newton, projected trends for the future based on past experience and known conditions, and principles to guide the strategy, policy options, implementation issues, and future budget scenarios. This document will also discuss in detail the key cost drivers and actions taken by the Administration to position the City to be able to create parity between the growth of revenue and the growth of expenditures. The purpose of this plan is to set forth the basic elements of the City's financial situation, explain revenue constraints, cost control options, inform the community of the risks and opportunities available to the City as it moves forward, and establish strategies and policies for the City to address its many challenges particularly in the following areas:

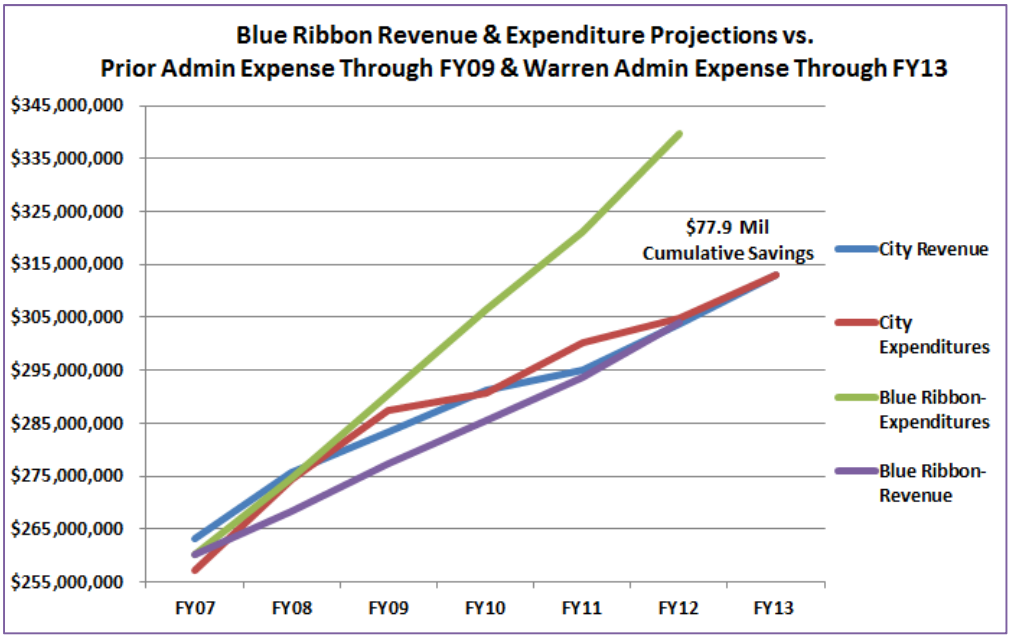
- ✓ rising student enrollment,
- ✓ outdated, inadequate school facilities,
- ✓ deteriorating roadways,
- ✓ antiquated fire stations, and,
- ✓ increasing traffic and safety concerns.

It is anticipated that this document will serve to guide budget choices and policy as the Honorable Board of Aldermen reviews the annual draft budgets for the coming years.

Changing the Slope of the Curve

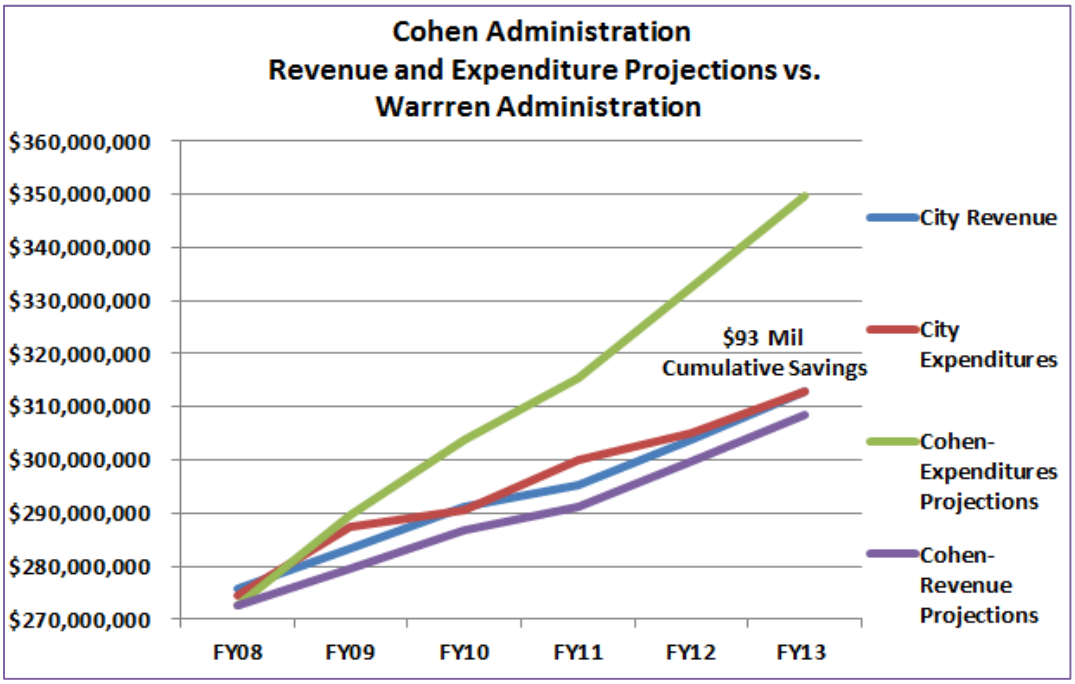
The Blue Ribbon Commission, established under Mayor David Cohen concluded in its Final Report dated **February 1, 2007** the following:

> *The General Fund Multi-Year Budget Forecast ("the City's Forecast") for fiscal years 2008-2012 understates the gap between revenue and expenses for each of those years.*
>
> - *The City's Forecast shows a deficit starting at $3.6 million in 2008 and rising to $9.0 million in 2012;*
> - *The Commission's Forecast rises from a deficit of $6.1 million in 2008 to $35.7 million in 2012.*



Cohen Administration Actuals through FY'09/ Warren Administration Actuals FY10 through FY'12/ and Current Budget FY'13

The Cohen Administration, then reported in its FY09-FY13 Five-Year Financial Forecast published in **October 2008** more than a $40 million projected deficit between expenditures and revenues by the City's Fiscal Year 2013.

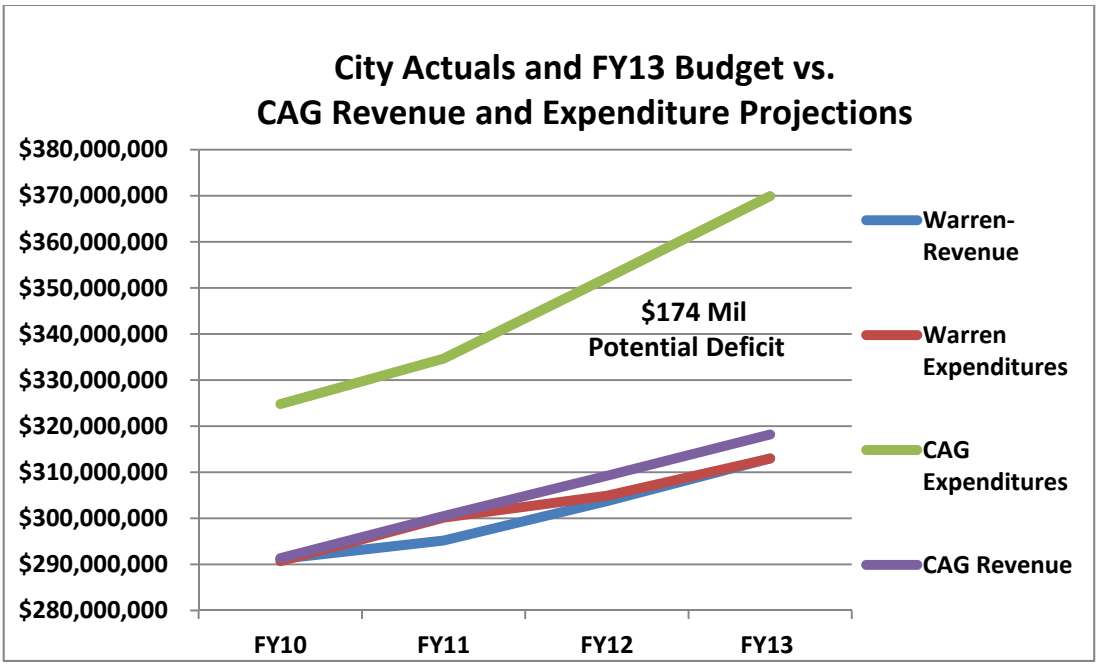


Cohen Administration Actuals through FY'09/ Warren Administration Actuals FY10 through FY'12/ and Current Budget FY'13

The Citizens' Advisory Group, established under Mayor David Cohen concluded in its Final Report dated **April 14, 2009** the following:

> *<u>Sustainability</u>*
> *Like many municipalities, the City of Newton is unsustainably living beyond its means. We are simultaneously underfunding some of our needs and aspirations while continuing to make service commitments in both our municipal and school operations beyond our willingness to pay for them.*
>
> *On the books, Newton revenues and expenditures are "balanced" at $286 million, but we are seriously underfunding:*
> - *Maintenance and repair of public buildings and infrastructure by $30 M/yr, and*
> - *Retiree benefits by another $22M/yr short of responsible funding.*
>
> *In essence, Newton is borrowing over $50M/yr from future residents just to afford current service levels. At some point this $50M/yr will need to be paid with interest.*
> *The magnitude of this underfunding is equal to 17% of the current budget ($50/$286).*
>
> *Continuing to defer these costs will increase the magnitude of the problem in the future.*

- *After factoring in only minimal new commitments to infrastructure renewal and the funding of retiree benefits quickly drives the Operating Budget deficit to over $20 million in FY 2010 and up to over $50 million in FY 2014 (with an accumulated "deficiency" of $174M).*



CAG Projections include $20+ Million additional expenditures to address long term liabilities and infrastructure renewal.

It was clear in 2010 when current Mayor Setti Warren took office that the City of Newton truly needed to get its financial house in order. There would be no miraculous influx of funding. There would also be no decrease in the rate of growth of expenditures without significant intervention and targeted change by the Administration. The Administration identified five key areas to attack to eliminate the City's structural deficit and change the slope of the curve. Those key strategies are the following:

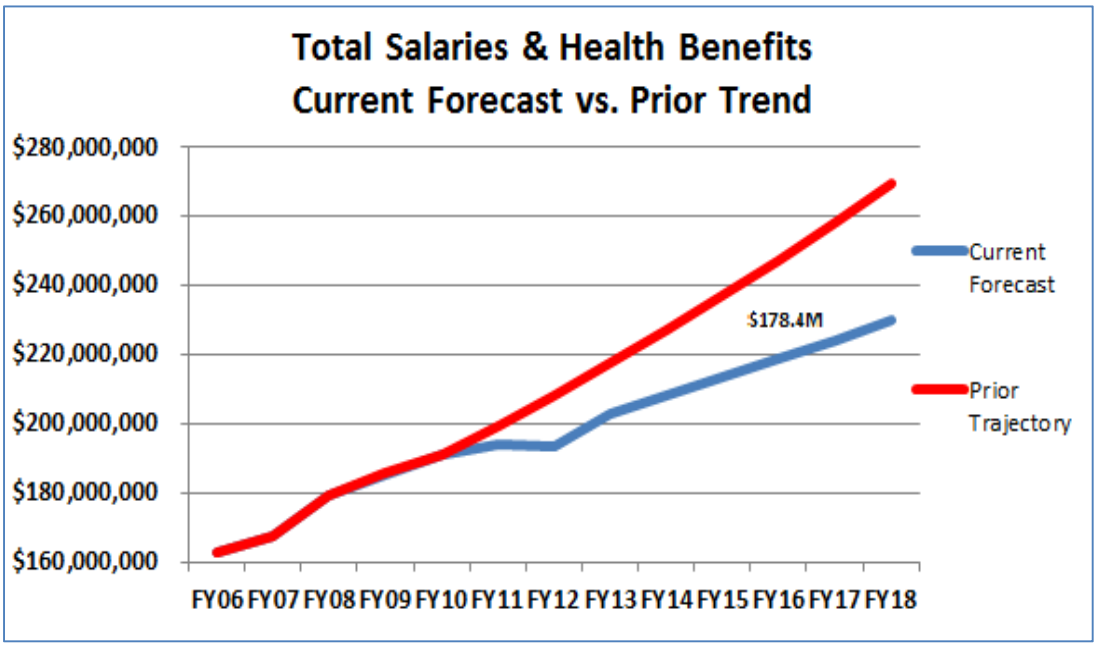
- Negotiate the Collective Bargaining Agreements
- Zero-Based Budgeting
- Performance Management
- Capital Infrastructure Assessment
- Economic Development

Throughout the past 2 ¾ years, the Administration has focused on these five key areas resulting in a dramatic change in the slope of the curve.

Significant Changes/Updates: October 2011 - October 2012

Collective Bargaining Agreements

Following publication of last year's 5-year financial forecast, the City successfully entered into three year collective bargaining agreements with ALL remaining unions. Throughout those negotiations, the administration and union leadership continued to work cooperatively to identify opportunities to structure change, create efficiencies and develop parity in the growth rate of revenues and expenditures. As a result, all union contracts included plan design changes for health benefits, additional contribution rates for all new employees, a delay in contractually negotiated automatic step increases, and most importantly a combined projected annual growth rate in expenditures for all salaries, compensation and health benefits of 2.5%. The changes negotiated in these contracts are monumental and have been accomplished only through a true collaborative effort on the part of the administration and union leadership, and will have the single most significant impact on the ability of the City to develop a viable, balanced, sustainable five-year financial forecast.

