



Warrant Committee Report Town of Belmont FY 2024 Budget

May 2023

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2022–2023 Warrant Committee Members

William Anderson

Tom Caputo

Elizabeth Dionne (Secretary) – Through March 2023

Christine Doyle

Anne Helgen

Geoffrey Lubien (Chair)

Conor McEachern

Robert McLaughlin

Lynn Peterson Read

Paul Rickter (Vice Chair)

Laurie Slap

Mathew Taylor

Marie Warner

Jack Weis

Ex officio

Michael Crowley (School Committee) – Through March 2023

Meghan Moriarty (Chair, School Committee) – Beginning April 2023

Mark Paolillo (Chair, Select Board)

Executive Summary

Report of the Belmont Warrant Committee to Town Meeting May 2023

Authorization: *As prescribed by the Town of Belmont's By-Laws, it is the duty of the Warrant Committee to consider for all town meetings all articles in the Warrant that involve an appropriation of money and to report thereon to Town Meeting. The Warrant Committee is specifically charged with recommending a budget to Town Meeting and such recommendations are contained herein.*

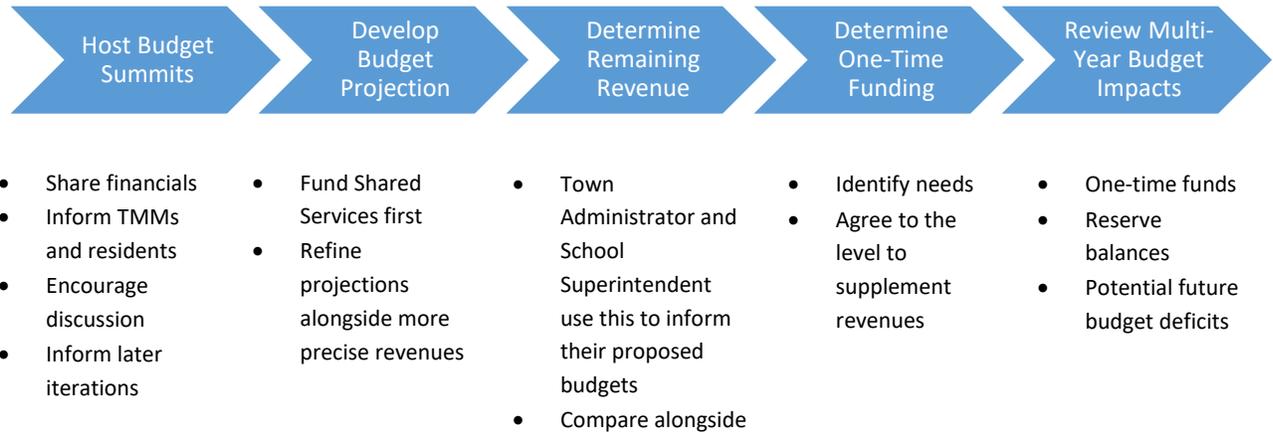
Overview of Budget Process

New Budget Process

To develop the FY24 budget, a new process and approach was implemented with a series of budget summits and a revenue-first approach. This new process and approach was adopted in the spring of 2022 based on several recommendations that came from the work of the Communications Subcommittee of the Warrant Committee on the [Financial Indicators Report](#). The primary recommendation was to hold Budget Summits beginning in the fall of 2022 that leverage the information in the report but also to create a more robust budgeting framework that would inform and engage Town Meeting Members and residents during the budgeting process. This recommendation was reinforced by analyses and recommendations made in the [Collins Center Report](#) in June of 2022. The Select Board and Town Administrator commissioned the Collins Center to analyze and report on Belmont's financial organizational structure and offer recommendations for an improved structure for financial management. Over the summer and early fall of 2022, the Warrant Committee collaborated with the Select Board, School Committee, School Department and the Comprehensive Capital Budget Committee as well as with the Town Administrator and Assistant Town Administrator/ Finance Director to implement these recommendations.

Over the course of the fall of 2022 and the winter of 2023, five Budget Summits were hosted that resulted in a new budgeting process for Belmont (See figure 1.1). The following is the new budget process for FY24 with the key changes focusing on revenue projections and revenue availability to guide departmental requests.

Figure 1.1

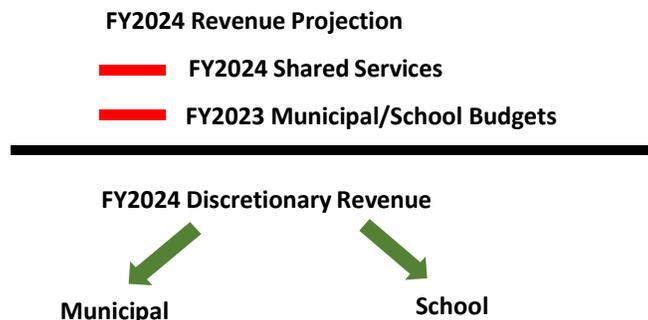


The “Shared Services” category is new to the budget and is funded first. The rationale is that these are expenditures that are shared across municipal and school needs and must be funded first because these services are essential to the operation of the Town and schools and/or are committed obligations that must be funded. The accounts that make up Shared Services is listed below in Table 1.1.

Table 1.1 – Shared Services
Pension Funding
Retiree and Employee Benefits / Healthcare (OPEB)
Debt Service - Within Levy and Exempt
Facilities Department
Vocational Education Costs
Capital Non-Discretionary (Roads/Sidewalks) - Prior Year +2.5%
Capital Discretionary - Prior Year +2.5%
Warrant Committee Reserve Fund

As part of the revenue-first approach (See Figure 1.1), total revenues for the new fiscal year are projected and refined over the budgeting processes. Then estimated total Shared Services for the new fiscal year is subtracted from the total revenue projection. Next the current fiscal year’s budget for municipal and school expenses are subtracted from the total revenue projection and the remainder is the discretionary revenue that is available for the next fiscal year. The final step is to allocate the discretionary revenue to the municipal and school needs based on historical allocations.

Figure 1.1 – Discretionary Revenue Estimation and Allocation



FY24 Revenue Allocation

Total projected available revenue for FY24 was estimated to be \$139,988,743 with an assumed use of Free Cash of \$6,880,478 for a total of \$146,689,221 of preliminary funds available for the FY24 budget (Table 1.2). Shared Services was estimated to be \$54,294,949 leaving \$92,574,272 for the municipal and schools. For FY23, the municipal and school budgets less Shared Services was \$89,918,854 and when subtracted from the available FY24 revenue less Shared Services the remaining \$2,655,418 is the discretionary revenue available for FY24. Applying historical allocations of 36.2% for municipal and 63.8% for school budgets, the preliminary discretionary funds available for the municipal budget are \$33,483,475, a \$960,446 or 2.4% increase over FY23, and \$59,090,797, a \$1,694,972 or 5.7% increase over FY23 for the schools. The full allocation across all three categories is 35.9% for Shared Services, 22.1% for municipal and 42.0% for the schools. This revenue allocation is meant as a starting point for initial budgeting and incremental decisions were made from there which will be reviewed in the next section.

