



CITY OF NEWTON, MASSACHUSETTS

CITY HALL

1000 COMMONWEALTH AVENUE

NEWTON CENTRE, MA 02459

TELEPHONE (617) 796-1305

dwilkinson@newtonma.gov

David Wilkinson, Comptroller

February 16, 2006

TO: Board of Aldermen
FROM: David Wilkinson
SUBJECT: Financial Trend Information

General Fund Reserves

The following table from the Management Discussion and Analysis section of the City's most recent Comprehensive Annual Financial Report captures the deterioration of our general purpose financial reserves over the past several years.

**City of Newton, Massachusetts
 General Fund
 Fund Balance Trends – Fiscal Year 2005 and (5) Previous Fiscal Years**

	2005	2004	2003	2002	2001	2000
Total fund balance	\$ 13,822,467	\$ 17,286,448	\$ 17,160,502	\$ 15,438,743	\$ 16,798,424	\$ 16,458,671
Less: Fund balance reserved for:						
Encumbrances.....	1,122,558	1,186,735	772,599	1,301,183	688,442	509,074
Continued appropriations.....	3,790,612	4,390,237	3,255,408	2,760,972	3,289,791	2,481,295
Other purposes.....	-	-	21,307	27,141	-	-
Unreserved fund balance.....	8,909,297	11,709,476	13,111,188	11,349,447	12,820,191	13,468,302
Less: Fund balance designated to support following year budget.....	2,200,000	2,738,000	2,200,000	1,700,000	2,200,000	2,700,000
Undesignated fund balance.....	6,709,297	8,971,476	10,911,188	9,649,447	10,620,191	10,768,302
Total revenue & other financing sources.....	259,574,467	250,012,404	243,859,374	221,622,942	217,785,789	204,933,088
Total fund balance as % total revenue.....	5.3%	6.9%	7.0%	7.0%	7.7%	8.0%
Unreserved fund balance as % total revenue.....	3.4%	4.7%	5.4%	5.1%	5.9%	6.6%
Undesignated fund balance as % total revenue.....	2.6%	3.6%	4.5%	4.4%	4.9%	5.3%

Undesignated fund balance of between 5% and 10% of total revenue are generally considered to be necessary in order to effectively respond to extraordinary and unforeseen requirements. Newton's undesignated fund balance has declined gradually from 5.3% of revenue in 2000 to 2.6% in 2005.

General Fund Expenditure Trends

Page 102 of the Comprehensive Annual Financial Report (attached) provides a summary level view of how General Fund spending patterns have changed over the past ten, five, three and one year periods. Expenditure patterns are available in total, and functionally.

Total expenditures have increased by \$101.9 million or 65.02% over the past ten year period. This represents an average annual increase of 6.5% per year. Over the past five year period, total expenditures have grown by \$44.2 million (20.59%) for an average annual increase of 4.1%.

Debt Trends

Page 108 of the Comprehensive Annual Financial Report (attached) provides summary level information on changes in the City's bonded debt position for all funds over the past ten year period. In addition to General Fund debt, this schedule also includes information on Water Fund; Sewer Fund; and CPA Fund debt.

GENERAL FUND EXPENDITURES BY FUNCTION

PAST TEN FISCAL YEARS

Fiscal Year Ended June 30.	Education	Public Safety	Public Works	General Government	Health & Human Services	Culture & Recreation	Debt & Interest	Pension & Employee Benefits (1)	State/Country Charges	Totals
2005	\$ 130,585,252	\$ 31,259,345	\$ 20,726,832	\$ 14,303,170	\$ 3,140,427	\$ 10,048,652	\$ 6,975,666	\$ 36,643,546	\$ 5,045,783	\$ 258,728,673
2004	125,566,649	30,500,370	18,406,548	14,305,408	3,028,235	9,213,194	6,960,053	32,609,146	5,086,760	245,676,363
2003	123,110,892	29,927,438	18,208,553	12,478,121	2,914,968	9,122,449	6,808,022	30,397,727	5,081,422	238,049,592
2002	113,358,643	27,919,780	16,575,742	11,924,078	2,637,027	8,206,506	6,601,490	27,241,110	5,142,581	219,606,957
2001	108,769,727	26,693,813	17,412,798	12,331,118	2,578,073	8,356,657	5,955,645	27,287,117	5,174,256	214,559,204
2000	96,027,484	23,925,437	15,935,232	10,562,626	2,291,133	7,711,295	6,588,747	36,288,984	5,395,937	204,726,875
1999	90,836,341	22,514,579	16,552,073	11,080,965	2,146,137	7,444,798	5,659,239	22,259,735	5,281,663	183,775,530
1998	83,613,676	20,923,160	16,136,420	9,729,665	2,026,379	7,239,129	5,681,910	21,520,889	5,133,700	172,004,928
1997	77,767,337	21,281,043	15,781,415	9,288,116	1,742,275	7,247,685	4,987,776	21,427,765	4,956,379	164,479,791
1996	71,443,398	20,453,699	17,005,554	9,308,730	1,789,187	6,964,966	4,720,240	20,167,648	4,933,508	156,786,930