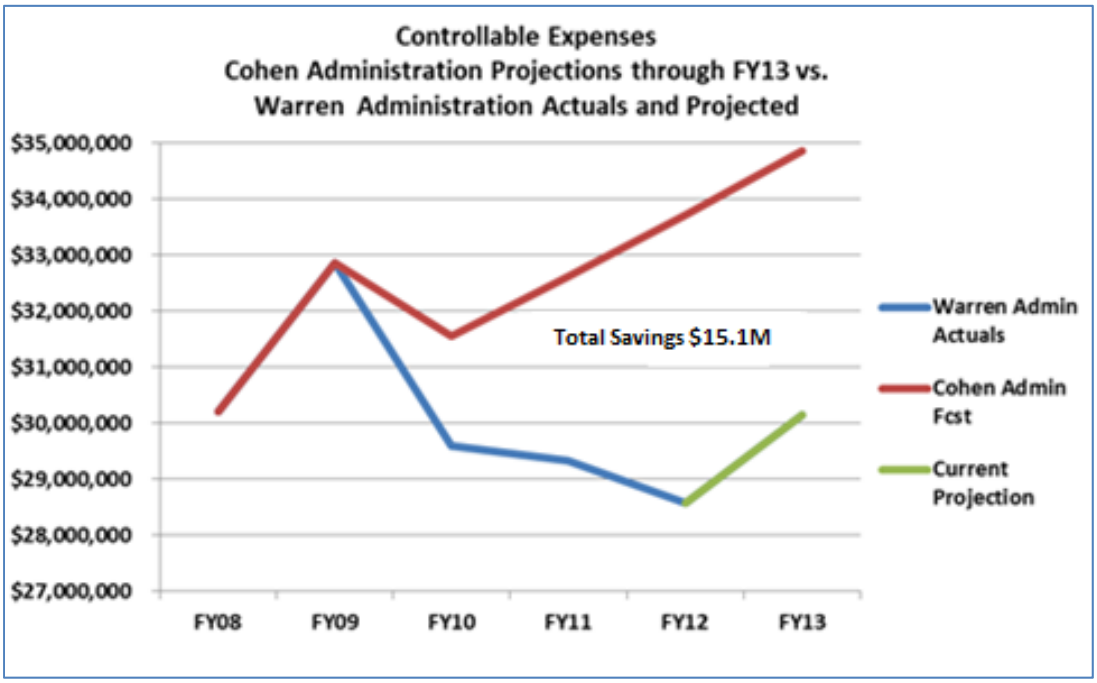


Projected Cumulative Savings through FY'18: $178.4 Million

Zero-Based Budgeting

The City implemented a zero-based budgeting strategy beginning with the development of the FY2012 Budget to ensure that every department function was reviewed comprehensively, that all expenditures were analyzed, and that planning and decision making was enhanced in order to maximize administrative and operational efficiencies. The zero-based budgeting process required all departments to justify and prioritize all activities before the City allocated any resources. Zero-based budgeting resulted in a more efficient allocation of resources, drove managers to find cost effective ways to improve operations, detected inflated forecasts, increased communication and coordination,

identified and eliminated waste or duplication, and identified opportunities for efficiencies. The City will continue to utilize this process of budget preparation in order to continue to maximize efficiencies.



Performance Management

During the course of the past 2¾ years, the City embarked on a performance-based management initiative utilizing a systematic approach of "mapping", analyzing and improving the City's processes, throughout operational as well as administrative departments, in order to make the delivery of services more effective, more efficient, and more capable of adapting to an ever-changing environment. The procurement process, payroll process, building maintenance, softscape, and hardscape maintenance activities were "mapped" in order to identify and prioritize improvements. Additionally, the City has established and published "scorecards" for many departments measuring performance in several different areas. This process of performance measurement will continue to expand and will be an invaluable tool as the Administration strives for continuous improvement in the delivery of services to the residents of the City.

Police Department Scorecard

City of Newton Performance Management Scorecard

August 2012

Traffic Light Key

Green = actual value meeting or exceeding the target
Yellow = actual value within 10% of meeting target
Red = actual value worse tnore than 10% away from meeting target

Trend Key

Green = cumulative Year-to-Date better than Last Year-to-Date
Yellow = cumulative Year-to-Date the same as Last Year-to-Date
Red = cumulative Year-to-Date worse than Last Year-to-Date

Metrics measured monthly unless otherwise noted

		Monthly				Calender Year (1/1/12-8/31/12)		
Metric	Metric Goal	Avg.	Target	Actual	Result	LYTD	YTD	Trend
1. Enforce the law and prevent crime in the City								
Directed patrols	Keep directed patrol levels at or below their monthly average	1484	1484	1272		10973	11490	
Homicides	Keep crime levels at or below their monthy average	0	0	0		0	0	
Rapes		0	0	0		4	2	
Robberies		1	1	2		6	13	
Aggravated assaults		4	4	3		29	39	
Burglaries		22	22	19		111	141	
Larcenies		98	98	61		595	438	
Vehicle thefts		5	5	1		11	13	
Total Part 1 crimes		130	130	86		756	646	
2. Promote and enforce traffic safety								
Total traffic accidents	Keep accident levels at or below their monthly average	94	94	97		825	800	
Vehicle - vehicle accidents		113	113	83		657	734	
Vehicle - cyclist accidents		5	5	10		20	30	
Vehicle - pedestrian accidents		0	0	4		18	36	

Capital Infrastructure Assessment

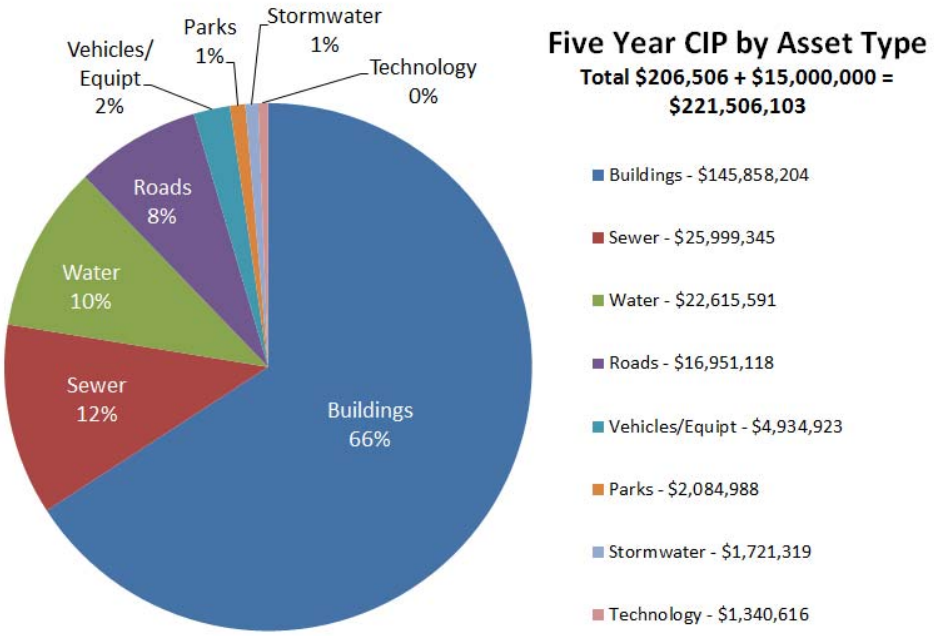
Yet another primary responsibility of the leadership of the City of Newton is the preservation and maintenance of the community's school buildings, municipal buildings, roadways, parks, recreation space, and water and sewer facilities. Planning for the funding of the maintenance and improvements of the City's capital infrastructure is crucial in the development of strong financial management. On November 7, 2011 the City of Newton unveiled a first-of-its-kind Capital Improvement Plan where prioritization was driven by different criteria specific to the values of the City of Newton and planning for the future was based on a combination of the condition of an asset coupled with an understanding of its consequence of failure.

The FY2014-2018 Capital Improvement Plan (CIP) built on the risk-based prioritization process that was begun last year and has continued to evolve into an expanded 20 year outlook for capital needs across the City. Developing a longer term vision for the City required a holistic review of the City's capital needs and the life expectancy of all assets and their component parts. The resulting 20 year plan now provides the necessary and appropriate context within which the 5 year CIP can be considered.

Once again, the goal of the CIP and the Long Range Plan was to create a logical, transparent and data-driven strategic capital investment strategy that addresses infrastructure needs and school capacity

issues, reflects community values, supports City operations, programs and services, and exemplifies sustainable financial and environmental best practices.

The City's capital assets include 78 buildings, approximately 300 miles each of roads, sewer lines, water lines, and storm drains, 58 parks and playgrounds, and over 200 large vehicles and pieces of equipment. Proper maintenance and investment in these capital assets extends their life and is necessary to support City services to fully achieve the goals outlined in the Fiscal Year 2013 City Budget for each department and the City as a whole.



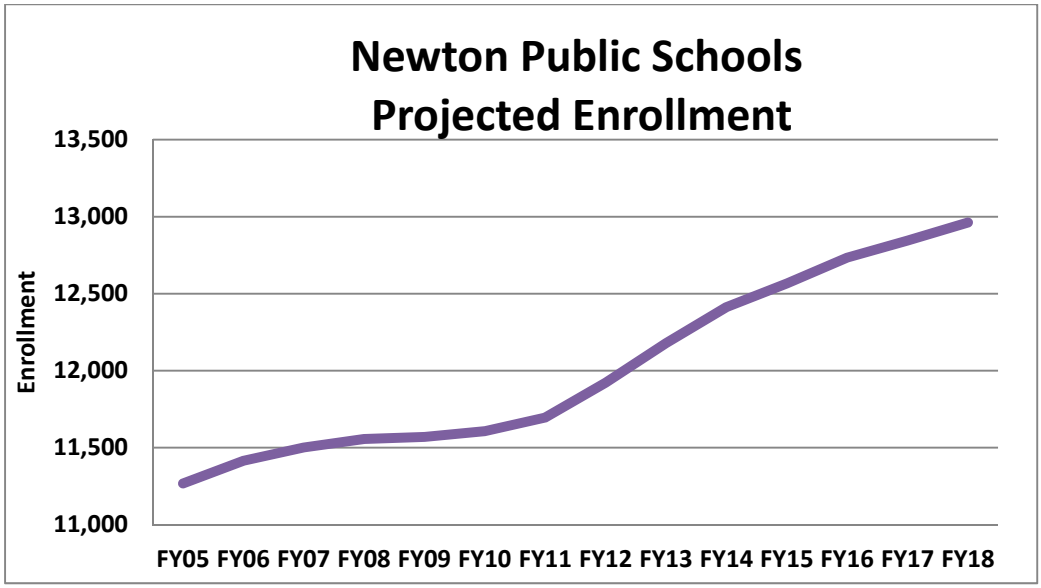
Economic Development

Throughout the past year the Administration has worked closely with the Honorable Board of Aldermen and the New England Development Corporation to facilitate the successful development of the "Chestnut Hill Square Project" on Route 9. Upon completion, it is anticipated that this project will generate more than $1 million annually in additional property tax revenues to the City. The Administration will continue to proactively pursue economic development where appropriate.

Chesnut Hill Square Project

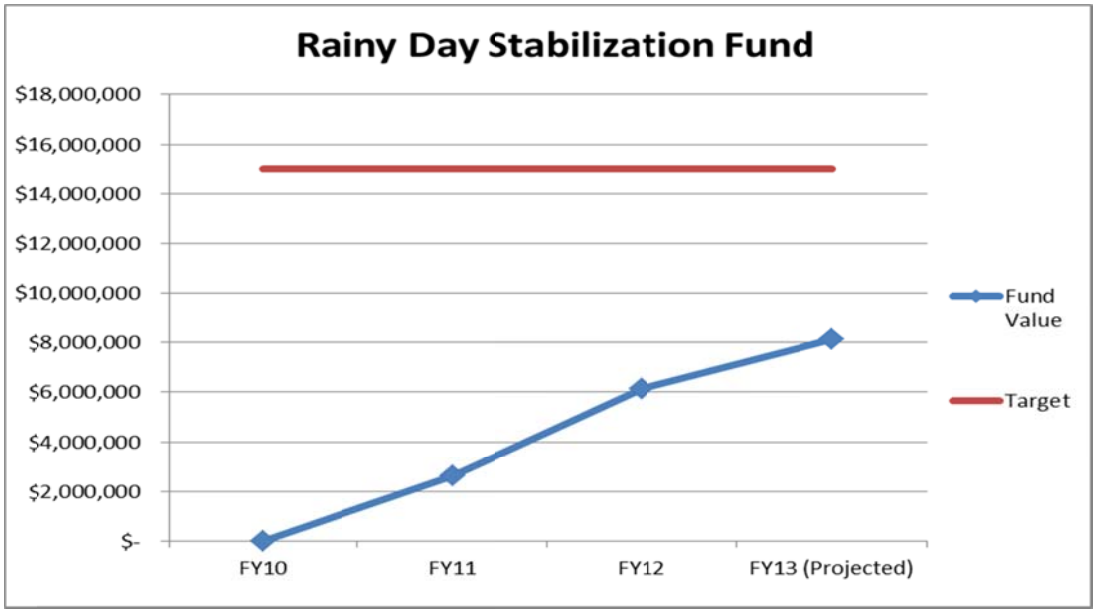
Growth in Enrollment

Newton Public School enrollment has grown over each of the past eight years (2005-06 to 2012-13) and is projected to continue to increase for the next five years with growth affecting all grade levels. Accumulated net growth of 654 students through 2011-12, an increase of close to 6%, initially affected the elementary schools and subsequently the population started to arrive at the middle schools in 2008-09. The high schools also now have begun to receive the accumulation of student growth within the system this year, 2012-13, and the growth trend at the high school level is expected to be strong for the next five years. In 2012-2013, Newton Public Schools will experience the largest percentage growth increase since the early 1990s and the largest Kindergarten class since 1975. The district is currently planning for robust growth in the next 5 years of at least another 6% increase in the student population.



Rainy Day Stabilization Fund

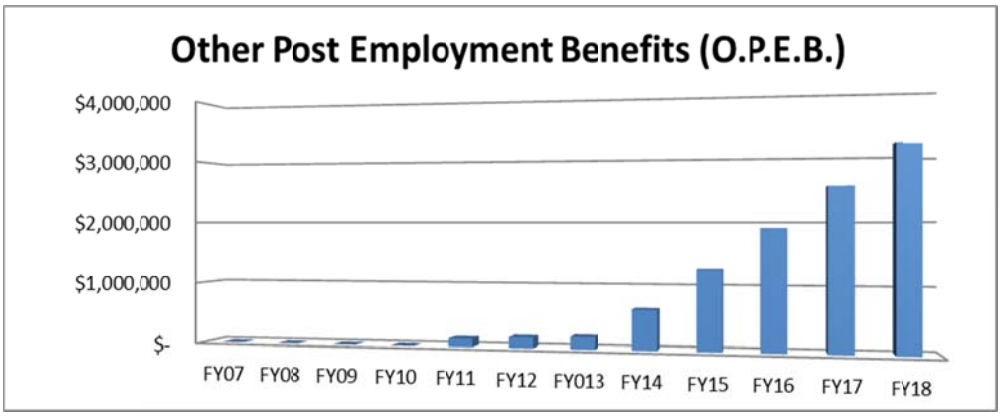
In 2010 the City of Newton established a Rainy Day Stabilization Fund with an initial funding level of $2,643,271. This Fund was established as a reserve for years when the City faces a multiple year economic recession or a rare, catastrophic expenditure. These funds may be utilized to assist in addressing cyclical declines in operating revenues, generally resulting from economic factors outside the control of the City, or an unusually large expenditure resulting from such things as a catastrophic weather event. The primary reason for the segregation of such monies is to prevent these reserves from being used for unrelated City needs, and to demonstrate that resources are in fact being set aside specifically for extraordinary and unforeseen revenue disruption or catastrophic expenditure need. Since its establishment, the City has allocated an additional $3.5 million to this fund which now totals more than $6 million.