Table 1.2 - FY24 Revenue Allocation Model

	\$ 139,988,743				Projected Available Revenue
	\$6,880,478				Assumed Use of Free Cash
	\$146,689,221				Total Available Revenue including Free Cash
		Shared*	Municipal	School	
(1)	\$55,895,825			\$ 55,895,825	FY23 Belmont Public Schools Appropriated Budget
(2)	\$32,523,029		\$32,523,029		FY23 Municipal Appropriated Budget
(3)	\$1,500,000			\$1,500,000	FY23 School Budget Covered by Reserves
(4)	\$54,294,949				FY24 Shared Services Budgets
(5)	\$144,213,803	\$54,294,949	\$32,523,029	\$ 57,395,825	Base Budget - Used for Allocation
(6)			36.17%	63.83%	Percentage - Municipal and School only
(7)	\$2,655,418	\$ -	\$960,446	\$1,694,972	Incremental Revenue: Total FY24 Available Revenue – Base Budget (FY23 Municipal & School Budget and FY24 Share Services Projection)
		\$54,294,949	\$33,483,475	\$59,090,797	Funds Available 2/9/2023

Overview of FY24 Recommended General Fund Budget

Overview

The FY24 recommended [General Fund budget*](#) is \$151.0 million, up \$6.04 million or 4.2% from FY23.¹ The majority of the increase comes from the [School operating budget](#) of \$7.59 million, or a 13.6% increase, with the municipal General Fund portion of the operating budget increasing \$0.78 million, or about 2.4%. The newly created category, Shared Services, is \$49 million, up \$0.32 million, a 0.1% increase. The final Town Budget is \$4.16 million higher than the original amount determined from the revenue allocation model that was reviewed in the previous section. The final budget was increased to address additional needs of the schools. These incremental needs were funded with the use of additional Free Cash of \$2.81 million for a total of \$9.69 million of Free Cash used in the FY24 budget as well as increases in revenue,

* The General Fund budget does not include expenditures budgeted under the Enterprise Accounts (i.e., water and sewer), the Belmont Housing Trust, or Belmont Light.

with the majority coming from a more favorable state aid number. The significant increase in the school budget is due to increases in: Out-of-District (OOD) costs both in terms of the number of students up 26% and OOD tuition costs up 14%; the opening of the new upper middle school with additional headcount; rolling over existing staff salaries with Cost-of-Living Adjustments (COLA) and Step-and-Lanes increases. All these impacts will be addressed in greater detail later in the Education section of this report. The municipal and school departments continue to make the necessary decisions and adjustments to manage an operating budget after the failed override in the spring of 2021. Many departments that are already stretched far too thin and have minimal increases in their FY24 budgets will continue to struggle to provide the services expected by the residents of Belmont.

Continued Use of One-Time Funds

The FY24 budget includes \$9.96 million of unreserved fund balances or “Free Cash,” an increase from the \$5.96 million used in the FY23 budget. This amount of Free Cash, or one-time funds, used to balance the budget is unprecedented and is the largest ever used with FY22 previously holding that record at \$7.11 million. **The Warrant Committee cannot stress enough its concerns over the continued reliance on one-time funds to balance the budget and strongly recommends that use of such funds be mitigated in the future and that no additional use of these funds be used to for the FY24 budget.**

The Free Cash balance at the end of FY21 (July 1, 2022), at \$15.6 million, represented another year of significantly higher than usual Free Cash balance due to continued COVID-related factors and the federal government ARPA funds, challenges filling open positions - especially on the municipal side, and conservative fiscal management. Table 1 includes the breakdown of the factors that contributed to the significant balance at the end of FY22.

FY22 started off with a healthy carry-forward balance of \$7.84 million from FY21. The municipal and school departments’ expenses shifted during the pandemic and many costs were covered by federal grants (like ARPA funds) resulting in higher turnbacks (returns to the overall Town budget). Also, with many municipal vacancies due to turnover and a challenging job market, most municipal departments did not spend their full budgets for FY22. The Town Accountant continues to focus on identifying unneeded prior-year purchase orders which will never get to a \$0 balance but will continue to lessen.

Table 1: Free Cash Factors (\$ million)

Category	FY2020	FY2021	FY2022
Carryforward	\$4.0	\$4.1	\$7.8
Excess Revenues	\$0.9	\$3.8	\$1.5
Municipal Salaries	\$1.2	\$1.7	\$0.5
Municipal Expenses	\$0.7	\$1.2	\$1.2
Municipal Benefits	\$0.1	\$0.8	\$0.8
Subtotal Municipal	\$2.0	\$3.7	\$2.6
School Salaries	\$1.3	\$1.3	\$0.6
School Expenses	(\$0.8)	\$0.9	(\$0.4)
School Benefits	\$0.3	\$0.2	\$0.4
Subtotal School	\$0.8	\$2.4	\$0.7
Facilities	\$0.5	\$0.4	\$0.5
Debt Service	\$0.2	\$0.8	\$0.2
Prior Year Encumbrances	\$1.0	\$0.8	\$0.7
Other Misc. Factors	\$1.8	(\$1.0)	\$1.6
Total Free Cash	\$11.2	\$15.0	\$15.6

As the Warrant Committee has noted repeatedly, the Town of Belmont faces a structural deficit wherein recurring expenditures outpace recurring revenues. The FY24 budget is the fourth budget cycle in a row to use more than the average \$2 million in Free Cash that has historically been allocated to the following year’s operating budget. This trend is expected to continue until the structural deficit is addressed through an override or the amount of Free Cash can no longer fill the gap caused by the structural deficit, which is expected to happen within the FY25 budget season. As a result, a significant override will need to be passed in the spring of 2024 if the residents of Belmont do not wish to see a substantial reduction in both municipal and school services.

American Rescue Plan Act

On May 10, 2021, the U.S. Department of the Treasury announced the launch of the Coronavirus State and Local Fiscal Recovery Funds, established by the American Rescue Plan Act of 2021 (aka ARPA, link to Fact Sheet [here](#)). Belmont was appropriated \$7.8 million for combined municipal and school expenses and \$1.0 million from the ‘Elementary and Secondary School Emergency Relief Fund III’ to abet school costs. Earlier in the process it was unclear if Belmont would be able to use all the \$7.8 million. However, through outreach by the Town Administrator and other Town officials, the Massachusetts Congressional Office, on behalf of Belmont and towns like Belmont, was able to secure the utilization of the full allocation from the State Treasury Department.

According to the Treasury announcement, local governments like Belmont will receive Recovery and Relief funding through the state government and funding will be released in two tranches, with 50% provided beginning in May 2021 and the balance delivered 12 months later. The funding eligibility period is March 2021 to December 2024 and the funds do not need to be appropriated by Town Meeting but simply by the vote of the Select Board.

