

CITY OF NEWTON

IN BOARD OF ALDERMEN

LONG RANGE PLANNING COMMITTEE REPORT

WEDNESDAY, JUNE 15, 2005

Present from the committee: Ald. Vance (Chair), Baker, Stewart, Johnson. Absent: Ald. Sangiolo and Hess-Mahan. Also present: Ald. Salvucci, Merrill, Linsky, Parker, Danberg. Also present were Chief Budget Officer Sandy Pooler, City Comptroller David Wilkinson, and City Treasurer Ed Spellman.

Alderman Vance called the meeting to order at 7:35 p.m. He noted that a number of people were present in the audience who are concerned about a particular proposal in the Report on Revenue Expansion and Cost Savings Opportunities for the City of Newton of the Newton Finance and Management Working Group that the Long Range Planning Committee was planning to discuss at the evening's meeting. That is a proposal that city officials investigate options for reducing Newton's post-retirement health care liability such as scaling coverage to years of service and adjusting the cost splits for health insurance premiums between the city and retirees (currently 80% city and 20% retirees) to, perhaps, 75% city and 25% retirees – an adjustment that, at current rates, would save the city \$640,000 a year. Alderman Stewart suggested that a spokesman or spokesmen for the many retirees who were present be given the opportunity to address that matter at the outset of the meeting. The chairman rejected that suggestion inasmuch as Alderman Parker and members of the working group that prepared the report were told that that matter would not be reached before 8 p.m. It was the chairman's understanding that the working group, having become aware of the concerns of retirees over that proposal, has modified it and will address that modification in its presentation. The chairman thought it would be more useful if members of the working group presented its modified proposal to the retirees who were present and then heard from them their response to it.

So the committee's first order of business was a discussion of the recent budget process that was concluded earlier this month and of possible improvements in that process in consideration of the fiscal year 2007 budget. Chief Budget Officer Pooler addressed the committee to discuss this matter. He noted that traditionally the Newton city budget has been line item-driven, with the budget book for the Mayor's proposed budget showing many pages of detail, including salaries of all municipal personnel, which are weighty but not of great usefulness. As an example of an approach to a budget document that could be more useful to the aldermen in reviewing the Mayor's proposed budget, Sandy cited the document in support of the 2005-06 budget for the West Hartford Fire Department (copy attached to this report). He noted that that six-page document is a useful discussion of the department's mission and goals and of the extent of its success in achieving those goals.

Sandy opined that the West Hartford Fire Department budget document has some good aspects and some that are not so good. He believes that the statement of mission and goals and the budget summary are good and helpful, that the use of highlights is helpful, and the focus on changes in personnel positions is useful. He believes that the data on actual expenditures by the department in the first six months of the current fiscal year is useful but that use of estimates of total expenditures for the current fiscal year for comparison with the budget numbers for the upcoming fiscal year is not particularly helpful. He believes that explanation of the factors that underlie various budget decisions as done in the West Hartford document is very useful. He believes that performance measures can be useful but that those used in the West Hartford document are not particularly useful. He emphasized that more performance-related statistics should be used but that careful consideration must be given to what such statistics are the right ones that truly measure the effectiveness of the performance of the various city departments.

Sandy opined that the aggregation of line items into major categories as done in the West Hartford document is a good way of providing useful information without unnecessary detail. Sandy noted that, unlike the Newton budget document, the West Hartford Fire Department's document shows actual and estimated revenues generated by the department during the relevant time periods covered by the budget document.

Sandy reminded the committee that this year City Comptroller Dave Wilkinson had prepared a budget analysis document for the aldermen that summarized various aspects of the Mayor's proposed budget. Sandy also pointed out that the back page of the West Hartford document lists all the positions in the fire department but does not list individual names and salaries, as Newton does. Sandy believes that that individual detail is unnecessary for a meaningful budget review.

At that point the chairman noted that members of the working group organized by Alderman Parker had arrived so that, out of consideration for the many people in attendance because of concern over the working group's proposal for consideration of increasing retirees' share of health care premiums, the committee would take up that matter. Rob Gifford, the member of the working group who had drafted the proposal on health care costs, then explained that the group's proposals were simply suggestions for the city to consider. He believes that in view of the large impact of health care costs on the city budget, the city should address on a long-term basis the possible increase in retirees' share of health care premiums. He emphasized, however, that it was not the intention of the working group that consideration be given to making any change in the health-care benefits of current retirees. He noted that the report of the working group has been revised to make that clear. (A copy of the revised report is attached to this report.)