Other Post Employment Benefits (O.P.E.B.)

Additionally, in 2010 the City established an Other Post-Employment Benefits (O.P.E.B.) Liability Trust Fund; local option; funding schedule, which authorizes the establishment of a separate fund, for the purpose of providing an irrevocable, dedicated trust fund as a vehicle to make advance contributions for retirement health care benefits. Currently, the City has identified an updated O.P.E.B. unfunded liability of roughly $600 million, requiring a $46 million Annually Required Contribution or (ARC).

The FY2013 Budget included the set aside of 2.5% of the salary for all newly insured employees beginning July 1, 2012, with the expectation that the percentage would increase gradually each year. It was anticipated that as the City brings on more and more new employees, this funding method will cause this appropriation to grow exponentially. The Administration intends to continue the policy of "pay as you go" for all O.P.E.B. liabilities for current and former employees.



The City of Newton's Aaa Bond Rating

On March 30, 2012, the City of Newton once again earned a "Aaa – Stable" rating (the highest possible) from Moody's Investor Services for its General Obligation Municipal Purpose Loan of 2012 Bonds. Concurrently, Moody's reaffirmed the Aaa rating assigned to $188 million of previously-rated long-term general obligation debt.

Per the official statement issued by Moody's - *The Aaa rating incorporates the city's wealthy and diverse tax base within a strong regional economy, manageable debt profile with moderate future borrowing plans, and the city's historically well-managed, but narrow, financial position with growing rainy day stabilization reserves, which will offset a planned depletion of capital reserves. The stable outlook recognizes the city's improving financial position, conservative forecasting in five-year operating and capital plans and implementation of comprehensive financial policies.*

Strengths continued to be cited as follows:

- *Sizeable, wealthy and diverse tax base with favorable location and institutional presence,*
- *Low direct debt burden and manageable future capital needs, and*
- *Strengthened financial policies and conservative budgeting approach.*

Conversely, challenges were cited as follows:

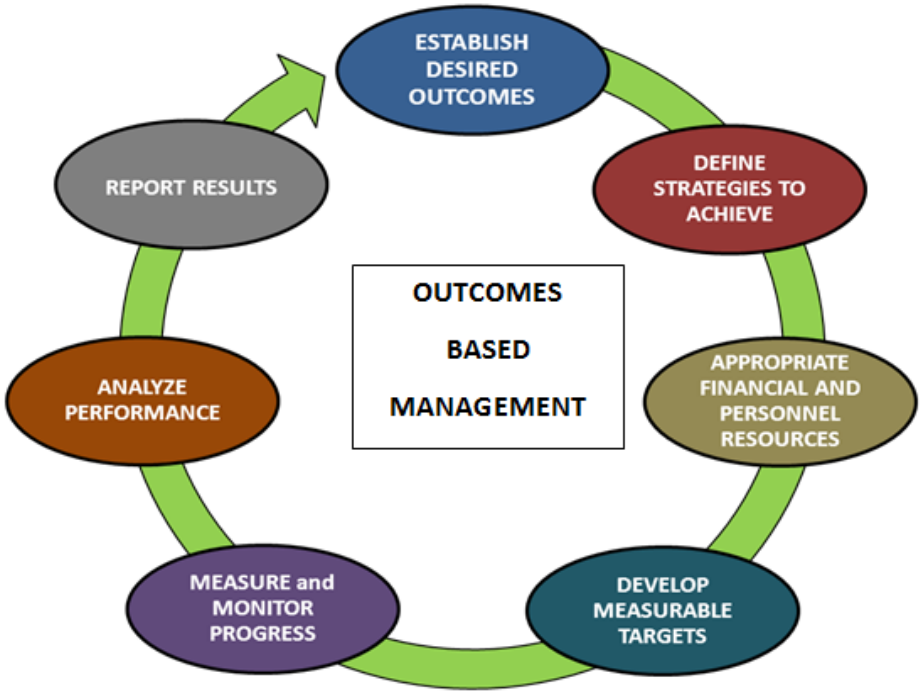
- *Slim financial position,*
- *Limited ability to raise property taxes under Proposition 2 ½,*
- *High liabilities for OPEB and pension, and*
- *Reliance on annual free cash appropriations for operations.*

The City is very pleased to have maintained the Moody's Aaa Bond Rating issued in March of 2012 and has worked diligently to establish and follow refined, responsible, and forward-looking financial management guidelines.

Establishing a Vision for the City of Newton

Outcomes-Based Budgeting

In addition to zero-based budgeting, the FY2013 Budget also details how the City of Newton has taken process improvement and performance management to the next level by incorporating an "Outcomes-Based" approach to the preparation of the budget by identifying over-arching desired outcomes, setting targets, and developing criteria upon which the Administration will measure progress toward those outcomes. Additionally, this Outcomes-Based approach will drive the allocation of financial and personnel resources, will enable the Administration to evaluate performance, measure progress toward these goals, and will ultimately enable the Administration to achieve the City's top priorities.



Defining Desired Outcomes

As noted in the State of the City address in January 2012, the City of Newton should be a community that attracts old and young, families, seniors and people of all backgrounds and offers a quality of life and ladder of opportunity that is unique in America today. To accomplish that vision the Administration has built on the performance initiatives of the past two years and developed a strategic, outcomes-based approach for the management of City Government. This outcomes based approach has provided a blueprint by which the Administration has established targets, appropriated resources, will measure and monitor progress, analyze performance, and report results.

The Executive Team has defined eight desired outcomes at a visionary level which then cascade throughout the City's Functional Clusters and ultimately to the departmental level. These eight desired outcomes are as follows:

Achieving the Vision

The Administration has accomplished much through a targeted approach of negotiating affordable collective bargaining agreements, zero-basing department budgets, utilizing performance metrics to drive management and funding decisions, completing a comprehensive 20 Year Long Range Capital Plan, and facilitating the progression of the Chestnut Hill Square Project.

The Administration once again went out into the community to conduct a series of "Town Hall" meetings to engage the citizenry in conversation to assess the true needs of the City. Throughout those conversations it was clear that the people of Newton value education as the first and foremost bedrock of their community, that outdated dysfunctional educational facilities are unacceptable, and that class size and breadth of program are of the utmost importance to the community. It was also clear that public safety in the form of fire response time and fire communications are a priority, that the City's streets and sidewalks have deteriorated and need to be repaired, and that Newtonians want to be able to walk and bicycle throughout their great city without fear of injury.

Therefore, in order to position the City to have the opportunity for state reimbursement from the Massachusetts School Building Authority, to maintain the quality of life that the citizens of Newton expect and deserve, to preserve a community that reflects the reasons people chose to live in Newton, and to enable the Administration to address infrastructure and school enrollment needs without having a negative effect on the education, public safety, public works, recreational and cultural needs of the residents of the City of Newton, Mayor Warren has requested that the Honorable Board of Aldermen authorize a special election to be held on March 12, 2013 asking the citizens of Newton to support an operating override in the amount of $8,400,000 and debt exclusion overrides for the Angier and Cabot Elementary Schools.

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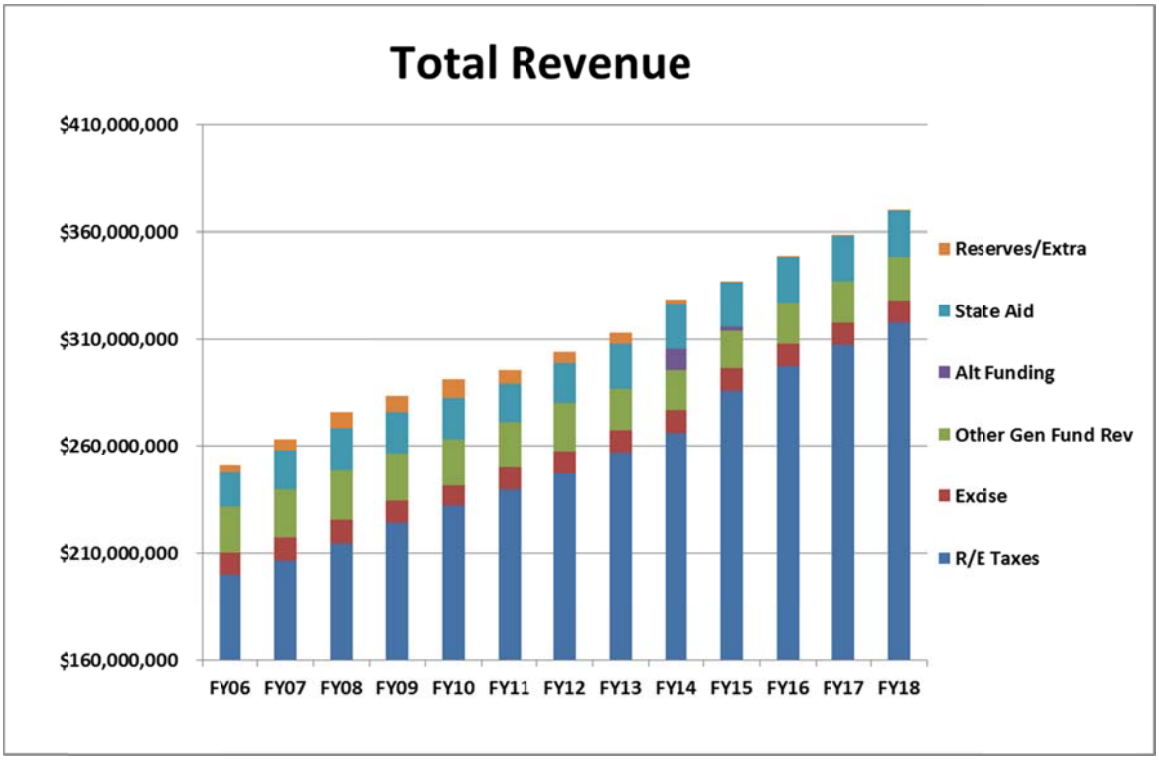
Revenue Projections

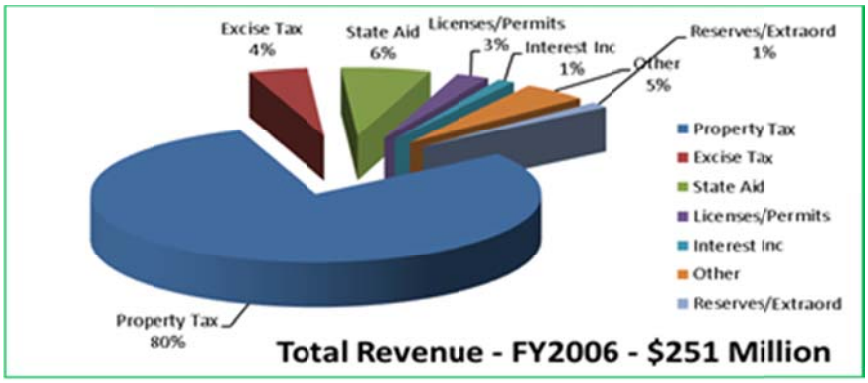
Total annual increase in revenue for the City has averaged 2.3% for the past four years and is projected to remain in the 2.5% to 2.9% range for the next several years. For all of the reasons enumerated in the previous section of this document, all revenue and expenditure projections in this financial forecast assume the successful passage of the Operating Override on March 12, 2013. A crucial component in the development of the revenue projections in this five-year forecast was the desire to avoid under budgeting revenues, thereby causing reductions in public safety or education where they were not truly necessary. Therefore, the FY14-FY18 Revenue Projections include the successful passage of the Operating and Debt Exclusion Overrides, 2.5% annual increases to the property tax levy, at least $2.5 million of annual additional revenue from "new growth" or "redevelopment", level funded state aid, and an increase in budgeted licensing/permitting fees as a result of an improving economy.