At this point, Belmont’s Town leaders have allocated most of the ARPA funds with only \$156,215 remaining. Table 2 shows the appropriations that have been made. These one-time funds will not be available for future years, and this will put additional budgetary pressures on the municipal and school budgets in FY25 and beyond.

Table 2: ARPA Funds	
State ARPA Fund Allotment	\$7,800,000
Appropriated by Select Board	
Public Health	\$276,600
COA - Senior Outreach	\$19,250
2022 Memorial Day Prep	\$25,000
Facilities - Filters	\$24,000
COVID - Middle & High School Building Committee	\$1,000,000
Schools ESSER Match	\$2,876,000
DPW Fuel Tanks	\$650,000
DPW Salt Shed	\$500,000
High School Solar Panels	\$290,633
Repairs Butler School	\$892,214
Security Projects (Schools)	\$245,000
Additional Rink Funding	\$350,000
Operating Budget FY23	\$163,303
Operating Budget FY24	\$124,000
Other	\$214,000
Subtotal	\$7,650,000
Remaining Funds	\$156,251
Total	\$7,806,251

General Fund Revenues

Expected and projected revenues are summarized below in Table 3. This includes estimated FY24 state aid to Belmont based on the Governor’s Budget and recent indications from the state legislature. Table 3 also illustrates another large amount of Free Cash used to balance the budget, increasing over 80% from FY23. Please note that Available Funds is down significantly due to a one-time increase in the funds available for discretionary capital investment in FY23 as the result of significant turnbacks.

Table 3: FY24 Expected General Fund Revenues vs. FY22 Revenues (\$ million)

Revenues	FY2024 Projected	FY2023 Estimated	\$ Change	% Change
Property Tax Levy	\$106.30	\$102.79	\$3.52	3.4%
Levy for Exempt Debt	\$13.15	\$13.72	-\$0.56	-4.1%
Total Tax Levy	\$119.46	\$116.51	\$2.95	2.5%
State Aid	\$14.57	\$12.85	\$1.72	13.4%
Local Receipts	\$8.60	\$8.59	\$0.01	0.1%
Available Funds	\$0.89	\$3.19	-\$2.29	-71.9%
Free Cash	\$9.69	\$5.38	\$4.31	80.2%
Revenue Offsets	-\$3.14	-\$2.92	-\$0.22	7.4%
Enterprise Receipts	\$0.94	\$1.39	-\$0.45	-32.1%
Total Revenues	\$151.03	\$144.98	\$6.04	4.2%

Note: Subject to adjustment when the state budget (including final state aid amounts) is approved. Calculations reflect rounding.

General Fund Expenditures

Table 4 compares the recommended FY24 General Fund budget expenditures to corresponding data for FY23. This FY24 budget is as of May 11, 2023, and is subject to minor adjustments before the June Town Meeting.

Table 4: Summary of FY24 General Fund Budget vs. FY23 (\$ million)

Spending	FY2024 Recommended	FY2023 Budget	\$ Change	% Change
Belmont Public Schools	\$63.49*	\$55.90	\$7.59	13.6%
General Government	\$5.22	\$5.43	-\$0.21	-3.8%
Public Safety	\$14.16	\$13.47	\$0.69	5.2%
Public Services	\$10.57	\$10.14	\$0.44	4.3%
Health and Human Services	\$3.35	\$3.49	-\$0.14	-4.1%
Total Municipal Government	\$33.31	\$32.53	\$0.78	2.4%
Regional Schools	\$0.75	\$1.14	-\$0.39	-34.3%
Facilities	\$7.52	\$6.95	\$0.57	8.2%
Pension Assessment	\$10.04	\$10.09	-\$0.05	-0.5%
Employee Benefits	\$15.62	\$15.67	-\$0.05	-0.3%
Debt Service	\$14.64	\$15.24	-\$0.60	-3.9%
Other Shared	\$1.17	\$1.01	\$0.16	15.6%
Total Shared Services	\$49.74	\$50.10	-\$0.36	-0.7%
Capital - Streets	\$1.90	\$1.86	\$0.05	2.5%
Capital - Sidewalks	\$0.24	\$0.24	\$0.01	2.5%
Capital - Discretionary	\$1.79	\$3.79	-\$2.00	-52.7%
Total Capital	\$3.94	\$5.88	-\$1.94	-33.0%
Other Warrant Articles (OPEB)	\$0.55	\$0.58	-\$0.03	-4.6%
Total Spending	\$151.03	\$144.98	\$6.04	4.2%
Net Budget Surplus/(Deficit)	\$0.00	\$0.00	\$0.00	\$0.00

Note: Data does not include expenses budgeted in Enterprise Funds including Belmont Light. FY23 data is projected and not necessarily budget as voted by Town Meeting. Calculations reflect rounding.

*\$600,000 of the School's General Fund budget will be allocated to the Special Education Reserve Fund within the school budget by the School Committee after the budget is approved by Town Meeting.

As shown in Table 4, the FY24 General Fund budget is 4.2% higher than in FY23. The school operating expenditures funded by the General Fund are expected to increase by 13.6%. It is important to note, however, that in addition to the General Fund, the Belmont Public Schools also draw revenue from grants and revolving funds and remaining Covid funds as shown in Table 5.

Table 5: FY24 Total Belmont Public School Budget (\$ million)

Belmont Public Schools	FY24	FY23	\$ Change	% Change
General Fund	63.49	55.90	7.59	13.6%
Grants & Revolving, Other	7.73	8.62	(0.88)	-10.2%
Covid Funds	0.97	1.50	(0.54)	-35.7%
TOTAL - ALL SOURCES	72.19	66.01	6.17	9.4%

Table 6 breaks out the increases in spending by service area.

Table 6: FY24 General Fund Budget vs. FY23 by Department or Function (\$ million)