The chairman then called on Nunzio Piselli, a retired longtime Newton employee, who had asked to address the committee on behalf of the Newton Retirees' Association. Mr. Piselli said that he had read the original draft of the report, which had said nothing about excluding current retirees from any consideration of increasing retirees' share of health care premiums. He pointed out that the employees' share of health care premiums is a matter that over the years has been established through collective bargaining between

the city and the employee unions. He noted that in that bargaining the employees had given up larger salary increases in exchange for the 20% employee share of health care premiums. That tradeoff had the consequence of giving the employees smaller pensions than they might otherwise have earned, since pensions are based, among other factors, on the employees' salary levels.

Mr. Piselli pointed out that, whereas present employees are protected by their unions in the collective bargaining process against unilateral increases by the city in the employees' share of health care premiums, the retirees have no such protection. He also noted that the average pension of a retired Newton city worker is just over \$15,000 a year, from which retirees must pay the costs of their food and rent, as well as health care premiums, which have large impacts on their budgets. He pointed out that if the city were to increase the retirees' share of health care premiums, many might have to drop their health insurance, which would then transfer their health-care costs to Medicaid. Such transfers would then increase the state's share of Medicaid costs, with the possible consequence that the state might cut local aid to the cities and towns to cover that Medicaid cost increase. Such a result would also take away from retirees the sense of independence that paying for their health coverage gives them. Mr. Piselli emphasized that this is important not only for current retirees but also for those city employees who have not yet retired, who have also given up some salary increases in exchange for the expectation that as both employees and as retirees they will have the benefit of the 80% city coverage of their health-care premiums.

A brief discussion then ensued in which it was noted that a way to guarantee that present and future retirees would continue to pay the same share of health-care premiums as present city employees pay pursuant to their collective-bargaining agreements with the city would be to adopt an ordinance providing that retirees would become part of the bargaining coalition on health-care premiums so that they would by city law receive the same deal on health-care premiums as current employees. Mr. Piselli then stated that it is his intention promptly to propose such an ordinance for consideration by the Board of Aldermen.

Alderman Merrill then emphasized that the present health-care benefits have been earned by the retirees, and are being earned by current employees, so there should be no change in them. Sandy Pooler then reported that Mayor Cohen is fully aware of the retirees' concerns about the proposal to change their health-care benefits and that he assures them that there will no change in those benefits, including the retirees' share of the cost of health-care premiums.

The chairman then noted that, inasmuch as Alderman Parker and representatives of his working group are present and had been told that they could make their presentation to the committee at about 8 p.m., the committee would hear that full presentation next. Alderman Parker summarized how he had enlisted a number of knowledgeable Newton citizens to try to come up with ideas to generate more revenues and save costs in the operation of Newton city government. The charge they had been

given for that effort was that there were to be no cuts in present city services and no added user fees for any present city services.

Neil Silverston described the general outline of the group's work, including the subjects of revenue generation, cost savings, and management steps. He noted that the present effort of the working group is intended to be just a starting point in an ongoing process.

Todd Krasnow then summarized the recommendations for enhancement of city revenues. The first such recommendation was a series of proposals to improve the city's cash management and cash-investment practices to produce for the city better returns without increased risk and for the city rather than some other party to receive the full dollars earned on its cash. Mr. Krasnow estimated that implementation of these proposals could generate an additional \$1.5-1.6 million a year.

Sandy Pooler responded that several of the working group's proposals call for more discussion but he disagreed with the assertion that the city's current cash management and investment practices are costing the city more than \$1.5 million in lost revenues. He stated that his annual revenue estimates are necessarily conservative so that they may not include the total dollars that may be generated by investment of the city's cash. He stated that he believes that a fuller analysis should be made of the city's cash management and investment practices so that there is a more informed understanding of those practices and their relationship to the cash returns. Alderman Baker requested that the city provide a written response on this matter so that everyone could have a full understanding of the matter toward the objective of considering possible improvements in this area.

Todd Krasnow then addressed the recommendation that the city more aggressively pursue a program of increased Payments in Lieu of Taxes (PILOT) from the nonprofit institutions in the city that are exempt from property taxes. He pointed out that those institutions receive many benefits from the city in such areas as public safety protection so that it is fair and equitable for them to bear some of the costs of those services. He noted that such institutions currently own \$1 billion in nontaxable property in Newton. He pointed out that Boston College makes an annual PILOT to Newton of \$100,000, whereas Harvard pays \$1.7 million to Cambridge, M.I.T. pays \$1.2 million to Cambridge, and Boston University pays \$3.2 million to Boston.