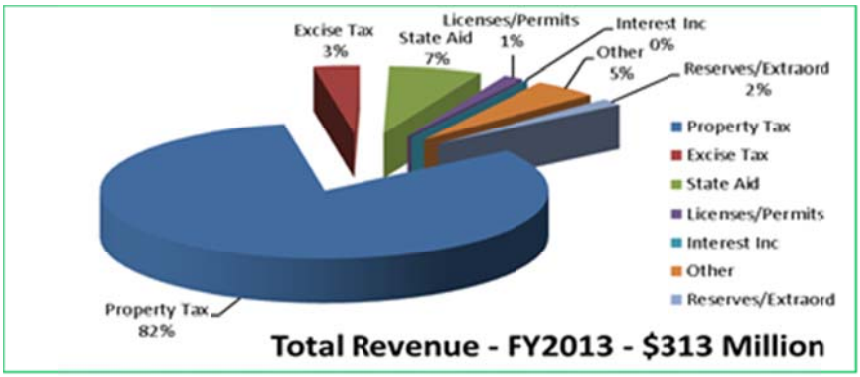


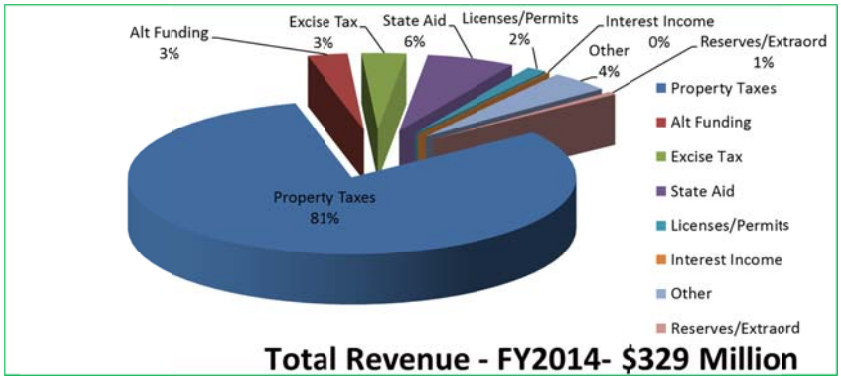
(Please note: This projection assumes successful passage of the ballot question on March 12, 2013)

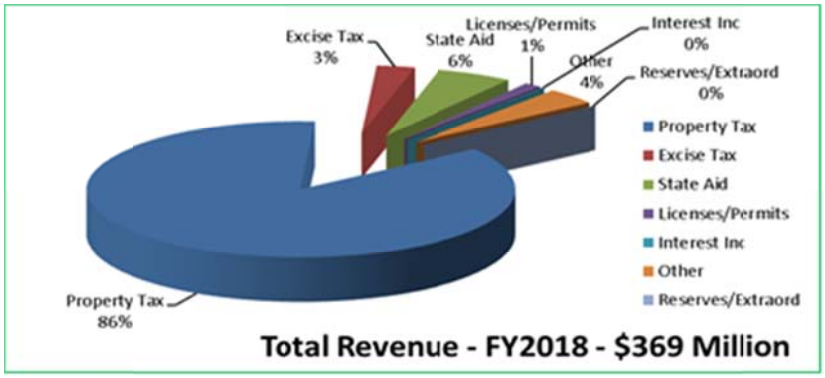
As is evident from the following comparative charts, in recent years the City has become more and more dependent on Property Tax Revenues to fund operations, increasing from 80% in FY2006 to a projected 86% by FY2018. With the recent increase in Chapter 70 State Education Aid, State Aid as a percent of Revenues is expected to remain in the 6% to 7% range. Concurrently, Investment Income, Licensing & Permitting Fees and Excise Tax have declined in the past few years from more than 8% of total revenue in FY2006 to only 4% by FY2018. Inasmuch as the City is relying less and less on outside forces for revenues, this phenomenon has forced the City to become more and more dependent on

its citizens and commercial base to support its operations. The Administration will continue to monitor all revenue streams and make every effort to maximize revenue wherever possible.









City of Newton, Massachusetts
Annual General Fund Revenue
FY2012 Actual/FY2013 Budget/FY2014 through FY2018 Forecast

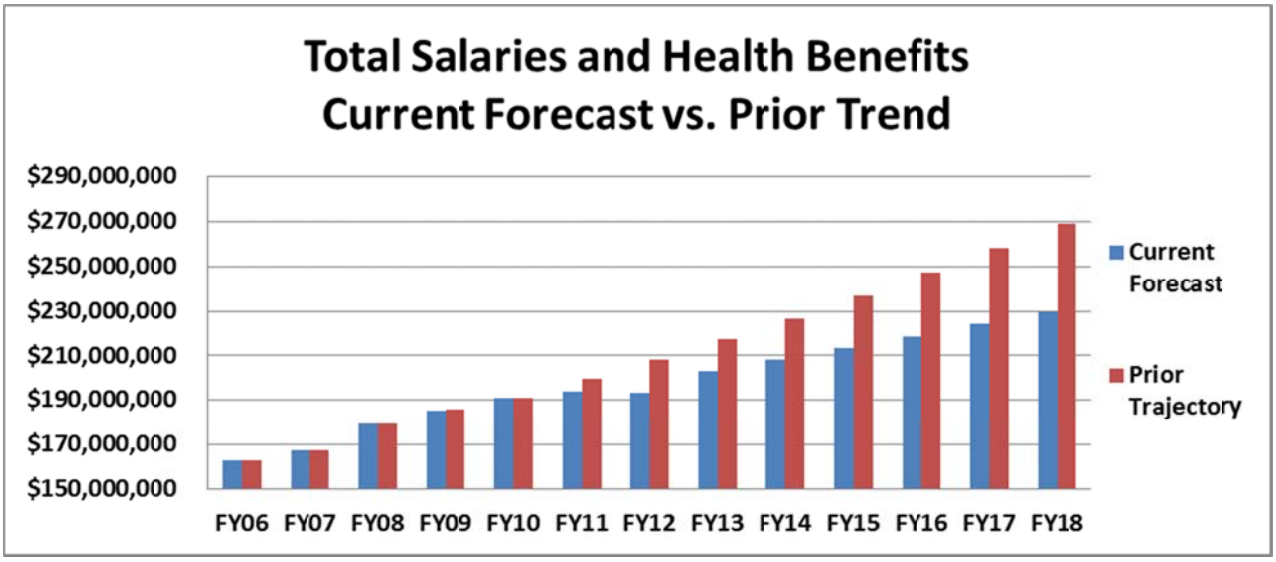
	<ACTUAL>	<BUDGET>	<----------FORECAST---------->				
OPERATING REVENUE	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Real Estate Tax Revenue	$ 247,254,734	$ 256,997,731	$ 266,197,675	$ 285,845,116	$ 297,241,244	$ 307,279,776	$ 317,669,270
Excise Tax Revenue	$ 10,382,197	$ 10,300,000	$ 10,500,000	$ 10,500,000	$ 10,500,000	$ 10,500,000	$ 10,500,000
Hotel Room Tax	$ 1,814,792	$ 1,700,000	$ 1,800,000	$ 1,836,000	$ 1,872,720	$ 1,910,174	$ 1,948,378
Meals Tax - 0.75%	$ 1,403,261	$ 1,350,000	$ 1,400,000	$ 1,435,000	$ 1,470,875	$ 1,507,647	$ 1,545,338
Payments In Lieu of Taxes	$ 477,395	$ 285,000	$ 341,000	$ 335,000	$ 335,000	$ 335,000	$ 335,000
Interest/Divident Income	$ 244,319	$ 240,000	$ 250,000	$ 250,000	$ 300,000	$ 300,000	$ 300,000
License/Permit-ISD,Fire,H&HS	$ 4,991,582	$ 4,743,900	$ 4,763,700	$ 4,763,700	$ 4,763,700	$ 4,763,700	$ 4,763,700
Parking Meter Receipts	$ 1,325,000	$ 1,650,000	$ 1,700,000	$ 1,700,000	$ 1,700,000	$ 1,700,000	$ 1,700,000
Parking Violations	$ 1,675,117	$ 1,600,000	$ 1,700,000	$ 1,700,000	$ 1,700,000	$ 1,700,000	$ 1,700,000
Medicare D/SPED Medicaid	$ 1,814,072	$ 1,657,000	$ 965,000	$ 965,000	$ 965,000	$ 965,000	$ 965,000
Water/Sewer Gen'l Fund Adm	$ 1,429,518	$ 1,800,980	$ 1,800,980	$ 1,846,005	$ 1,892,155	$ 1,939,458	$ 1,987,945
Premium from Sale of Bonds	$ 131,379	$ -	$ -	$ -	$ -	$ -	$ -
Other/Miscellaneous Revenue	$ 7,412,537	$ 4,634,156	$ 4,656,042	$ 4,278,082	$ 4,272,013	$ 4,265,955	$ 4,259,907
REVENUE FROM OPERATIONS	**$ 280,355,902**	**$ 286,958,767**	**$ 296,074,397**	**$ 315,453,903**	**$ 327,012,707**	**$ 337,166,710**	**$ 347,674,538**
REVENUE FROM STATE AID							
Unrestricted Gen'l State Aid	$ 4,970,628	$ 4,611,231	$ 4,970,628	$ 4,970,628	$ 4,970,628	$ 4,970,628	$ 4,970,628
Chapter 70 State Education Aid	$ 13,504,221	$ 16,169,966	$ 16,169,966	$ 16,169,966	$ 16,169,966	$ 16,169,966	$ 16,169,966
REVENUE FROM STATE AID	**$ 18,474,848**	**$ 20,781,197**	**$ 21,140,594**	**$ 21,140,594**	**$ 21,140,594**	**$ 21,140,594**	**$ 21,140,594**
OPERATING REVENUE	**$ 298,830,750**	**$ 307,739,964**	**$ 317,214,991**	**$ 336,594,497**	**$ 348,153,301**	**$ 358,307,304**	**$ 368,815,132**
% Increase		**2.98%**	**3.08%**	**6.11%**	**3.43%**	**2.92%**	**2.93%**
RESERVES TO SUPPORT OPERATING BUDGET							
New Falls Settlement In Lieu of	$ 73,059	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000
Capital Stabilization Fund	$ 4,800,000	$ 2,700,000	$ 2,100,000	$ -	$ -	$ -	$ 597,833
Free Cash	$ -	$ 2,000,000	$ -	$ -	$ -	$ -	$ -
Overlay Surplus	$ -	$ 500,000	$ -	$ -	$ -	$ -	$ -
REVENUE FROM RESERVES	**$ 4,873,059**	**$ 5,240,000**	**$ 2,140,000**	**$ 40,000**	**$ 40,000**	**$ 40,000**	**$ 637,833**
TOTAL REVENUE	**$ 303,703,809**	**$ 312,979,964**	**$ 319,354,991**	**$ 336,634,497**	**$ 348,193,301**	**$ 358,347,304**	**$ 369,452,965**
% Increase		**3.05%**	**2.04%**	**5.41%**	**3.43%**	**2.92%**	**3.10%**
ALT FUNDING OVERRIDE MARCH 12, 2013* **	**$ -**	**$ -**	**$ 9,700,000**	**$ 1,700,000**	**$ -**	**$ -**	**$ -**
TOTAL REVENUE	**$ 303,703,809**	**$ 312,979,964**	**$ 329,054,991**	**$ 338,334,497**	**$ 348,193,301**	**$ 358,347,304**	**$ 369,452,965**
% Increase		**3.05%**	**5.14%**	**2.82%**	**2.91%**	**2.92%**	**3.10%**

***Alternative Funding is included in the Property Tax Projections in the year following its inclusion in the Revenue Projections

Expenditure Projections

Salaries, Compensation and Health Benefits

Sixty-five percent of the general fund operating budget is comprised of salaries, compensation and health benefits for the City's active employees. Therefore, this is perhaps the single most important cost driver.



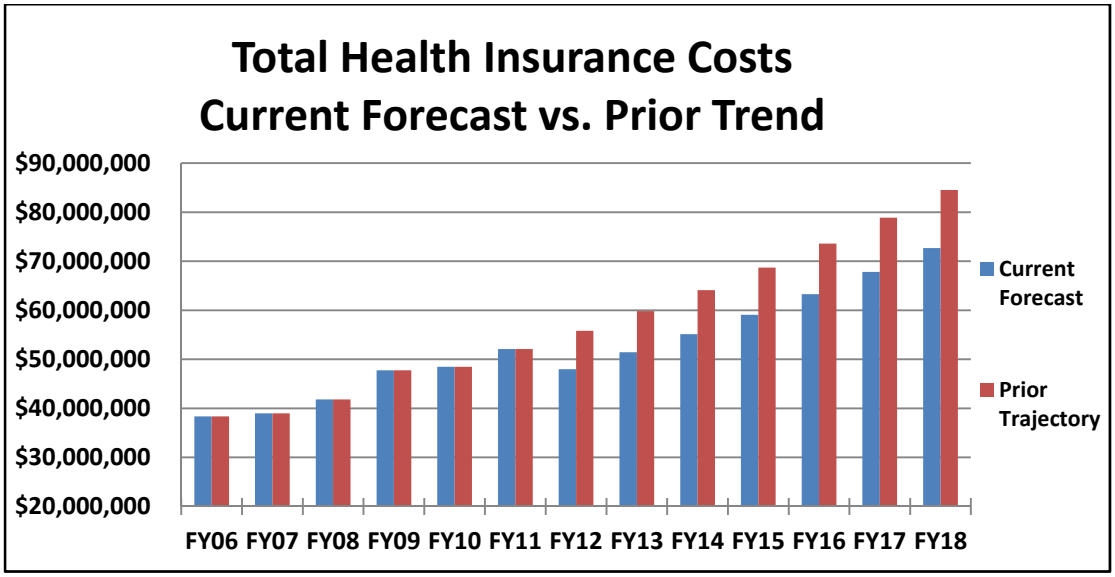
The average increase in salaries, compensation and health care benefits for active employees for the period FY2006 through FY2010 was 4.37%. As has been mentioned many times – that rate of growth was unsustainable and contributed in large part to the City's "structural deficit".

As a result of a collaborative effort on the part of the Administration as well as Union Leadership, the City has negotiated Collective Bargaining Agreements with all 17 Bargaining Units through FY2014 that will contain projected increases in salaries, compensation and health benefits for all active employees to "not more than 2.5%" per year. This accomplishment has had a major impact on this most important cost driver – saving the City more than $75 million over the term of the contracts and more than $150 million through FY2018 as compared to the prior trend rate. This is truly a "game changer" and the single most important factor that will ensure the future financial stability of the City of Newton.

Health Insurance Benefits

An integral part of the negotiation process was a detailed analysis of the projected plan design cost trends for the "status quo" plan designs, an analysis of the projected cost trends for the State run Group Insurance Commission, or G.I.C., and projected cost trends associated with plan design changes that could be pursued during the negotiation process. In the end, the City and Union

Leadership mutually agreed to maintain the current self-insured structure, but with significant plan design changes. These plan design changes were intended not only to accomplish savings for the City in the form of "cost transference" by having employees absorb additional costs of their health benefits, but also in the form of "overall cost reduction" by encouraging behavioral changes that would result from some of the changes in plan design. The City estimated that these plan design changes which included the implementation of deductibles, higher co-payments for office visits, specialists and emergency room visits, increased contribution rates for all new employees, and significantly higher contribution rates for all employees who select higher cost plan designs would generate approximately $50 million of the projected $150 million in savings over the next five years – 20% of which will be employee savings, while 80% will be City savings.