	FY24	FY23	\$	%
	Recommended	Appropriated	Change	Change
Belmont Public Schools	\$63.49	\$55.90	\$7.59	13.6%
Shared Services*	\$35.10	\$34.86	\$0.24	0.7%
Pension**	\$10.04	\$10.09	\$(0.05)	-0.5%
Retiree Health Insurance	\$3.34	\$3.78	\$(0.44)	-11.7%
Employee Health Insurance	\$10.52	\$10.07	\$0.45	4.4%
Life Insurance	\$0.02	\$0.02	\$—	0.0%
Medicare	\$1.10	\$1.06	\$0.03	3.1%
Unemployment	\$0.19	\$0.23	\$(0.03)	-14.7%
Workers Compensation	\$0.46	\$0.51	\$(0.05)	-10.0%
Liability Insurance	\$0.74	\$0.59	\$0.16	26.8%
Deductible Reserves	\$0.03	\$0.03	\$0.00	2.5%
Warrant Committee Reserve	\$0.40	\$0.40	\$—	0.0%
Facilities	\$7.52	\$6.95	\$0.57	8.2%
Regional Schools	\$0.75	\$1.14	\$(0.39)	-34.3%
Public Services	\$10.57	\$10.14	\$0.44	4.3%
Community Development	\$0.98	\$1.00	\$(0.02)	-1.7%
Public Works	\$8.07	\$7.55	\$0.52	6.9%
Recreation	\$1.52	\$1.59	\$(0.07)	-4.1%
Public Safety	\$14.16	\$13.47	\$0.69	5.2%
Emergency Mgmt.	\$0.02	\$0.02	\$—	0.0%
Fire	\$6.39	\$5.98	\$0.41	6.9%
Police	\$7.75	\$7.46	\$0.28	3.8%
General Government	\$5.22	\$5.43	\$(0.21)	-3.8%
Assessors	\$0.43	\$0.42	\$0.00	0.2%
Human Resources	\$0.66	\$1.02	\$(0.37)	-35.8%
IT	\$1.41	\$1.35	\$0.06	4.5%

Town Accountant	\$0.44	\$0.36	\$0.08	22.3%
Town Administration	\$1.13	\$1.02	\$0.11	10.5%
Town Clerk	\$0.51	\$0.53	\$(0.02)	-3.3%
Treasurer	\$0.65	\$0.72	\$(0.08)	-10.4%
Human Services	\$3.35	\$3.49	\$(0.14)	-4.1%
Library	\$2.35	\$2.37	\$(0.03)	-1.1%
Council on Aging	\$0.41	\$0.48	\$(0.07)	-14.9%
Health	\$0.60	\$0.64	\$(0.05)	-7.0%
Debt Service	\$14.64	\$15.24	\$(0.60)	-3.9%
Within Levy Debt Service	\$1.42	\$1.44	\$(0.02)	-1.7%
Exempt Debt Service	\$13.15	\$13.73	\$(0.58)	-4.2%
Short-term Borrowing Costs	\$0.07	\$0.07	\$—	0.0%
Capital Expenditures	\$3.94	\$5.88	\$(1.94)	-33.0%
Capital - Streets	\$1.90	\$1.86	\$0.05	2.5%
Capital - Sidewalks	\$0.24	\$0.24	\$0.01	2.5%
Discretionary Capital	\$1.79	\$3.79	\$(2.00)	-52.7%
OPEB Contribution	\$0.55	\$0.58	\$(0.03)	-4.6%
Grand Total	\$151.03	\$144.98	\$6.04	4.2%

* Does not include Debt Service.

** Does not include pension expenses budgeted in Enterprise Funds, Belmont Light.

FY24 budgets for each department will be discussed in detail in this report.

Enterprise Funds

Belmont maintains separate Water Enterprise and Sewer Enterprise Funds. The Enterprise Funds receive revenues from rates charged for these services that are used to fund expenses incurred in the operation and upkeep of the Town's water and sewer system, including storm water management. The total expenditures for the Enterprise Funds are summarized in Table 7.

Table 7: Enterprise Funds Expenditure Summary (\$ million)

	FY24	FY23 Revised	\$ Change	% Change
Water	\$8.01	\$7.91	\$0.10	1.25%
Sewer	\$9.80	\$10.88	\$(1.09)	-9.96%
Total Enterprise Funds	\$17.80	\$18.79	\$(0.99)	-5.27%

Note: Calculations reflect rounding.

Risks in the FY24 Budget

By law, Belmont must operate with a balanced budget. If actual spending appears likely to exceed the total budget by year end, either spending must be reduced or reserves such as Free Cash must be utilized.

Covid / ARPA Funds. Most of the Covid relief and ARPA funds have been appropriated. Thus, these funds are no longer available to help cover one-time and recurring costs nor any additional unforeseen financial pressure on the municipal and/or school department.

Facilities. As reported in recent years, it is apparent that Town facilities have not received required maintenance on a timely schedule and there is still a significant backlog. Therefore, the risk of unexpected needs for repairs in FY24 and beyond is still significantly high.

Compensation costs. All unions contracts of the Town and schools are settled and the outcome of these negotiations, especially on the school side, has a significant impact on the FY24 and future budgets with significant roll-over costs. The increasing Full-Time Employee (FTE) numbers in the schools is a concern and not sustainable if current trends continue.

School Department Actual FTEs Relative to the FY20 Budget

	FY20 Budget	Δ FY20 Actual	Δ FY21 Actual	Δ FY22 Actual	Δ FY23 Actual (Q2)	Δ FY24 Budget
Regular Instruction	284.3	-1.3	-2.0	-5.4	-4.3	-7.6
Special Instruction	132.5	11.0	14.5	18.7	25.8	30.6
Student & Instructional Srvs.	81.0	-0.5	0.3	1.1	0.2	1.2
Leadership & Administration	43.9	0.9	0.3	4.1	5.2	7.2
COVID / One-Time Grants	0.0	0.0	3.0	13.4	14.8	9.0
Total	541.7	551.8	557.8	573.6	583.4	582.1
Δ vs FY20 Budget		10.1	16.1	31.9	41.7	40.4

Please note: These all FTEs funded through the General Fund and external funds such as ESSER & ARPA

Municipal Changes in Total FTEs

	FY20	FY21	FY22	FY23	FY24 Budget
Municipal	260.3	260.7	256.9	261.0	279.8
Change Y/Y	-1.9	0.4	-3.7	4.1	18.8

Assessors eliminated a PT Office Assistant (.4 FTE), Facilities is now showing the FTE's for the School custodians (22 FTE), Community Development lowered the Code Enforcement Officer from 1 FTE to .5 FTE, Community Development lowered the Planning Admin Assistant III from 1 FTE to .5 FTE, Recreation eliminated the Rink FTEs (1.4 FTE), Library added the Assistant Director (1 FTE), eliminated a Library Tech Services PT Assistant (.4 FTE), and eliminated the FT Lead Custodian (1 FTE), The custodial duties will be picked up by the Facilities Department

Healthcare costs. Belmont self-insures for healthcare. If health insurance costs rise more than the budgeted 4.4% due to a bounce-back of people returning to their normal healthcare routines with the pandemic ending, there could be more pressure on the Town Health Insurance Trust Fund to cover any overages.

Risks in the FY25 Budget

One-time funds, like federal relief funding or increases in Free Cash balances can temporarily fill the structural budget gap; however, without fundamental changes to revenue sources or expenditures, the gap continues to widen. The ARPA funds currently allocated for one-time positions at the schools will end at the end of FY24 and any remaining ARPA funds must be obligated by December of 2024 and spent by the end of 2026. The loss of these positions because of the loss of their funding will be significant and, combined with a new upper middle school opening in fall of 2023 as well as the final reconfiguration of the elementary schools in the fall of 2024, will put additional pressures on the FY25 budget. School enrollment is also a key budget driver. If a rapid enrollment rebound takes place in FY24-FY25, there could be added pressure on what will already be a challenging budget. Finally, a significant override is needed to balance at the very least a level-services budget. If an override does not pass, significant reductions to services on both the municipal and school sides will be unavoidable.