Ten Year Change

\$ change	\$ 59,141,854	\$ 10,805,646	\$ 3,721,278	\$ 4,994,440	\$ 1,351,240	\$ 3,083,686	\$ 2,255,426	\$ 16,475,898	\$ 112,275	\$ 101,941,743
% change	82.78%	52.83%	21.88%	53.65%	75.52%	44.27%	47.78%	81.69%	2.28%	65.02%

Five Year Change

\$ change	\$ 21,815,525	\$ 4,565,532	\$ 3,314,034	\$ 1,972,052	\$ 562,354	\$ 1,691,995	\$ 1,020,021	\$ 9,356,429	\$ (128,473)	\$ 44,169,469
% change	20.06%	17.10%	19.03%	15.99%	21.81%	20.25%	17.13%	34.29%	-2.48%	20.59%

Three Year Change

\$ change	\$ 7,474,360	\$ 1,331,907	\$ 2,518,279	\$ 1,825,049	\$ 225,459	\$ 926,203	\$ 167,644	\$ 6,245,819	\$ (35,639)	\$ 20,679,081
% change	6.07%	4.45%	13.83%	14.63%	7.73%	10.15%	2.46%	20.55%	-0.70%	8.69%

One Year Change

\$ change	\$ 5,018,603	\$ 758,975	\$ 2,320,284	\$ (2,238)	\$ 112,192	\$ 835,458	\$ 15,613	\$ 4,034,400	\$ (40,977)	\$ 13,052,310
% change	4.00%	2.49%	12.61%	-0.02%	3.70%	9.07%	0.22%	12.37%	-0.81%	5.31%

(1) Employee benefits allocated functionally beginning in fiscal year ended June 30, 2001. Health insurance and workers' compensation insurance self insurance funds classified as inter-fund transfers prior to fiscal year 1998 have been reclassified as Pension & Employee Benefits for comparative purposes. Reported expenditures include Massachusetts Teachers Retirement System on-behalf payments beginning in 2000

SCHEDULE OF DEBT RATIOS AND TRENDS (All Funds)

PAST TEN FISCAL YEARS

DEBT RATIOS

Fiscal Year Ended June 30.	General Obligation Bonds	Estimated Population	Assessed Valuation	Per Capita Debt	Debt as a % of Assessed Valuation	Authorized & Unissued Debt	Total Maturing Debt	Total Interest on Debt	Total Debt Service
2005	\$ 62,208,799	84,031	\$ 18,854,982,400	\$ 740	0.33%	91,647,356	7,210,508	3,978,220	11,188,728
2004	55,333,288	79,980	16,825,041,000	692	0.33%	98,669,375	6,180,624	3,849,152	10,029,776
2003	53,927,893	79,515	15,017,075,200	678	0.36%	104,135,394	6,602,446	2,954,758	9,557,204
2002	51,499,596	77,517	14,870,662,400	664	0.35%	106,922,098	6,417,338	2,634,338	9,051,676
2001	50,045,970	77,350	12,249,317,200	647	0.41%	109,443,678	5,665,880	2,032,725	7,698,605
2000	39,138,147	79,642	11,200,017,800	491	0.35%	36,746,854	5,988,465	1,889,552	7,878,017
1999	40,463,313	80,831	10,139,868,700	501	0.40%	29,021,253	5,155,083	1,672,965	6,828,048
1998	32,287,091	81,179	9,059,505,200	398	0.36%	17,257,558	4,895,936	1,266,240	6,162,176
1997	29,863,304	84,045	8,644,781,128	355	0.35%	13,639,940	4,535,825	1,216,175	5,752,000
1996	24,948,574	82,450	8,300,078,900	303	0.30%	18,064,775	4,305,825	1,168,337	5,474,162

FUNCTIONAL DEBT

Fiscal Year Ended June 30.	Education	Public Works	Sanitary Sewer System	Water System	Public Buildings	State Pension Loan	Land Acquisition	Total Long Term Debt
2005	\$ 28,773,750	\$ 1,941,600	\$ 12,429,373	\$ 10,464,076	\$ -	\$ 2,600,000	\$ 6,000,000	\$ 62,208,799
2004	23,208,750	2,084,800	13,365,173	9,034,565	40,000	2,600,000	5,000,000	55,333,288
2003	27,228,750	2,270,900	14,366,792	7,346,451	115,000	2,600,000	-	53,927,893
2002	25,842,925	2,458,800	14,483,316	5,622,730	491,825	2,600,000	-	51,499,596
2001	25,117,100	2,772,600	15,037,214	3,640,406	878,650	2,600,000	-	50,045,970
2000	24,393,275	3,266,200	6,098,715	1,489,482	1,290,475	2,600,000	-	39,138,147
1999	28,006,142	3,787,600	2,013,449	1,930,514	2,125,608	2,600,000	-	40,463,313
1998	18,027,459	4,292,753	2,047,218	2,001,370	3,318,291	2,600,000	-	32,287,091
1997	16,935,676	2,102,000	2,707,804	1,066,850	4,450,974	2,600,000	-	29,863,304
1996	13,190,243	2,856,000	2,071,374	1,247,300	5,583,657	-	-	24,948,574