Please Note: The City is responsible for approximately 80% of this amount

Impact of Self-Insurance

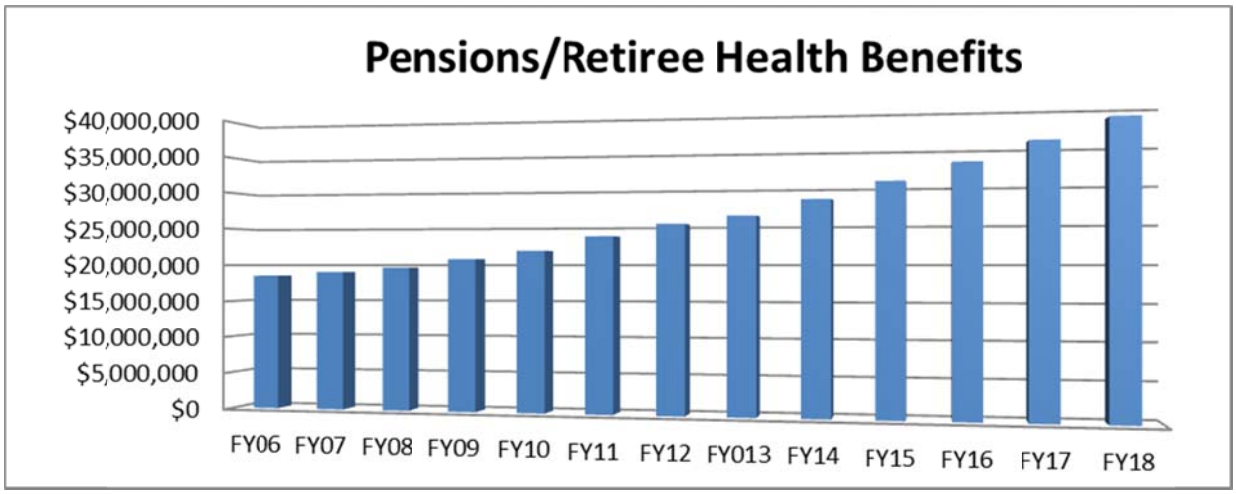
The comparisons shown above are comparisons of the City's Actual Total Cost of the Health Insurance Program. Providing health insurance in the City of Newton is far more complicated than an analysis of the City's Health Insurance Budgets and annual department expenditures would lead one to conclude. Budgeted working rates are only a tool which enables the City to administer its health insurance plan – the "actual" cost of the program is the important factor to the City.

The City of Newton provides health insurance benefits for more than 2,300 active employees and their dependents, as well as more than 2,700 retirees, with a total insured population of more than 8,500 people. Because the City's insured population is as large as it is, the City is "Self Insured". The cost of a Self-Insured Health Insurance Program is comprised of costs in three main areas: the actual cost of claims, the administrative fees charged by the health carriers, and the cost of an excess policy to protect the City from exposure due to unusually large claims greater than $250,000. Rather than

paying "premium" rates, the City works with its insurance carriers and health consultants to develop "working" rates. These working rates are projections of costs. If actual costs are less than projected, the City benefits and "saves" money. Conversely, if the actual costs are more than projected, the City must pay the difference. In order to do this, the City maintains a Health Insurance Trust Fund to manage any variances between the projections and actuals. Currently, the City of Newton Health Insurance Trust Fund approximates $12,000,000.

Pensions and Retiree Health Benefits

One area of concern in the five year forecast is the projected escalating cost of pensions and retiree health benefits. The City of Newton Contributory Retirement Plan covers approximately 3,500 active and retired employees. Prior to the recent downturn in the economy the total unfunded actuarial accrued liability was approximately 33%. However, as a result of the less than favorable economic pressures experienced by the fund in the past few years combined with the increased life expectancy of Americans, the total unfunded actuarial accrued liability has increased to almost 47% as of January 1, 2012. This increase in the unfunded liability is not unique to Newton, and consequently the Massachusetts State Legislature passed legislation enabling cities and towns to have until the year 2040 to "fully fund" retirement plans. The City of Newton Contributory Retirement Board voted to implement a funding schedule which will fully fund the Newton Retirement Fund by the year 2038. Therefore, the five year forecast includes an annual increase of 7.9% for this cost.



Simultaneously, Health Benefits are expected to continue to rise at a rate that exceeds 5%. In 2009, the City of Newton adopted M.G.L. c32B section 18 which requires all eligible Municipal retirees to enroll in Medicare. This statute allows the City to enroll retirees in health insurance plans that supplement Medicare coverage, reducing coverage costs for both the City and the retiree. This law requires all retirees who are eligible for Medicare Part A to also enroll in Medicare Part B. Since December 2009, the City has notified retirees that they are required to enroll in Medicare or provide proof in the form of a letter from the local Social Security Office indicating that they have not paid

into Medicare for the required 10 years and are not eligible. Additionally, employees hired on or after April 1, 1986 are required to pay 1.45% Medicare tax. Employees who have paid this tax for at least 10 years are entitled to Medicare coverage at age 65. Therefore, through attrition, the number of Medicare-eligible retirees is increasing each year.

Out-of-District Tuition

Out-of-District Tuition has also been identified as a major cost driver in the school department budget increase each year. The Newton Public Schools have taken many proactive steps to control this area by offering a number of programs which reduce the need to send students outside the district to meet their educational needs; even so, tuition costs continue to rise for several reasons. Although out-of-district tuition rates are controlled by the Massachusetts Department of Elementary and Secondary Education, many private schools seek and are granted "extraordinary relief" which allows for a higher rate of tuition increase. A steady increase in the number of out-of-district placements along with growth in the overall population has contributed to cost increases in this area. The Student Services Department continues to look carefully at staffing patterns and to determine through data analysis and program evaluations new initiatives and programs, as well as expansions of current programs, to improve outcomes for students while controlling costs.

Pupil Transportation

Pupil Transportation is another area where year over year annual cost increases have outpaced revenue increases. Last year the Newton Public Schools successfully undertook a public bid process for regular transportation, resulting in a new five-year contract. The new contract has a first-year increase of 12%, with annual increases of 2%, 0%, 1% and 1% in future years. Student fees for regular transportation serve as an offset to the full cost of daily busing. Special education transportation is in the third and final year of a three year contract. It is assumed that there will be annual increases of 6% in future years. All transportation contracts allow for cost increases due to fuel escalation. The Newton Public Schools administration continues to monitor all transportation costs and contracts for possible efficiencies and savings.

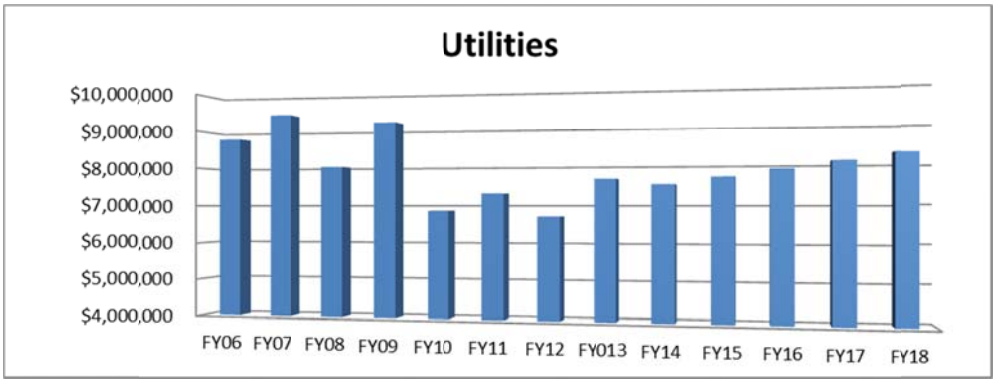
Utilities

The City of Newton has aggressively pursued Energy Saving Solutions for many years. As such, the City has been certified as a ‘green community’, received more than $500,000 in Grant Funding for energy improvements at the Lower Falls Community Center, has received close to $1 million since 2010 in energy rebates, has minimized commodity costs for such items as gasoline, diesel and heating oil by entering into purchasing cooperatives with surrounding communities and has been able to significantly reduce utility costs such as electricity and natural gas by ‘locking in’ very favorable rates for the next few years.

In the summer of 2011 the City entered into a four year contract (effective November 1, 2011) which reduced the City's cost of Natural Gas by approximately $5.00 per dekatherm as compared to the prior contract. The City purchases approximately 100,000 dekatherms of Natural Gas per year – thus generating a $2 million savings over the life of the contract as compared to the prior rate.

Further, in April 2012, the City entered into a three year contract (effective July 1, 2012) to procure ALL electricity from "Green Energy Sources". Newton is the first such community in the Commonwealth of Massachusetts to procure 100 percent of the city's electricity from green and renewable sources. This contract will not only enable the City to reduce its carbon footprint, but will also generate $300,000 in savings over the next three years as compared to the prior contract.

Additionally, the City has recently entered into a Power Purchase Agreement and long-term lease between the City and a third party owner for the purpose of solar generation on the rooftops of 4 school buildings. The solar array will generate close to ¾ megawatts of electricity from clean energy that would otherwise be unharnessed, thus generating further energy cost savings.



Debt Service

As a result of the hard work and dedication of Alderman Leonard Gentile, Chief Operating Officer Bob Rooney, Alderman Sydra Schnipper, David Wilkinson, City Comptroller and the other members of the High School Building Committee, the final North High School Construction Costs have been projected to be $6 million less than the April 22, 2008 Final Approved Budget Board Order. This $6 million project cost savings will save approximately $350,000 in annual debt service payments.

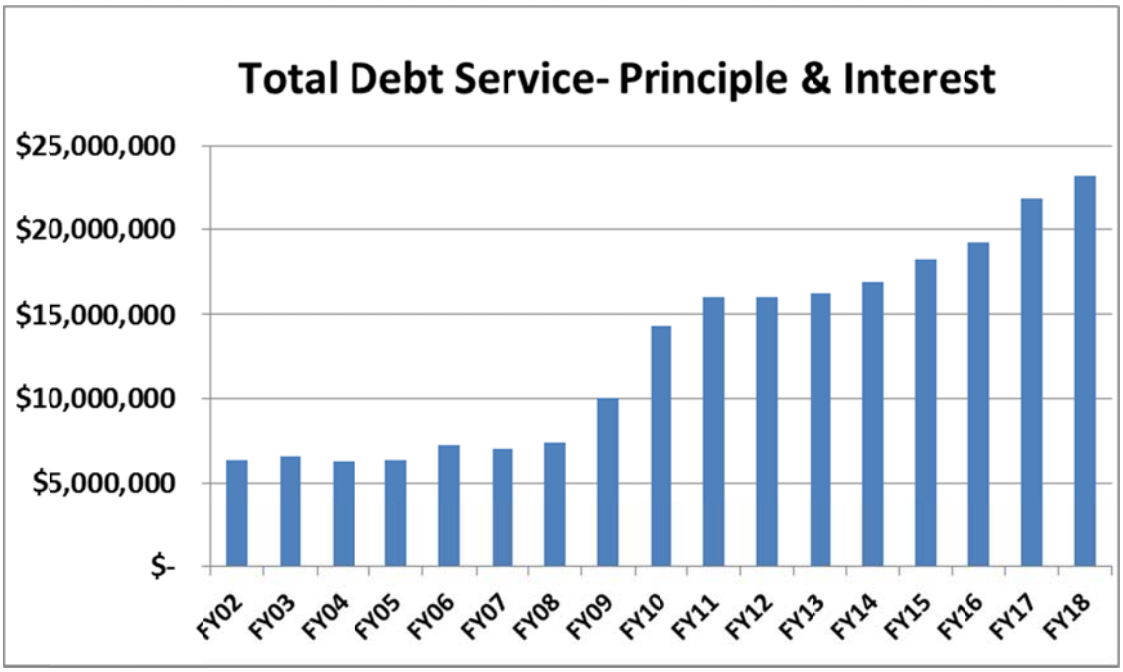
This Five Year Financial Forecast is the counterpart and is directly linked to the FY2014-2018 Capital Improvement Plan and 20-Year Long Range Plan which proposes funding in excess of $200 million in capital improvements over the next five years.

The Newton Public Schools has set as its top priority addressing the deteriorated school building infrastructure and growing enrollment needs across the City. To that end, the City completed the installation of 4 modular classrooms at the elementary school level, is constructing a 6-classroom

permanent addition to the F.A. Day Middle School, is preparing the Carr School for use as swing space for student use while their home schools are undergoing major building renovations and additions, and in partnership with the Massachusetts School Building Authority has recently selected the designer for the Angier School Project. The Newton Public Schools is also in the process of preparing Statements of Interest (SOI's) to address condition concerns at the Cabot Elementary School.

Commitment to continued investment in the City's Fire Stations, City Buildings and Recreation Facilities are top priorities as well. As such, Stations 4 and 7 have recently undergone extensive renovations, Station 10 is currently in design, and future projects are planned for Stations 3, Headquarters, the Wires Division, and Stations 1 and 2, all of which must comply with new seismic building code requirements. Significant projects are also included in this plan for City Hall, the Newton Free Library, and DPW Facilities. Additionally, Gath Pool and Crystal Lake Bathhouse are identified for future major renovation or replacement, as both of these facilities are highly utilized and in need of attention.

Street rehabilitation is planned and prioritized based on numerous factors which have been taken into consideration. The CIP includes the annual installation of approximately one half mile of new sidewalks, and the rehabilitation of another one half mile of existing deteriorated sidewalks. The projected debt service schedule shown below includes all projected debt service payments associated with all of the projects listed above.



Note: FY2007 Reduced by $2.6 Million - Fire Department Loan Settlement

Summary of Major Cost Drivers

It is important to note that the projection of major cost drivers is based on prior run rates as well as known conditions. Based on these projections it is clear that controlling cost increases in the areas of Special Education/Out of District Placements, Pupil Transportation, Retiree Pension, Health Care Benefits and funding of the City's O.P.E.B. Liability Trust Fund will continue to challenge the City financially in the years to come. Additionally, now that the City has completed the Municipal Capital Infrastructure Assessment, revisited the Long Range Student Enrollment Projections and School Building Assessment, analyzed roadway infrastructure needs through the development of the Pavement Condition Index, and expended considerable effort to understand the long range water and sewer infrastructure needs, it is incumbent upon the leadership of the community to set the City on a course that dedicates appropriate financial resources to each of these areas of need.

It is most important to note that the projections DO NOT include cost controlling measures, management decisions, and cost reducing strategies that will be identified over the next few months in preparation for the FY2014 Budget and beyond. The Administration is confident that with the utilization of zero-based budgeting, performance management strategies, and targeted cost control, viable, sustainable, balanced budgets are attainable.

Projected Expenditures by Major Cost Driver

An important aspect of this five year forecast is the projection of major cost drivers, financial trends, changing conditions, and threats to the City's financial stability and perhaps even more importantly the identification of any opportunities that could effect a favorable impact on the trajectory of those cost drivers. Over the years the City has identified several areas that are considered to be "major cost drivers" which must constantly be evaluated so as not to allow any of these cost drivers to jeopardize the City's financial stability. Once again this table is meant to be used as a tool and not meant to suggest that the Administration does not have every confidence that it will be able to manage these projected expenditures and produce sustainable, balanced budgets.