Free Cash and Stabilization Fund Update

Free Cash represents the Town's unrestricted funds from operations. Generally, these funds arise from excess receipts over budgeted revenues and from unspent expenses from departmental budgets. By law, the Massachusetts Department of Revenue must certify each City or Town's Free Cash as of July 1 at the beginning of the following fiscal year before it can be appropriated.

As shown below, Belmont started FY23 with \$15.6 million in certified Free Cash as of July 1, 2022, compared with \$15.0 million as of July 1, 2021. As was the case in FY22, much of the increase was from department turnbacks due to continued COVID-related factors and the federal government American Rescue Plan Act (ARPA) funds, challenges filling open positions - especially on the municipal side, and conservative fiscal management.

Given the override defeat in April 2021 and the continued relatively high Free Cash balance, an extraordinarily large amount of Free Cash is being used once again to bridge the gap between recurring revenues and recurring expenses in order to balance the budget for FY24. Prior to FY21, the annual operating budget typically used approximately \$2.0 million of Free Cash. As shown below, the amount of Free Cash used to balance the budget increased as the impact of increased revenue from the 2015 override has diminished. The FY24 Budget includes \$9.69 million in Free Cash, which is a historic level of one-time funds used to bridge the structural deficit. Free Cash has also been appropriated to fund the OPEB Trust Fund per the policy with a contribution of approximately \$553,000 in the FY24 budget.

Free Cash (FC) Usage (\$ million)

Fiscal Year	2019	2020	2021	2022	2023	2024
Certified Free Cash (CFC) as of July 1	\$8.41	\$8.11	\$11.24	\$15.03	\$15.55	
CFC Available for FY Appropriation	\$5.65	\$8.41	\$8.11	\$11.24	\$15.03	\$15.55
Less Amount Appropriated:						
Operating Budget	-\$1.61	-\$2.36	-\$3.79	-\$7.18	-\$5.38	-\$9.69
General Stabilization Fund	\$ -	\$ -	-\$1.50	\$0.00	\$0.00	
OPEB	-\$0.47	-\$0.55	-\$0.05	-\$0.05	-\$0.58	-\$0.55
Fire Station	-\$0.60	\$ -	\$ -			
Fire Pumper	\$ -	\$ -	-\$0.35			
Fuel Tanks	\$ -	\$ -	\$ -		-\$0.65	
Net Free Cash after Appropriations	\$2.96	\$5.49	\$2.42	\$4.01	\$8.42	\$5.30

Note: Free Cash is certified by the state in the fall after fiscal year end. Once certified, Town Meeting can appropriate funds from CFC for the following year. Net Free Cash represents the amount of Certified Free Cash available to appropriate for that FY less TM appropriations for that FY's budget.

The \$9.69 million in Free Cash accounts for 6.4% of the overall operating budget and is not a sustainable or prudent financial practice. The amount of Free Cash generated in FY21 -FY23 is unlikely to recur in future years post pandemic. The known sources of one-time funds currently are the remaining stabilization balance of \$1.8 million, \$156,251 currently unallocated from ARPA funds, and a Free Cash balance of \$5.30 million. However, these sources cannot indefinitely continue to fill the recurring structural deficit created by contractual compensation rate increases, pension liability amortization, deferred expenditures, and the continued rising needs of the schools.

Free Cash (FC) and Reserves as % of General Fund Budget (million)

Fiscal Year	2020	2021	2022	2023	2024
FY General Fund Revenue Budget	\$120.01	\$124.44	\$134.46	\$144.98	\$151.03
FC Support of FY Budget	\$2.36	\$3.79	\$7.11	\$5.38	\$9.69
Free Cash Use as % of Budget	1.97%	3.05%	5.29%	3.71%	6.42%
Gen. Stabilization Fund Draw	\$2.40				
ARPA				\$0.16	\$0.12
Total Stabilization and FC Usage	\$4.76	\$3.79	\$7.11	\$5.54	\$9.81
Stabilization and FC as % of Budget	3.97%	3.05%	5.29%	3.82%	6.50%

Note: The current Stabilization Fund balance is \$1.8 million.

Use of Free Cash by Category

Use of Free Cash - FY2024				
Total	Shared	Municipal	Schools	
\$6.88	\$2.53	\$1.58	\$2.78	Original assumptions for use of Free Cash
\$2.81	\$0.00	\$0.00	\$2.81	Further recommendation to bridge gap
\$9.69	\$2.53	\$1.58	\$5.59	Total proposed in Feb. 3rd budget recommendations
	26.05%	16.26%	57.69%	

The table above shows the use of Free Cash by the three budget categories with more than half of the one-time funds allocated to the school budget at 58%.

As shown below, the net balance of Free Cash after current year appropriations will be \$5.3 million, or 3.5% of General Fund revenues. This is slightly above the minimum recommended by the Select Board/Warrant Committee guideline of maintaining Free Cash balances of 3-5% of general fund revenues.

Free Cash (FC) Guideline Calculation (\$million)

	FY20	FY21	FY22	FY23	FY24
General Fund Budget Revenues	\$120.01	\$124.44	\$134.46	\$144.98	\$151.03
Town Free Cash Minimum Guideline*	3%	3%	3%	3%	3%
Minimum Guideline Amount	\$3.60	\$3.73	\$4.03	\$4.35	\$4.53
Net Free Cash After Appropriations	\$5.49	\$2.42	\$4.01	\$8.42	\$5.30
\$ Net FC Surplus (Deficit) to Guideline	\$1.89	-\$1.31	-\$0.02	\$4.07	\$0.77
% Net FC Guideline Calculation	4.6%	1.9%	3.0%	5.8%	3.5%

*The Town's Free Cash Guideline recommends a Free Cash balance of 3-5% of General Fund Revenues.

