

**Move Newton Forward
FAQ's
February 11, 2008**

How much is the override going to cost, and how will the funds be spent?

Mayor Cohen has requested a \$23.9 million override. These funds will go to cover operating deficits over the next two fiscal years (FY 09 and FY 10) and to initiate the elementary school renovation/replacement program.

In FY 09, there is a \$16 million budget gap. City revenues are forecast to increase by 2.4%, or \$6.3 million, while the budget for schools, public safety and other essential City services is forecast to increase by 8.3%, or \$22.3 million. In FY 10, the budget gap is expected to grow by an additional \$7.9 million, to \$23.9 million. In large part, these budget increases reflects mandated pension, health insurance and wage increases, as well as rising energy costs and debt service, and we have no choice but to pay for these.

In addition, during FY 09, \$5 million of the proposed override is slated to fund one-time design and feasibility studies for the renovation or replacement of Angier and Cabot elementary schools and for the creation of swing space to house students during construction.

How much will the override increase my property taxes?

According to the City of Newton Assessor's Office, the override will increase the annual tax bill on the median assessed home (which is \$690,800) by \$746.

Why do we need an override; I thought the City's finances were under control?

In September of 2006, Mayor Cohen and Alderman President Baker appointed a volunteer citizen's advisory commission "to review all aspects of Newton's financial resources and expenses so that citizens and officials alike may have a better idea of what to expect in the next few years." The Blue Ribbon Commission (or "BRC") was chaired by Paul Levy, President and Chief Executive Officer of Beth Israel Hospital, and included a distinguished group of municipal finance and management experts. The BRC concluded that the City faces a long-term structural deficit and recommended a number of steps to close the fiscal gap, including overrides, debt exclusions, stronger capital investment and a host of municipal finance initiatives.

The structural deficit described by the BRC affects many Cities and towns in the Commonwealth and is the result of a mismatch between revenue and expense growth. City revenues for communities like Newton are largely confined to property taxes. Prop 2 ½ limits growth in taxes on existing property to 2.5% per year. Adding in new growth in the tax base plus other revenues and fees, City revenues simply can't grow at much more than 3-4% per year (absent an override or debt exclusion). At the same time, there are significant non-discretionary expense line items – referred to as "budget busters" – that grow at a faster rate. These include health insurance, pensions, energy and wages. While some years are better than others, the long-term mismatch between revenues and

expenses is unavoidable, and requires some combination of expense cuts in discretionary line items and overrides in order to balance the books. Again this is not simply a Newton problem; this is an issue for cities and towns across the Commonwealth, particularly suburban communities that receive limited state aid.

What happens if the override doesn't pass?

The school budget for the next fiscal year beginning on July 1st will be cut by approximately \$12 million. Over 100 teaching and other positions will be eliminated. This will result in increased class sizes, fewer specialists and aides, curtailed extracurricular activities, increased school fees and the elimination of funding to improve building maintenance, replace obsolete technology and replenish basic school supplies.

The city budget for the next fiscal year will be cut by approximately \$4 million. Reductions will include 16 police officers, 16 firefighters, 8 public works employees and 24 other positions (including librarians, clerks, planners, maintenance personnel and building inspectors).

In addition, the elementary school renovation plan will be put on hold, as there will be no funding for either design and feasibility studies for Angier and Cabot, nor for the creation of swing space.

What is the process for approving the override? When will the referendum be?

The Mayor has docketed the \$23.9 million override request before the Board of Aldermen. The Board must then review this request, accept or revise it as they deem appropriate, and then vote to approve a ballot question and appropriate the funds required to hold a special election. In order to make key personnel and management decisions in advance of 2009 fiscal year (which starts July 1, 2008) and the 2008-2009 school year, it is important that the override referendum occurs no later than mid-May. In order to meet this timeline, the Board of Aldermen would need to approve a ballot question by mid-March.

Will the Board of Alderman approve the proposed \$23.9 million override?

Based on public statements, there appears to be limited support among the Board for the Mayor's \$23.9 million request. A number of Alderman have discussed alternative ballot questions, including a smaller operating override, a debt exclusion for the Newton North project and/or a "menu" approach where voters could approve or reject additional funding on a line item basis (e.g. \$x for teachers, \$y for firefighters, etc...).

Move Newton Forward strongly advocates that the Board approves the Mayor's proposed \$23.9 million override by no later than mid-March. There will be a joint meeting of the Programs and Services and Finance Committees on the evening of February 27th to review the school budget and the override request. Please come and show your support.

Besides raising taxes what can the City do to close the structural deficit?

There are a number of municipal finance initiatives recommended by the Blue Ribbon Commission, some of which are being pursued by the City. These include increasing payment-in-lieu-of-taxes (PILOT) contributions, improving pension fund returns, upgrading the energy efficiency of City buildings and encouraging more commercial development. We encourage our elected officials to re-double their efforts to realize new revenues and further efficiencies. However, these are long-term measures that, over time, may reduce the need for future overrides. In the short-term, there are no immediate means of solving the structural deficit other than an override.

Didn't the mayor say last year, during the Newton North Now campaign, that we didn't need an override? What happened?

Yes, the mayor said that we did not need an override to support the cost of Newton North construction. What he also said, but not loud enough or often enough, was that we were likely to need an override to support our general operating budget -- that wages, pensions, healthcare and energy costs were creating a deficit that would have to be addressed by budget cuts or an override.

Will the override funds be allocated to the Newton North project?

No. The override funds will go to cover the next two years of operating deficits plus one time capital expenditures to kick off the elementary school renovation program. During this period, most of Newton North's construction and debt service costs will be funded by bond proceeds and transfers from the City's Capital Stabilization Fund.

I am upset and concerned about Newton North. I want to "send a message" to the administration expressing my dissatisfaction.

We need an override to maintain and improve upon life in this great community where we live so that we can continue to offer our children an excellent public education, and so that we can continue to live in a safe and secure city. If we don't pass an override there will be drastic cuts that will damage our school system, leave our community less safe, reduce other crucial city services that we expect and need, like road paving, and leave us with no ability to begin to fix our crumbling school and city buildings. Voting "no" to send a message will help to make these drastic cuts a reality without having any effect on the Newton North project.

In light of the Newton North situation, I am concerned about fiscal mismanagement and am concerned that override funds will be misspent.

Given the oversight role of the Board and the Comptroller, established audit procedures and as evidenced by Newton's AAA bond rating, the City and the schools have an excellent long-term track record of managing budgeted operating funds. These proven controls, personnel and procedures will ensure that additional funding resulting from an override will be spent as budgeted.

Do you and your override group have a position on Newton North? Should it go forward? Should we halt concrete long enough to figure out financing and consider alternatives? Should the thing just stop now because it costs are too much?

Move Newton Forward is not taking a position on how the Newton North project should be managed at this point in time. Our organization's reason for being is to advocate for an operating override to cover the short-term structural deficit over the next two fiscal years, FY 09 and FY 10.

Nevertheless, we appreciate that an increase in planned debt service costs related to the project will necessitate long-term trade-offs, including the possibility of cuts in the operating budget, deferrals of other capital projects and/or future overrides. With this in mind, Move Newton Forward is calling on the Mayor and city officials to ASAP establish a firm and final budget for the project and set forth a long-term financing plan based on the final Newton North budget together with all other contemplated city and school capital projects