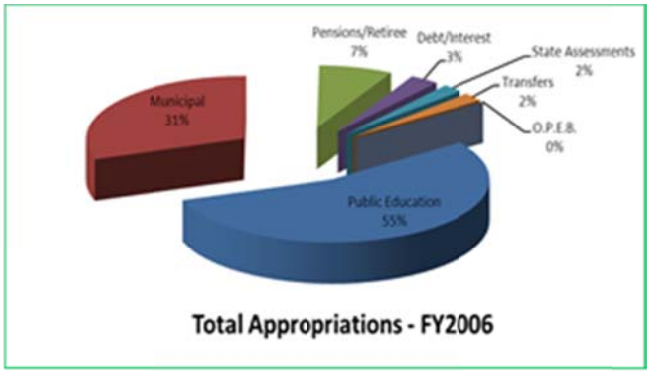
City of Newton, Massachusetts
Expenditure Forecast by Major Cost Drivers - Based on Run Rates
FY2006 - FY2012 Actuals/FY2013 Budget/FY14 through FY18 Forecast

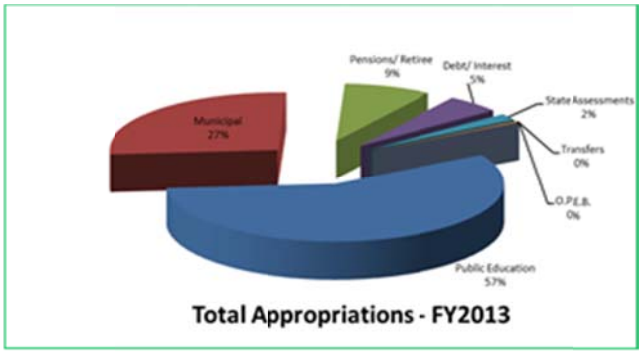
	<ACTUAL>	<BUDGET>	<----------FORECAST---------->				
EXP BY COST DRIVER	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Salaries & Health Benefits	$ 193,485,322	$ 202,995,949	$ 208,070,848	$ 213,272,619	$ 218,604,434	$ 224,069,545	$ 229,671,284
% Increase		4.92%	2.50%	2.50%	2.50%	2.50%	2.50%
Energy/Utilities	$ 6,723,649	$ 7,673,038	$ 7,530,487	$ 7,718,749	$ 7,911,718	$ 8,109,511	$ 8,312,248
% Increase		14.12%	-1.86%	2.50%	2.50%	2.50%	2.50%
Services	$ 10,608,732	$ 9,215,021	$ 9,445,397	$ 9,681,532	$ 9,923,570	$ 10,171,659	$ 10,425,951
% Increase		-13.14%	2.50%	2.50%	2.50%	2.50%	2.50%
Refuse Collection/Disposal	$ 6,143,432	$ 6,295,170	$ 6,546,977	$ 6,808,856	$ 7,081,210	$ 7,364,459	$ 7,659,037
% Increase		2.47%	4.00%	4.00%	4.00%	4.00%	4.00%
Out of District Tuition	$ 9,467,632	$ 9,172,043	$ 10,089,247	$ 11,098,172	$ 12,207,989	$ 13,428,788	$ 14,771,667
% Increase		-3.12%	10.00%	10.00%	10.00%	10.00%	10.00%
Pupil Transportation	$ 4,367,163	$ 4,788,220	$ 5,075,513	$ 5,380,044	$ 5,702,847	$ 6,045,017	$ 6,407,718
% Increase		9.64%	6.00%	6.00%	6.00%	6.00%	6.00%
Supplies & Materials	$ 5,105,588	$ 5,460,501	$ 5,597,014	$ 5,736,939	$ 5,880,362	$ 6,027,371	$ 6,178,056
% Increase		6.95%	2.50%	2.50%	2.50%	2.50%	2.50%
State Assessments	$ 5,503,956	$ 5,845,130	$ 5,991,258	$ 6,141,040	$ 6,294,566	$ 6,451,930	$ 6,613,228
% Increase		6.20%	2.50%	2.50%	2.50%	2.50%	2.50%
Unemp, Medicaid, etc.	$ 6,859,234	$ 7,021,490	$ 7,197,027	$ 7,376,953	$ 7,561,377	$ 7,750,411	$ 7,944,171
% Increase		2.37%	2.50%	2.50%	2.50%	2.50%	2.50%
Pension Contribution	$ 15,759,263	$ 16,175,940	$ 17,470,015	$ 18,867,616	$ 20,377,026	$ 22,007,188	$ 23,767,763
% Increase		2.64%	8.00%	8.00%	8.00%	8.00%	8.00%
Retiree Health Benefits	$ 14,220,339	$ 15,618,449	$ 16,711,740	$ 17,881,562	$ 19,133,272	$ 20,472,601	$ 21,905,683
% Increase		9.83%	7.00%	7.00%	7.00%	7.00%	7.00%
Debt Service - Principle & Interest	$ 16,051,692	$ 16,259,618	$ 16,915,707	$ 17,251,663	$ 17,214,058	$ 17,207,270	$ 17,187,304
% Increase		1.30%	4.04%	1.99%	-0.22%	-0.04%	-0.12%
Capital Outlay/Improvements	$ 3,170,719	$ 2,123,840	$ 2,250,000	$ 2,500,000	$ 2,750,000	$ 3,000,000	$ 3,250,000
% Increase		-33.02%	5.94%	11.11%	10.00%	9.09%	8.33%
Salaries/Other Exp due to Growth in Enrollment			$ 2,014,431	$ 4,079,223	$ 5,981,203	$ 7,930,733	$ 9,929,002
% Increase			0.00%	102.50%	46.63%	32.59%	25.20%
Road Improve/Pub Safety			$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000
% Increase			0.00%	0.00%	0.00%	0.00%	0.00%
Miscellaneous	$ 1,859,516	$ 3,340,022	$ 3,423,523	$ 3,509,111	$ 3,596,838	$ 3,686,759	$ 3,778,928
% Increase		79.62%	2.50%	2.50%	2.50%	2.50%	2.50%
Transfers to Other Funds	$ 5,574,676	$ 995,533	$ 4,870,240	$ 6,570,240	$ 6,570,240	$ 6,570,240	$ 6,570,240
TOTAL FORECAST BASED ON RUN RATES OF MAJOR AREAS	**$ 304,900,913**	**$ 312,979,964**	**$ 330,699,424**	**$ 345,374,318**	**$ 358,290,710**	**$ 371,793,483**	**$ 385,872,280**
% Increase		**2.65%**	**5.66%**	**4.44%**	**3.74%**	**3.77%**	**3.79%**

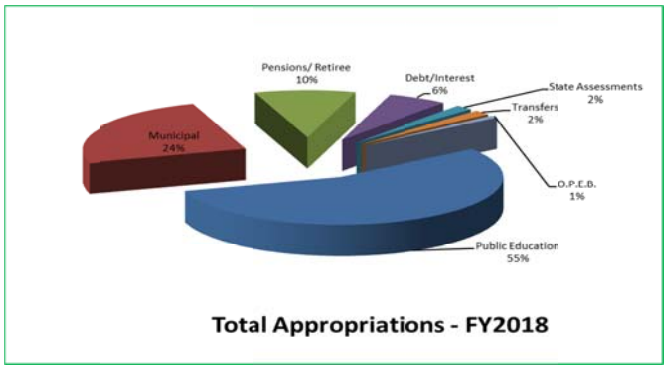
Projected FY2014 – FY2018 Expenditures by Functional Element

Additionally, as is evident from the comparative charts below, the financial commitment to Public Education in the City of Newton has grown over the years, with the Newton Public Schools now encompassing 57% of the FY2013 City Budget as opposed to 55% of the FY2006 City Budget. Additionally, Debt Service (largely comprised of debt service on school buildings) has increased over the years to 5% of the City Budget, and is expected to continue to increase as the City begins to address school building capital improvements at Angier, Cabot and Zervas Elementary schools.

Pensions/Retiree Benefits will continue to consume more and more of the City's resources as they have increased from 7% in FY2006, to 9% in FY2013 and to a projected 10% by FY2018. It should be noted that "Municipal Expenditures" are on a continuing decline - having fallen as a percentage of total spending from 31% in FY2006 to only 27% in FY2013 and a projected 24% by FY2018. This is a very important fact, if the City is to deliver core City services and invest in much needed infrastructure improvements. It is critical that the City of Newton continue to strive to strike a balance between the many needs and desires of the community and its available revenue.







Projected FY2014 - FY2018 Needs by Functional Element

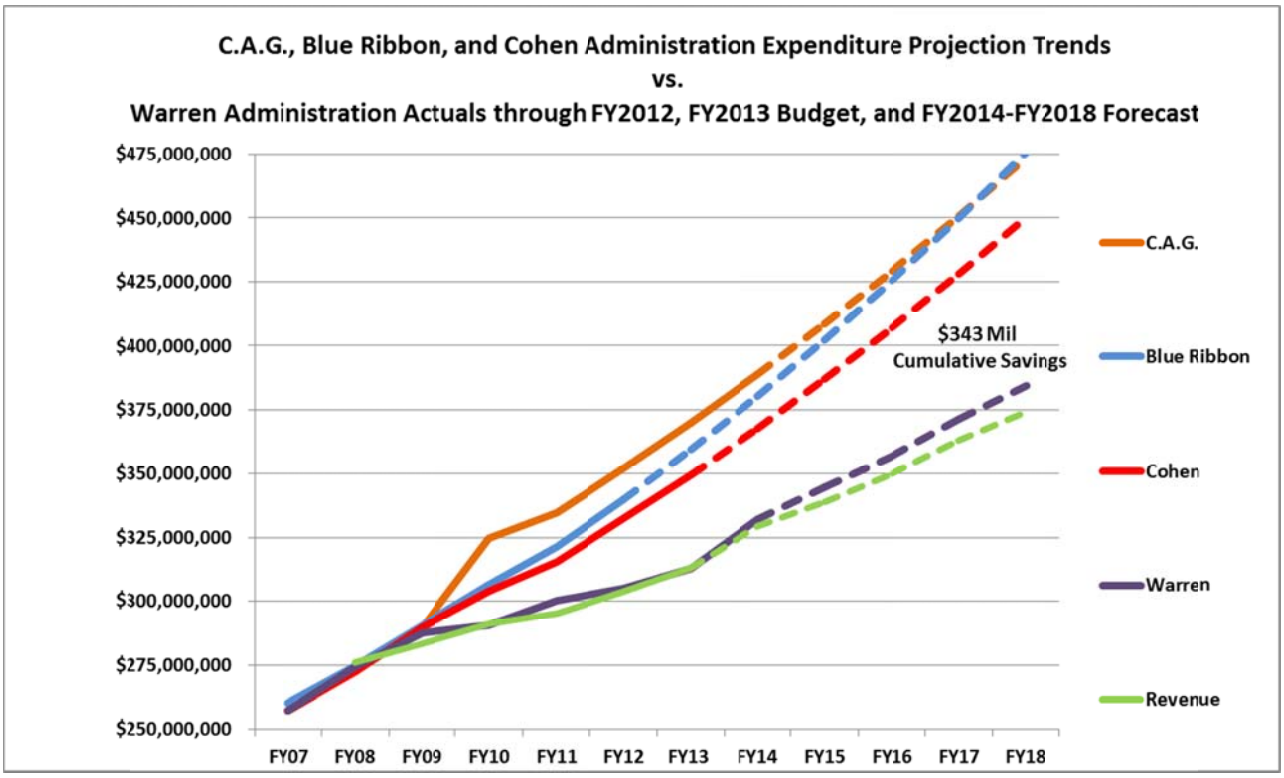
As has been mentioned several times within this report, this five year financial forecast is meant to be a guide in the development of the Municipal Operating Budget for next year and beyond. Consequently, the FY2014 - FY2018 Projected Needs by Functional Element shown below summarizes the projected "needs" based on current enrollment projections, investment income trends, etc. Therefore, if enrollment continues to grow at the projected rates, the Newton Public Schools will need approximately 3.5% additional funding each year,while retiree benefits are expected to require an additional 7.9% each year. This forecast should be used as an indication of trends and is meant to depict the areas where the Administration will face challenges in the years ahead. The Administration will continue to strive to increase revenues wherever possible, zero base budgets and implement performance management techniques to control spending.