Departmental Highlights

Education

Summary:

- Excluding a separate \$600,000 allocation to capitalize a dedicated SPED reserve fund, the FY24 School Department operating budget is increasing by approximately \$7.0 million, or 12.5%, to \$62.9 million.
- About 12% of the School Department's budget is covered by other sources of revenue beside the General Fund. The Department's total FY24 operating budget, including recurring grant and revolving funds and one-time COVID-relief funding, is \$71.6 million. Due to a reduction in the reliance on prior reserve funds to cover out-of-district special education (SPED) expenses and a reduction in the utilization of non-recurring COVID-relief funds, the department's total operating budget is increasing by less than the increase in the General Fund budget – \$5.8 million and 8.7%.
- 75% of the increase in the General Fund budget is due to increases in special education costs. And, 75% of the increased SPED costs are due to increases in out-of-district (OOD) costs. Those increased OOD costs are attributable to an unprecedented year-over-year increase in OOD students in FY23, a dramatic increase in the state-approved tuition rates in FY24, and the return to a more typical level of General Fund support for OOD costs after a much higher reliance on accumulated reserves to fund OOD costs in FY23.
- The total staffing level covered by the General Fund is increasing by 11.2 FTEs (2.1%), to 539.6 FTEs. Total departmental staffing is declining by 4.2 FTEs (0.6%), to 582.7 FTEs, as the result in a reduction in 13 FTE positions covered by COVID-relief funds.
- Budgeted salary expenses are increasing by 6.13% compared to the FY23 budget. That is primarily the result of the settlement of the union contracts at the end of FY22, but also is impacted by a slight underbudgeting of salary expenses in FY23.

Risks in FY24:

- Unanticipated increases in the number of OOD students or OOD tuition expenses.
- Unanticipated additional hiring to meet mandated in-district needs or other needs.

FY25 and Beyond:

- Salary increases in the existing contracts exceed the anticipated growth rate in recurring town revenue.
- Continued increases in staffing levels add to the structural deficit.
- Funding for the positions currently paid for using federal COVID-relief funds runs out after FY25. What impact that might have on the General Fund budget after FY25 is currently not known.

Recommendations:

- Work collaboratively with the Town Administrator's office and the Warrant Committee to improve the annual budgeting process, particularly the timing for finalizing the budget.
- Proactively look for ways to better align the growth rate in the School Department budget with the town's projected recurring revenue growth rate.

Shared Services

Facilities

Budget and Staffing Changes: The Facilities Department for FY24 is growing due to a transfer of all school custodians and maintenance workers into the department from Schools. Two new custodians are being added to accommodate the new middle school.

Challenges: Adequate oversight of the many capital projects in process as well as sufficient maintenance of building assets given the thin department staffing. The Comprehensive Capital Budget Committee has recommended a building assessment of all town buildings and that study will help the department to prioritize maintenance needs and capital projects.

Risks and Uncertainties: The department will be managing four new buildings in a couple years from new (high school, middle school, library, and rink). The buildings will be different to traditional buildings in several ways and the department will need adequate staffing to ensure these new buildings are properly maintained and operated.

Health Insurance

Budget Change: Cost efficiencies from the shared services model were offset by proposed increases in School staff for FY24, The FY24 budget request for Town and Schools Employee Health Insurance is \$10,331,952, an increase of 2.6% from FY23.

Risks and Uncertainties: Belmont health insurance costs for Town and School employees and retirees are self-insured. A potential transition to the Massachusetts Group Insurance Commission (“GIC”) could provide the Town with quantitative and qualitative benefits. Transitioning to, or away, from the GIC is a complex, multi-year process that would not result in operational or cost savings for FY24 but could set the Town up for efficiencies in FY25 or FY26.

Recommendation: The Warrant Committee recommends that the Select Board and the Town Administration conduct an analysis, in consultation with the Town’s healthcare consultant, regarding the cost savings, benefits, and implications of a transition to the GIC with the goal of reducing health insurance cost increases in FY25 and beyond.

Pensions

Budget Changes: Pension benefits are guaranteed. As of 2022, the System is about 70% funded. In FY24, the funding schedule was updated to cover a 5% COLA in for FY23 and extend the funding schedule. The Town’s assessment will be level at about \$10 million / year through FY25, then grow at 2.5% a year through 2031.

Risks and Uncertainties: Pension systems manage and model both investments and the future value of benefits for current employees and retirees. These factors are audited and reviewed every few years, and then assumptions, schedules, and assessments are updated accordingly. The Belmont Retirement System is a separate and autonomous legal entity overseen by the Public Employee Retirement Administration Commission.

Recommendations: Review and reduce investment and administrative expenses to be in line with PRIM. The most obvious way to reduce expenses would be for the board to delegate all investment management to PRIM. This will normalize returns, simplify operations, and remove cost overhead related to evaluating

and directing investments. This will also address the investments and consultants' fees that grow with assets in the System and lower BRS's net returns.

Other Post-Employment Benefits ("OPEB")

Budget Changes: The Town identified efficiencies and improved forecasting while restructuring the benefits budget for both Town and School retirees. As a result, the FY24 pay-as-you-go budget for retiree health insurance is \$3.33 million, a decrease of nearly 12% from FY23. As of January 2023, the OPEB Trust Fund held about \$7.4 million toward a liability of about \$97.5 million.

Risks and Uncertainties: OPEB liability is inherently more volatile than the liability for pension benefits as healthcare costs and inflation, benefits utilization, plan design and federal health policy changes, can have a significant impact on predicting future expenses.

Debt

Budget Changes: The town currently has approximately \$255 million of debt outstanding. Additional debt will be issued in FY24 for the library (\$34.5 million) and the rink (\$28.6 million), both approved by voters in FY23.

Recommendations: The Warrant Committee supports the maintenance a strong bond rating through prudent financial planning and sound fiscal stewardship. Continue the practice of issuing "replacement" non-exempt debt to fund the capital plan once prior non-exempt debt has matured.

Public Services

Community Development

Budget and Staffing Changes: The Community Development Budget for FY24 represents a decrease of 1.73% from FY23 and a reduction of two 0.5 FTEs for a total of 9.26FTEs.

Challenges: The continued inability of the department to find and hire qualified candidates for the open staff planner position and the open building inspector positions forces the department to be more reactive than it otherwise should be and impairs the department's ability to perform required services on a timely basis.

Risks and Uncertainties: The statutory requirements that the department must comply with keep ratcheting up. As an example, the town's stormwater permit must be renewed every five years. The requirements the town must meet in renewing the permit get more burdensome each time, inevitably placing more burdens on the existing staff.

Department of Public Works

Budget and Staffing Changes: The DPW Budget FY24 represents an increase of 6.87% from FY23. There is no change in FTE's from FY23 to FY24, at 24.46 FTEs.

29% of the budget increase from FY23 to FY24 is due to compensation increases. These increases are the negotiated 2% COLA, a one-time retroactive increase due to the negotiations; step increases; and other union contractual payments.

There is a 10.4% increase in the FY24 budget for Disposal and Collections within the DPW. This is due to new agreements with disposal, collection, and recycling third party services.

Challenges: Staffing and staff retention are a major challenge. As of April 2023, there are nine unfilled, budgeted positions within the DPW. This department will continue to rely upon overtime and external contractors to deliver services for as long as budgeted positions remain unfilled.

Recommendations: The Committee suggests that the department should consider imposing a fee for special disposal services, that is, the pick-up and disposal of both bulky items and mattresses to cover the costs of these extra services.

Risks and Uncertainties: Like other Public Service Divisions, there are compliance and statutory regulations which create budgetary uncertainties in the DPW. For example, disposal of organics and dealing with textile disposal or proper recycling, are areas which may impact workload, staffing and other costs.