Mr. Krasnow next outlined the proposals for development by the city of a wireless internet access network and for the establishment of a municipal power company. He noted that the latter proposal could reduce the city's cost of electric power, as well as reduce the costs of such power for the city's residents.

Neil Silverston then reviewed the proposals for cost savings in the working group's report. The first area was a comprehensive effort to increase the energy efficiency of all city buildings and to expand the city's recycling program. He noted that the communities with the top recycling programs recycle more than 65% of the

community's trash and that Newton should seek to achieve that level. The city has begun efforts to expand its recycling program and to achieve a higher level of recycling.

Rob Gifford then completed his discussion of proposals to reduce the city's health insurance costs. One key proposal is that the city establish a task force to study ways of reducing the city's costs of health insurance. Another is that the city consider the establishment of a long-term investment trust to cover a portion of the future health care liability for retirees.

The next area of proposed cost savings was changes in the management of the city's pension liabilities. It was noted that there is a large gap between the present value of future anticipated retirement benefit payments and the net current value of the pension fund. That situation is not uncommon but is undesirable. It was noted that an improvement in the investment performance of the pension fund to levels that have been achieved by the Commonwealth's Pension Reserve Investment Board could shrink the size of that funding gap.

Finally, the working group suggested that the city conduct an asset-management audit of the city's hundreds of million dollars of assets to determine whether cost savings could be achieved in the use of those assets and whether the city could generate additional revenues from leasing space on city buildings for installation by private companies of wireless telecommunications antennas.

Next, members of the working group described several management steps for improvement of the management of the city, including benchmarking, comprehensive review of the city's financial practices, strategic planning looking toward a possible multi-year budgeting process with a citizens' budget advisory and audit group, and the establishment of a Chief Financial Officer position for the city.

Alderman Parker then noted that each of the working group's recommendations needs further detailed work in order to implement any of them. He pointed out that different recommendations have different implementation calendars. For example, the recommendations with respect to improvement in cash management and investment practices could be done on a short-term basis, whereas the recommendation for the establishment of a municipal power company would be a multi-year effort. Each of the recommendations will need an advocate to lead the effort on it, backed by the establishment of different working groups. Alderman Johnson suggested that it would be useful to get a response from the Executive Department to the proposals of the working group, following which appropriate docket items on promising proposals could be studied by the relevant committees of the Board of Aldermen. She suggested that it would be helpful to prioritize the various recommendations in order to move forward on the most promising of them.

City Comptroller Dave Wilkinson then addressed the appointment of an audit committee. Such a committee could be appointed to review the annual audit of the city's

finances by its outside auditing firm but he thought that a different group should be established to study the broader, long-term aspects of the city's financial situation.

Alderman Stewart commended the working group for generating a great product and raised the question of the future of the working group. He suggested that there should be an organization that follows up on the working group's work and pushes for the adoption of appropriate recommendations. He cited the Boston Municipal Research Bureau as an example of such an organization. Such an organization should be non-political and should produce reports and push for the adoption of their proposals. Todd Krasnow opined that with a stamp of approval from the city it would not be difficult to enlist qualified people to participate.

There then ensued a discussion of the best way to move forward to explore further the proposals of the working group. Aldermen Parker, Stewart, and Danberg felt that a number of small working groups or task forces should be established to do further work on the various recommendations of the working group. Alderman Baker disagreed. He feels that the city already has more than enough ad hoc task forces working on various matters and that it would be more useful to ask various established city bodies to gather data with respect to the various proposals and to make reports on them to the city. Rob Gifford and Neil Silverton suggested that, before any such additional work be undertaken by any group, the working group re-frame its report in terms of a request to the city's executive for a response from the executive to the proposals and for the executive's thoughts on which ones to move forward and how to do it.

Aldermen Vance and Baker agreed with the latter proposal. They noted that a written response from the executive could protect against a lot of people pursuing matters that do not have the needed executive support and could provide a road map for possible use of existing city resources to study and implement the proposals that could garner executive support. Alderman Parker agreed to that suggestion. He said that he and the working group would re-frame their report for submission to the executive with a request for a comprehensive written response. The working group would then submit that response to the Board of Aldermen, which, through the Long Range Planning Committee or otherwise, would decide how next to proceed.

The meeting was adjourned at 10:30 p.m.

Respectfully submitted,

Verne Vance, Chair