City of Newton, Massachusetts
Five Year Projected Expenditure Needs by Functional Element
FY2012 Actual/FY2013 Budget/FY2014 through FY2018 Forecast

	<ACTUAL>	<BUDGET>	<----------FORECAST---------->				
EXPENDITURES	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Education	$ 169,673,728	$ 178,781,245	$ 186,593,879	$ 193,147,248	$ 200,002,275	$ 206,704,382	$ 213,732,331
% Increase	2.05%	5.37%	4.37%	3.51%	3.55%	3.35%	3.40%
$ Increase		$ 9,107,517	$ 7,812,634	$ 6,553,369	$ 6,855,027	$ 6,702,107	$ 7,027,949
Debt Service	$ 16,055,273	$ 16,259,618	$ 16,915,707	$ 17,251,663	$ 17,214,058	$ 17,207,270	$ 17,187,304
% Increase	0.29%	1.27%	4.04%	1.99%	-0.22%	-0.04%	-0.12%
$ Increase		$ 204,345	$ 656,089	$ 335,956	$ (37,605)	$ (6,788)	$ (19,966)
Debt Service - Alt Funding	$ -	$ -	$ -	$ 1,044,917	$ 2,049,600	$ 4,615,783	$ 5,997,833
% Increase	0.00%	0.00%	0.00%	0.00%	96.15%	125.20%	29.94%
$ Increase		$ -	$ -	$ 1,044,917	$ 1,004,683	$ 2,566,183	$ 1,382,050
Pensions & Retiree Benefits	$ 25,352,632	$ 26,393,402	$ 28,478,481	$ 30,728,281	$ 33,155,815	$ 35,775,124	$ 38,601,359
% Increase	6.64%	4.11%	7.90%	7.90%	7.90%	7.90%	7.90%
$ Increase		$ 1,040,770	$ 2,085,079	$ 2,249,800	$ 2,427,534	$ 2,619,309	$ 2,826,235
State Charges	$ 5,503,956	$ 5,845,130	$ 5,991,258	$ 6,141,040	$ 6,294,566	$ 6,451,930	$ 6,613,228
% Increase	0.58%	6.20%	2.50%	2.50%	2.50%	2.50%	2.50%
$ Increase		$ 341,174	$ 146,128	$ 149,781	$ 153,526	$ 157,364	$ 161,298
Transfers to Other Funds	$ 6,899,051	$ 950,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000
% Increase	26.31%	-86.23%	5.26%	0.00%	0.00%	0.00%	0.00%
$ Increase		$ (5,949,051)	$ 50,000	$ -	$ -	$ -	$ -
Municipal Expenditures	$ 81,416,273	$ 84,750,569	$ 86,657,457	$ 88,607,250	$ 90,600,913	$ 92,639,433	$ 94,723,820
% Increase	-2.09%	4.10%	2.25%	2.25%	2.25%	2.25%	2.25%
$ Increase		$ 3,334,296	$ 1,906,888	$ 1,949,793	$ 1,993,663	$ 2,038,521	$ 2,084,387
TOTAL EXPENDITURE FCST FY13 - FY17 BUDGET	**$ 304,900,913**	**$ 312,979,964**	**$ 325,636,782**	**$ 337,920,398**	**$ 350,317,226**	**$ 364,393,923**	**$ 377,855,876**
		2.65%	**4.04%**	**3.77%**	**3.67%**	**4.02%**	**3.69%**
Transfer to Excluded Debt Reserve			$ 3,700,000	$ 4,355,083	$ 3,350,400	$ 784,217	$ -
% Increase			0.00%	17.70%	-23.07%	-76.59%	-100.00%
$ Increase			$ 3,700,000	$ 655,083	$ (1,004,683)	$ (2,566,183)	$ (784,217)
% of Total Budget			1.12%	1.27%	0.94%	0.21%	0.00%
Streets & Safety - Override			$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000
% Increase			0.00%	0.00%	0.00%	0.00%	0.00%
$ Increase			$ 1,500,000	$ -	$ -	$ -	$ -
% of Total Budget			0.45%	0.44%	0.42%	0.41%	0.40%
TOTAL PROJECTED EXPEND.	**$ 304,900,913**	**$ 312,979,964**	**$ 330,836,782**	**$ 343,775,481**	**$ 355,167,626**	**$ 366,678,139**	**$ 379,355,876**
		2.65%	**5.71%**	**3.91%**	**3.31%**	**3.24%**	**3.46%**

Sustainable Budget Strategy

Once again, this financial forecast will end where it began. For any budget or financial plan to be sustainable, it must provide a "balance" of revenue and expenditures, while simultaneously addressing infrastructure needs and developing and maintaining an appropriate level of reserves. This five year financial forecast has been designed to eliminate the operating deficit by FY2015, to address the City's aging infrastructure, fund long term liabilities, and maintain a cost structure that will not exceed the City's revenue growth rate. The City has certainly put its "financial house in order" during the past 2 ¾ years – and now it is time to move the City forward. The administration will continue to refine the zero-based budgets, employ performance management techniques to streamline operations, implement the conclusions of the comprehensive citywide infrastructure assessment, work to encourage economic development where appropriate, and perhaps most importantly, strive to maintain an open and honest dialogue with the citizens of Newton.



The following pages contain Revenue Projections, Projections by Functional Element and Projections by Major Cost Driver for the following time periods:

FY2006 – FY2012 Actuals

FY2013 Budget

FY2014 – FY2018 Forecast

City of Newton, Massachusetts
Annual General Fund Revenue
FY2006 - FY2012 Actuals/FY2013 Budget/FY14 through FY18 Forecast

	<----------A-C-T-U-A-L---------->							<-BUDGET->	<----------F-O-R-E-C-A-S-T---------->				
GENERAL FUND REVENUE	**FY06**	**FY07**	**FY08**	**FY09**	**FY10**	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Real Estate Tax Revenue	$ 199,676,158	$ 206,442,804	$ 214,497,388	$ 223,982,213	$ 231,880,254	$ 239,709,050	$ 247,254,734	$ 256,997,731	$ 266,197,675	$ 285,845,116	$ 297,241,244	$ 307,279,776	$ 317,669,270
Excise Tax Revenue	$ 10,750,647	$ 10,745,229	$ 11,008,570	$ 10,239,711	$ 9,576,320	$ 10,008,481	$ 10,382,197	$ 10,300,000	$ 10,500,000	$ 10,500,000	$ 10,500,000	$ 10,500,000	$ 10,500,000
Hotel Room Tax	$ 1,060,052	$ 1,138,921	$ 1,103,549	$ 1,108,199	$ 1,168,095	$ 1,588,882	$ 1,814,792	$ 1,700,000	$ 1,800,000	$ 1,836,000	$ 1,872,720	$ 1,910,174	$ 1,948,378
Meals Tax - 0.75%	$ -	$ -	$ -	$ -	$ 382,934	$ 1,308,191	$ 1,403,261	$ 1,350,000	$ 1,400,000	$ 1,435,000	$ 1,470,875	$ 1,507,647	$ 1,545,338
Payments In Lieu of Taxes	$ 290,602	$ 230,857	$ 231,373	$ 406,418	$ 316,177	$ 300,261	$ 477,395	$ 285,000	$ 341,000	$ 335,000	$ 335,000	$ 335,000	$ 335,000
Interest/Divident Income	$ 3,055,801	$ 4,425,105	$ 3,933,619	$ 2,283,822	$ 874,757	$ 417,144	$ 244,319	$ 240,000	$ 250,000	$ 250,000	$ 300,000	$ 300,000	$ 300,000
License/Permit-	$ 6,217,812	$ 5,041,880	$ 4,556,132	$ 3,885,054	$ 3,805,987	$ 4,723,631	$ 4,991,582	$ 4,743,900	$ 4,763,700	$ 4,763,700	$ 4,763,700	$ 4,763,700	$ 4,763,700
Parking Meter Receipts	$ 758,832	$ 852,832	$ 1,130,000	$ 1,140,000	$ 1,142,645	$ 1,740,000	$ 1,325,000	$ 1,650,000	$ 1,700,000	$ 1,700,000	$ 1,700,000	$ 1,700,000	$ 1,700,000
Parking Violations	$ 1,544,191	$ 1,439,010	$ 1,534,407	$ 1,704,087	$ 1,764,064	$ 1,580,087	$ 1,675,117	$ 1,600,000	$ 1,700,000	$ 1,700,000	$ 1,700,000	$ 1,700,000	$ 1,700,000
Medicare D/SPED Medicaid	$ 143,986	$ 1,249,579	$ 1,334,846	$ 1,143,439	$ 1,123,135	$ 1,791,041	$ 1,814,072	$ 1,657,000	$ 965,000	$ 965,000	$ 965,000	$ 965,000	$ 965,000
Water/Sewer Gen'l Fund	$ 1,190,916	$ 1,228,831	$ 1,264,968	$ 1,457,225	$ 1,376,187	$ 1,396,335	$ 1,429,518	$ 1,800,980	$ 1,800,980	$ 1,846,005	$ 1,892,155	$ 1,939,458	$ 1,987,945
Premium from Sale of Bonds	$ 293,090	$ 90,087	$ 235,056	$ 1,557,255	$ 815,357	$ 168,147	$ 131,379	$ -	$ -	$ -	$ -	$ -	$ -
Other/Miscellaneous Revenu	$ 6,509,325	$ 6,865,283	$ 7,639,373	$ 7,411,929	$ 8,760,550	$ 6,318,788	$ 7,412,537	$ 4,634,156	$ 4,656,042	$ 4,278,082	$ 4,272,013	$ 4,265,955	$ 4,259,907
REVENUE FROM CITY OPERATIONS	**$ 231,491,411**	**$ 239,750,418**	**$ 248,469,281**	**$ 256,319,352**	**$ 262,986,463**	**$ 271,050,037**	**$ 280,355,902**	**$ 286,958,767**	**$ 296,074,397**	**$ 315,453,903**	**$ 327,012,707**	**$ 337,166,710**	**$ 347,674,538**
REVENUE FROM STATE AID													
Unrestricted Gen'l State Aid	$ 6,356,646	$ 7,224,573	$ 7,314,042	$ 6,601,316	$ 5,177,738	$ 4,970,628	$ 4,970,628	$ 4,611,231	$ 4,970,628	$ 4,970,628	$ 4,970,628	$ 4,970,628	$ 4,970,628
Chapter 70 State Education A	$ 9,687,800	$ 10,966,835	$ 12,754,101	$ 12,939,869	$ 14,171,395	$ 13,343,502	$ 13,504,221	$ 16,169,966	$ 16,169,966	$ 16,169,966	$ 16,169,966	$ 16,169,966	$ 16,169,966
TOTAL REVENUE FROM STATE AID	**$ 16,044,446**	**$ 18,191,408**	**$ 20,068,143**	**$ 19,541,185**	**$ 19,349,133**	**$ 18,314,130**	**$ 18,474,848**	**$ 20,781,197**	**$ 21,140,594**	**$ 21,140,594**	**$ 21,140,594**	**$ 21,140,594**	**$ 21,140,594**
OPERATING REVENUE	**$ 247,535,857**	**$ 257,941,826**	**$ 268,537,424**	**$ 275,860,537**	**$ 282,335,596**	**$ 289,364,167**	**$ 298,830,750**	**$ 307,739,964**	**$ 317,214,991**	**$ 336,594,497**	**$ 348,153,301**	**$ 358,307,304**	**$ 368,815,132**
		4.20%	**4.11%**	**2.73%**	**2.35%**	**2.49%**	**3.27%**	**2.98%**	**3.08%**	**6.11%**	**3.43%**	**2.92%**	**2.93%**
EXTRAORDINARY INCOME/RESERVES													
Stark Street Settlement	$ -	$ 2,850,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
New Falls Settlement In Lieu	$ 51,536	$ 53,751	$ -	$ 53,254	$ 2,703,300	$ 38,494	$ 73,059	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000
School Building Assistance	$ 2,793,121	$ 2,377,843	$ 7,040,446	$ 4,914,768	$ 4,941,992	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Capital Stabilization Fund	$ 649,997	$ 82,449	$ 216,700	$ 2,592,020	$ 1,179,046	$ 5,776,562	$ 4,800,000	$ 2,700,000	$ 2,100,000	$ -	$ -	$ -	$ 597,833
Free Cash	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,000,000	$ -	$ -	$ -	$ -	$ -
Overlay Surplus	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 500,000	$ -	$ -	$ -	$ -	$ -
TOTAL EXTRAORDINARY INCOME/RESERVES	**$ 3,494,654**	**$ 5,364,043**	**$ 7,257,146**	**$ 7,560,042**	**$ 8,824,337**	**$ 5,815,056**	**$ 4,873,059**	**$ 5,240,000**	**$ 2,140,000**	**$ 40,000**	**$ 40,000**	**$ 40,000**	**$ 637,833**
TOTAL REVENUE	**$ 251,030,512**	**$ 263,305,869**	**$ 275,794,570**	**$ 283,420,579**	**$ 291,159,933**	**$ 295,179,224**	**$ 303,703,809**	**$ 312,979,964**	**$ 319,354,991**	**$ 336,634,497**	**$ 348,193,301**	**$ 358,347,304**	**$ 369,452,965**
% Increase		**4.89%**	**4.74%**	**2.77%**	**2.73%**	**1.38%**	**2.89%**	**3.05%**	**2.04%**	**5.41%**	**3.43%**	**2.92%**	**3.10%**
ALT FUNDING - OPERATING OVERRIDE - MARCH 12, 2013* **									**$ 9,700,000**	**$ 1,700,000**			
TOTAL REVENUE	**$ 251,030,512**	**$ 263,305,869**	**$ 275,794,570**	**$ 283,420,579**	**$ 291,159,933**	**$ 295,179,224**	**$ 303,703,809**	**$ 312,979,964**	**$ 329,054,991**	**$ 338,334,497**	**$ 348,193,301**	**$ 358,347,304**	**$ 369,452,965**
% Increase		**4.89%**	**4.74%**	**2.77%**	**2.73%**	**1.38%**	**2.89%**	**3.05%**	**5.14%**	**2.82%**	**2.91%**	**2.92%**	**3.10%**

***Alternative Funding is included in the Property Tax Projections in the year following its inclusion in the Revenue Projections