FY25 and Longer-Term Risks:

The difficulty in recruitment of staff will be exacerbated as current DPW staff members approach retirement.

Enterprise Funds - Water and Sewer

Water & Sewer Rate Increase: Town Administration commissioned a water and sewer rate study to guide the FY24 budget. The purpose of the study was to analyze the water and sewer Enterprise Funds' financial condition and propose a new rate structure to ensure the long-term financial stability of the funds. The study also estimated the incremental cost of these new rates to the consumer. For a 4-person Belmont Household, the average combined Water and Sewer bill is projected to increase by approximately 6.3%, or \$158, per year.

Recommendation: We recommend consideration of a small incremental annual rate increase once retained earnings have achieved correct levels. This may preclude the need for future large and more impactful increases on residents and businesses.

Recreation

Budget and Staffing Changes: The recreation staffing reflects a decrease of 1.4 FTE, seasonal staff associated with ice recreation. It is assumed that there will be no operating expenses for the rink, which eliminated \$243,000 from the FY24 budget. Eliminated also are \$175,000 in ice recreation fees from revenue. The recommended budget for School Year Programs was increased to \$368,000 to allow for the potential of some ice activities.

The creation of a Recreation Revolving Fund was approved by Town Meeting on May 4, 2023, and will be used for the FY2025 budget beginning July 1, 2024.

Challenges: Current market conditions for the hiring of part-time staff – especially hiring of lifeguards – mean that wages for these positions must be increased to staff the pool, camp, rink, and other programs effectively, which has placed pressure on the budget

Future Risks and Uncertainties:

The implementation of a Recreation Revolving Fund will shape the outlook for FY25 and beyond.

The new rink will offer new opportunities for increased programming. Much of this planning work will be underway during FY24. The Recreation budget for FY@ \$ School Year Programs has been increased to \$368,000, assuming that there will be additional programming expenses for hockey programs. This amount may need to be supplemented at Fall Town Meeting.

Public Safety

Fire

After remaining flat for several years, the FY24 budget for the Fire Department budget reflects a 6.9% increase, driven by compensation increases tied to the recent completion of union contract negotiations. The two FY23 Fire Department staff vacancies were filled last year so the Department in FY24 should be fully staffed at 55 FTEs, and recent overtime budget overruns are expected to subside in FY24. Incidents requiring Fire Department response have continued to climb as community activity returns to normal after COVID, placing further demands on Department staff. Despite the Fire Chief's strong desire to introduce additional community engagement programs, the fiscal constraints of the FY24 budget will slow program expansion. Given the historical challenges in hiring new Fire Department recruits through the Civil Service program, the Fire Department may be constrained in future hiring and face challenges related to expanding diversity within the department.

Police

The Police Department continues to face vacancies, some of which remain from FY23 because they could not be filled from the Civil Service list. The continued use of Civil Service raises significant barriers to filling vacant positions, including a deficit of eligible candidates, which inflates the use of overtime, delays promotions and hurts morale. The Warrant Committee recommends that the Department work on leaving the Civil Service system, including discussions with the officers' union.

General Government

General Government comprises seven departments that deliver basic services for the Town:

- Town Clerk
- Town Administration
- Human Resources

Information Technology
Town Accountant
Town Treasurer
Assessors

Risks in FY24: Each of these departments have functioned for years with few staff and budget increases. Demands continue to rise and this leaves these departments doing more with less. A significant increase in the number of Freedom of Information Act requests (FOIA) are putting significant pressure on several town departments and the school department. A potential hybrid TMM would put addition presume on the Town Clerks Office and the Town Administrators Office.

Some departments (Treasurer, Accountant, and Human Resources) have either a new director or are in the process of hiring new directors. New leadership provides both risks and opportunities.

The Information Technology department continues to have a strong focus on responding to serious threats of cyber-attacks, which are only increasing. Their budget continues to reflect the enhancement of technology to protect the network.

FY25 and Beyond: These departments all provide essential services using very small numbers of staff. There are potential risks if their processes break down due to lack of staff. In the event of budget reductions, any cuts in these departments should be a last resort.

Recommendations: The Town should consider shifting from an elected to an appointed Board of Assessors, which is one of the recommendations of the Collins Center report.

A comprehensive PILOT (Payment in Lieu of Taxes) program for the Town's non-profit landowners is needed.

Commercial property currently accounts for approximately 5% of Belmont's annual property tax receipts. We should pursue policies and practices that increase the percentage of annual property tax receipts from commercial sources.

Human Resources Department should considered moving to electronic payroll which was recommended in the Structural Change Impact Group ([SCIG](#)) report.

[Human Services](#)

Library, Council on Aging and Health Department

The Library, Council on Aging and the Health departments operate under the umbrella of the Human Services budget. They provide for the lifetime welfare of Belmont's citizens, keeping them healthy, culturally, and intellectually involved.

Next year's budget for the Human Services departments will be particularly challenging. In FY24 the COA and Health Departments have each enjoyed the use of significant ARPA funds that will not be available for level service in FY25. The Library's budget will be in a state of flux with its operation in temporary

spaces during construction of the new building and in FY26 presumably will need additional funding to operate from the new Library.

Unlike other departments organized under the Town Administrator and the Select Board, each of the Human Services departments has its own governance by either an elected or appointed board. Fortunately, each board has been actively involved in the delivery of services by their respective department. Next year each board and director will need to be particularly zealous advocates to protect their budgets from the justifiably but competing budgets for public safety, infrastructure, and education and to cover any shortfall by seeking all grants available.

FY25 and Longer-Term Issues

Four issues continue to stand out as drivers of the town’s structural gap including: 1) employee compensation costs, 2) mandated school costs, 3) capital projects, and 4) unfunded pension and healthcare liabilities.