Five Year Expenditure Forecast - by Functional Element

FY2006 - FY2012 Actuals/FY2013 Budget/FY14 through FY18 Forecast

	<-----A-C-T-U-A-L----->							<-BUDGET->	<-----F-O-R-E-C-A-S-T----->				
	FY06	FY07	FY08	FY09	FY10	FY11	adj FY12	FY13	FY14	FY15	FY16	FY17	FY18
EXPENDITURES													
Education	$ 134,804,237	$ 140,824,276	$ 152,871,129	$ 156,010,151	$ 163,283,643	$ 166,260,251	$ 169,673,728	$ 178,781,245	$ 186,593,879	$ 193,147,248	$ 200,002,275	$ 206,704,382	$ 213,732,331
% Increase		4.47%	8.55%	2.05%	4.66%	1.82%	2.05%	5.37%	4.37%	3.51%	3.55%	3.35%	3.40%
$ Increase		$ 6,020,039	$ 12,046,853	$ 3,139,022	$ 7,273,492	$ 2,976,608	$ 3,413,477	$ 9,107,517	$ 7,812,634	$ 6,553,369	$ 6,855,027	$ 6,702,107	$ 7,027,949
% of Total Budget	54.65%	54.74%	55.71%	54.25%	56.17%	55.40%	55.65%	57.12%	56.40%	56.18%	56.31%	56.37%	56.34%
Debt Service	$ 7,245,009	$ 9,631,312	$ 7,426,543	$ 10,009,160	$ 14,332,264	$ 16,009,264	$ 16,055,273	$ 16,259,618	$ 16,915,707	$ 17,251,663	$ 17,214,058	$ 17,207,270	$ 17,187,304
% Increase		32.94%	-22.89%	34.78%	43.19%	11.70%	0.29%	1.27%	4.04%	1.99%	-0.22%	-0.04%	-0.12%
$ Increase								$ 204,345	$ 656,089	$ 335,956	$ (37,605)	$ (6,788)	$ (19,966)
% of Total Budget									5.11%	5.02%	4.85%	4.69%	4.53%
Debt Service - Alt Funding									$ -	$ 1,044,917	$ 2,049,600	$ 4,615,783	$ 5,997,833
% Increase											96.15%	125.20%	28.94%
$ Increase										$ 1,044,917	$ 1,004,683	$ 2,566,183	$ 1,382,050
% of Total Budget										0.30%	0.58%	1.26%	1.58%
Pensions & Retiree Benefits	$ 18,525,153	$ 19,043,013	$ 19,666,614	$ 20,827,227	$ 21,932,507	$ 23,774,440	$ 25,352,632	$ 26,393,402	$ 28,478,481	$ 30,728,281	$ 33,155,815	$ 35,775,124	$ 38,601,359
% Increase		2.80%	3.27%	5.90%	5.31%	8.40%	6.64%	4.11%	7.90%	7.90%	7.90%	7.90%	7.90%
$ Increase								$ 1,040,770	$ 2,085,079	$ 2,249,800	$ 2,427,534	$ 2,619,309	$ 2,826,235
% of Total Budget	7.51%	7.40%	7.17%	7.24%	7.55%	7.92%	8.32%	8.43%	8.61%	8.94%	9.34%	9.76%	10.18%
State Charges	$ 5,209,013	$ 5,375,365	$ 5,512,027	$ 5,453,169	$ 5,619,317	$ 5,472,487	$ 5,503,956	$ 5,845,130	$ 5,991,258	$ 6,141,040	$ 6,294,566	$ 6,451,930	$ 6,613,228
% Increase		3.19%	2.54%	-1.07%	3.05%	-2.61%	0.58%	6.20%	2.50%	2.50%	2.50%	2.50%	2.50%
$ Increase								$ 341,174	$ 146,128	$ 149,781	$ 153,526	$ 157,364	$ 161,298
% of Total Budget	2.11%	2.09%	2.01%	1.90%	1.93%	1.82%	1.81%	1.87%	1.81%	1.79%	1.77%	1.76%	1.74%
Transfers to Other Funds	$ 5,439,296	$ 7,167,220	$ 9,464,685	$ 8,723,736	$ 3,146,879	$ 5,461,830	$ 6,899,051	$ 950,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000
% Increase		31.77%	32.06%	-7.83%	-63.93%	73.56%	26.31%	-86.23%	5.26%	0.00%	0.00%	0.00%	0.00%
$ Increase								$ (6,949,051)	$ 50,000	$ -	$ -	$ -	$ -
% of Total Budget	2.20%	2.79%	3.45%	3.03%	1.08%	1.82%	2.26%	0.30%	0.30%	0.29%	0.28%	0.27%	0.26%
Municipal Expenditures	$ 75,457,411	$ 75,217,900	$ 79,454,144	$ 86,531,595	$ 82,359,424	$ 83,156,349	$ 81,416,273	$ 84,750,569	$ 86,657,457	$ 88,607,250	$ 90,600,913	$ 92,639,433	$ 94,723,820
% Increase		-0.32%	5.63%	8.91%	-4.82%	0.97%	-2.09%	4.10%	2.25%	2.25%	2.25%	2.25%	2.25%
$ Increase								$ 3,334,296	$ 1,906,888	$ 1,949,793	$ 1,993,663	$ 2,038,521	$ 2,084,387
% of Total Budget	30.59%	29.24%	28.96%	30.09%	28.33%	27.71%	26.70%	27.08%	26.19%	25.77%	25.51%	25.26%	24.97%
TOTAL EXPENDITURES & TRANSFERS	**$ 246,680,119**	**$ 257,259,086**	**$ 274,395,142**	**$ 287,555,038**	**$ 290,674,034**	**$ 300,134,621**	**$ 304,900,913**	**$ 312,979,964**	**$ 325,636,782**	**$ 337,920,398**	**$ 350,317,226**	**$ 364,393,923**	**$ 377,855,876**
									$ 12,656,818	**$ 12,283,616**	**$ 12,396,829**	**$ 14,076,696**	**$ 13,461,953**
									4.04%	**3.77%**	**3.67%**	**4.02%**	**3.69%**
Transfer Excluded Debt Reserve									$ 3,700,000	$ 4,355,083	$ 3,350,400	$ 784,217	
% Increase										17.70%	-23.07%	-76.59%	-100.00%
$ Increase									$ 3,700,000	$ 655,083	$ (1,004,683)	$ (2,566,183)	$ (784,217)
% of Total Budget									1.12%	1.27%	0.94%	0.21%	0.00%
Streets & Safety - Override									$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000
% Increase										0.00%	0.00%	0.00%	0.00%
$ Increase									$ 1,500,000	$ -	$ -	$ -	$ -
% of Total Budget									0.45%	0.44%	0.42%	0.41%	0.40%
TOTAL PROJECTED EXPENDITURES	**$ 246,680,119**	**$ 257,259,086**	**$ 274,395,142**	**$ 287,555,038**	**$ 290,674,034**	**$ 300,134,621**	**$ 304,900,913**	**$ 312,979,964**	**$ 330,836,782**	**$ 343,775,481**	**$ 355,167,626**	**$ 366,678,139**	**$ 379,355,876**
		4.29%	**6.66%**	**4.80%**	**1.08%**	**3.25%**	**1.59%**	**2.65%**	**5.71%**	**3.91%**	**3.31%**	**3.24%**	**3.46%**

City of Newton, Massachusetts
Expenditure Forecast by Major Cost Drivers - Based on Run Rates
FY2006 - FY2012 Actuals/FY2013 Budget/FY14 through FY18 Forecast

15-Oct-12
mll

	<----ACTUAL---->							<-BUDGET->	<----FORECAST---->				
	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
EXPENDITURES BY MAJOR COST DRIVER													
Salaries & Health Benefits	$ 162,631,745	$ 167,687,612	$ 179,352,807	$ 185,019,891	$ 191,084,759	$ 193,760,550	$ 193,485,322	$ 202,995,949	$ 208,070,848	$ 213,272,619	$ 218,604,434	$ 224,069,545	$ 229,671,284
% Increase		3.11%	6.96%	3.16%	3.28%	1.40%	-0.14%	4.92%	2.50%	2.50%	2.50%	2.50%	2.50%
Energy/Utilities	$ 8,790,673	$ 9,438,791	$ 8,023,401	$ 9,202,424	$ 6,872,653	$ 7,305,514	$ 6,723,649	$ 7,673,038	$ 7,530,487	$ 7,718,749	$ 7,911,718	$ 8,109,511	$ 8,312,248
% Increase		7.37%	-15.00%	14.69%	-25.32%	6.30%	-7.96%	14.12%	-1.86%	2.50%	2.50%	2.50%	2.50%
Services	$ 8,693,939	$ 8,738,802	$ 10,522,708	$ 11,074,081	$ 11,104,429	$ 10,925,433	$ 10,608,732	$ 9,215,021	$ 9,445,397	$ 9,681,532	$ 9,923,570	$ 10,171,659	$ 10,425,951
% Increase		0.52%	20.41%	5.24%	0.27%	-1.61%	-2.90%	-13.14%	2.50%	2.50%	2.50%	2.50%	2.50%
Refuse Collection/Disposal	$ 5,717,517	$ 5,826,945	$ 5,693,480	$ 6,111,143	$ 5,831,566	$ 5,732,682	$ 6,143,432	$ 6,295,170	$ 6,546,977	$ 6,808,856	$ 7,081,210	$ 7,364,459	$ 7,659,037
% Increase		1.91%	-2.29%	7.34%	-4.57%	-1.70%	7.17%	2.47%	4.00%	4.00%	4.00%	4.00%	4.00%
Out of District Tuition	$ 5,127,730	$ 4,324,157	$ 6,015,063	$ 6,506,517	$ 7,017,814	$ 8,180,060	$ 9,467,632	$ 9,172,043	$ 10,089,247	$ 11,098,172	$ 12,207,989	$ 13,428,788	$ 14,771,667
% Increase		-15.67%	39.10%	8.17%	7.86%	16.56%	15.74%	-3.12%	10.00%	10.00%	10.00%	10.00%	10.00%
Pupil Transportation	$ 3,623,195	$ 3,773,413	$ 4,128,471	$ 4,310,400	$ 4,428,039	$ 4,233,771	$ 4,367,163	$ 4,788,220	$ 5,075,513	$ 5,380,044	$ 5,702,847	$ 6,045,017	$ 6,407,718
% Increase		4.15%	9.41%	4.41%	2.73%	-4.39%	3.15%	9.64%	6.00%	6.00%	6.00%	6.00%	6.00%
Supplies & Materials	$ 4,985,254	$ 4,719,466	$ 5,960,650	$ 6,479,767	$ 5,788,139	$ 5,369,207	$ 5,105,588	$ 5,460,501	$ 5,597,014	$ 5,736,939	$ 5,880,362	$ 6,027,371	$ 6,178,056
% Increase		-5.33%	26.30%	8.71%	-10.67%	-7.24%	-4.91%	6.95%	2.50%	2.50%	2.50%	2.50%	2.50%
State Assessments	$ 5,209,013	$ 5,375,365	$ 5,512,027	$ 5,453,169	$ 5,619,317	$ 5,472,487	$ 5,503,956	$ 5,845,130	$ 5,991,258	$ 6,141,040	$ 6,294,566	$ 6,451,930	$ 6,613,228
% Increase		3.19%	2.54%	-1.07%	3.05%	-2.61%	0.58%	6.20%	2.50%	2.50%	2.50%	2.50%	2.50%
Fringes (Unemp, OPEB, W/Comp, Medicare B,	$ 5,416,602	$ 5,397,695	$ 5,970,624	$ 6,310,804	$ 6,360,528	$ 6,465,724	$ 6,859,234	$ 7,021,490	$ 7,197,027	$ 7,376,953	$ 7,561,377	$ 7,750,411	$ 7,944,171
% Increase		-0.35%	10.61%	5.70%	0.79%	1.65%	6.09%	2.37%	2.50%	2.50%	2.50%	2.50%	2.50%
Pension Contribution	$ 10,588,841	$ 10,883,161	$ 11,630,463	$ 12,523,365	$ 13,053,138	$ 14,755,309	$ 15,759,263	$ 16,175,940	$ 17,470,015	$ 18,867,616	$ 20,377,026	$ 22,007,188	$ 23,767,763
% Increase		2.78%	6.87%	7.68%	4.23%	13.04%	6.80%	2.64%	8.00%	8.00%	8.00%	8.00%	8.00%
Retiree Health Benefits	$ 10,834,730	$ 11,572,917	$ 11,511,675	$ 12,158,126	$ 12,875,686	$ 13,047,076	$ 14,220,339	$ 15,618,449	$ 16,711,740	$ 17,881,562	$ 19,133,272	$ 20,472,601	$ 21,905,683
% Increase		6.81%	-0.53%	5.62%	5.90%	1.33%	8.99%	9.83%	7.00%	7.00%	7.00%	7.00%	7.00%
Debt Service - Principle & Int	$ 7,245,010	$ 9,631,313	$ 7,426,543	$ 10,009,160	$ 14,332,264	$ 16,009,264	$ 16,051,692	$ 16,259,618	$ 16,915,707	$ 17,251,663	$ 17,214,058	$ 17,207,270	$ 17,187,304
% Increase		32.94%	-22.89%	34.78%	43.19%	11.70%	0.27%	1.30%	4.04%	1.99%	-0.22%	-0.04%	-0.12%
Capital Outlay/Improvements	$ 1,516,506	$ 1,759,201	$ 1,755,118	$ 2,577,412	$ 2,020,027	$ 2,129,369	$ 3,170,719	$ 2,123,840	$ 2,250,000	$ 2,500,000	$ 2,750,000	$ 3,000,000	$ 3,250,000
% Increase		16.00%	-0.23%	46.85%	-21.63%	5.41%	48.90%	-33.02%	5.94%	11.11%	10.00%	9.09%	8.33%
Salaries/Other Exp due to Growth in Enrollment									$ 2,014,431	$ 4,079,223	$ 5,981,203	$ 7,930,733	$ 9,929,002
% Increase										102.50%	46.63%	32.59%	25.20%
Road Improve/Pub Safety									$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000
% Increase										0.00%	0.00%	0.00%	0.00%
Miscellaneous	$ 860,067	$ 963,029	$ 1,427,427	$ 1,095,043	$ 1,138,796	$ 1,286,343	$ 1,859,516	$ 3,340,022	$ 3,423,523	$ 3,509,111	$ 3,596,838	$ 3,686,759	$ 3,778,928
% Increase		11.97%	48.22%	-23.29%	4.00%	12.96%	44.56%	79.62%	2.50%	2.50%	2.50%	2.50%	2.50%
Transfers to Other Funds	$ 5,439,296	$ 7,167,220	$ 9,464,685	$ 8,723,736	$ 3,146,879	$ 5,461,830	$ 5,574,676	$ 995,533	$ 4,870,240	$ 6,570,240	$ 6,570,240	$ 6,570,240	$ 6,570,240
TOTAL EXPENDITURES	**$ 246,680,119**	**$ 257,259,086**	**$ 274,395,142**	**$ 287,555,038**	**$ 290,674,034**	**$ 300,134,621**	**$ 304,900,913**	**$ 312,979,964**	**$ 330,699,424**	**$ 345,374,318**	**$ 358,290,710**	**$ 371,793,483**	**$ 385,872,280**
% Increase		4.29%	6.66%	4.80%	1.08%	3.25%	1.59%	2.65%	5.66%	4.44%	3.74%	3.77%	3.79%

Financial Principles

On April 20, 2011 the Honorable Board of Aldermen adopted a revised set of Financial Management Guidelines. There are several guiding principles that are incorporated into those guidelines which have been included as an integral part of this five year financial forecast. These guidelines include the following:

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

- **Revenue budgeting:** General Fund revenue financial forecast estimates are expected to capture 99% of total expected revenue for the year.

- **Expenditure budgeting:** Expenditure budget estimates will be sufficient to address not less than 100% of projected operating requirements of the various departments of the City for the next fiscal year.

- **Capital outlay and improvements:** It is the practice of the City to issue a minimum of $3.5 million in bonds for capital improvements annually; financing for the associated debt service will come from the General Fund. A minimum of 5% of the annual General Fund operating budget (i.e., the sum of estimated revenues, interfund transfers, free cash and other financing sources balances) will be budgeted for capital outlay and improvements.

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

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

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

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