Structural Deficit

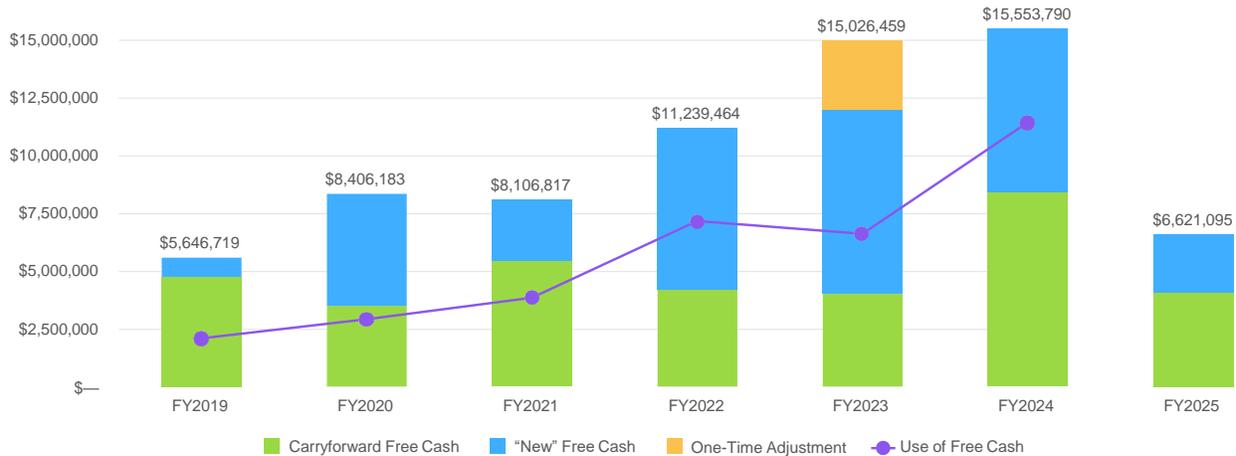
Expenditure increases are outpacing revenue growth due to rising collective-bargaining-driven labor costs, full-time employee (FTE) growth at the school department, rapid growth of Out-of-District special education costs (OOD), health care expenditures, and greater non-labor costs such as escalating pension fund payments. Revenue growth in recent years (beyond the Middle and High School Building debt exclusion and the federal COVID relief funds) has been modest. With only four successful operating overrides in the last 35 years (see table below) and 80% of the Town’s revenue coming from property taxes, the Town’s operating revenue growth has struggled to keep pace with operating expenditure growth, requiring disciplined expense management to maintain budget balance.

Belmont Override History

Date	Override Purpose	Pass	Fail	Voters	% Yes
Apr-21	Education, Town, Capital		\$6,400,000	8,089	43.80%
Apr-15	Education, Roads, Capital	\$4,500,000		8,570	55.20%
Jun-10	Education, Town, Capital		\$2,000,000	6,475	47.00%
Jun-08	Roads, Streets and Sidewalks		\$2,500,000	4,871	46.60%
Apr-06	Roads, Streets and Sidewalks		\$3,000,000	5,242	30.20%
Jun-02	Education, Town Operations	\$2,400,000		5,666	51.90%
May-01	Education, Town, Roads	\$3,000,000		5,049	61.10%
Dec-93	Education, Town Operations		\$1,116,111	5,676	31.00%
Apr-90	Solid Waste Collection & Disposal	\$2,094,946		5,585	54.20%

Following the defeat of the \$6.5 million override in 2021, the town benefited from unanticipated federal funds (American Rescue Plan Act – ARPA), higher than anticipated department turnbacks due to higher-than-expected vacancies, steady state aid growth and some one-time revenue events that have delayed the originally projected drawdown of reserves. Given the escalating cost pressures highlighted above we anticipate a meaningful drawdown of reserves in FY24 as an increasing number of recurring positions are now being funded with the one-time use of Free Cash. If department budgets increase in line with historical levels in FY25 and vacant positions are filled, the amount of remaining reserves will be insufficient to address the gap, requiring more meaningful budget reductions unless additional recurring revenue is raised.

Free Cash Experience in Recent Fiscal Years, and Potential for FY2025



Given current projections, an operating override will be needed if the town wishes to maintain level services for FY25 and beyond. This is evident with the multi-year forecast shown below where beginning in FY25 the Town will face an estimated budget deficit that could be as high as \$10.1 that increases to an estimated \$14.2 million in FY28. This outlook does not incorporate the use of Free Cash or other adjustments that may occur at this point, but the estimated deficit is \$10.1 million which is \$3.5 million more than the estimated amount of Free Cash available for FY25 of \$6.6 million. Even if the current General Stabilization Fund with a balance of approximately \$1.8 million was combined with the full balance of available Free Cash there would still be a deficit of \$1.7 million. However, completely draining reserves is not fiscally prudent and a balance between how much one-time funds to use in the budget and the size of the override needs to be determined and presented to the Town’s residents. Given the fiscal outlook for FY25 and beyond, all efforts must be made for the FY24 budget to manage the amount of Free Cash used. The Warrant Committee strongly recommends that no more than \$9.69 million of Free Cash be used with any additional unbudgeted revenues that come to the Town in FY24 to fall to Free Cash, maintaining reserves. This will allow for more options in planning the size and longevity of the next override.

Belmont Multi-Year Fiscal Forecast

Revenue Budget	FY2022 Actual	FY2023 Estimated	FY2024 Projected	FY2025 Projected	FY2026 Projected	FY2027 Projected	FY2028 Projected
Tax Levy (Base + New Growth + 2.5%)	\$99,431,844	\$102,786,493	\$106,302,480	\$109,900,713	\$113,588,901	\$117,369,295	\$121,244,198
State Aid	\$12,454,009	\$12,852,939	\$14,571,551	\$14,760,058	\$14,949,633	\$15,140,295	\$15,332,068
Local Receipts	\$9,567,943	\$8,578,705	\$8,603,462	\$8,673,962	\$8,752,372	\$8,832,350	\$8,913,928
Transfers from Parking/Capital Endowment/Cemetery/Other	\$417,193	\$368,303	\$162,761	\$162,761	\$162,761	\$162,761	\$162,761
Use of Free Cash/Stabilization	\$7,163,925	\$5,959,753	\$10,245,709	\$552,695	\$552,695	\$552,695	\$552,695
Revenue Offsets (Assessments/Overlay)	(\$2,831,921)	(\$2,919,157)	(\$3,135,055)	(\$3,192,431)	(\$3,251,242)	(\$3,311,523)	(\$3,373,311)
Enterprise Indirects	\$1,188,000	\$1,388,000	\$942,487	\$1,154,799	\$1,167,419	\$1,180,354	\$1,193,613
Total Available Revenue	\$127,390,993	\$129,015,036	\$137,693,394	\$132,012,556	\$135,922,538	\$139,926,227	\$144,025,952

Expense Budgets	FY2022 Actual	FY2023 Estimated	FY2024 Projected	FY2025 Projected	FY2026 Projected	FY2026 Projected	FY2026 Projected
Total School Budget	\$55,259,786	\$55,895,825	\$63,486,981	\$66,602,673	\$69,077,999	\$72,743,539	\$76,610,010
Total Municipal Budget	\$29,803,118	\$32,525,029	\$33,305,428	\$34,348,190	\$35,207,789	\$36,089,327	\$36,993,374
Total Facilities Budget	\$5,739,210	\$6,948,107	\$7,519,388	\$7,477,207	\$7,650,215	\$7,827,386	\$8,008,826
Total Benefits	\$23,713,401	\$26,337,631	\$26,214,185	\$26,599,473	\$27,312,520	\$28,045,704	\$28,799,596
Total Other Shared Expenses	\$1,560,307	\$2,151,500	\$1,919,332	\$1,838,775	\$1,940,841	\$2,051,077	\$2,170,197
Total Capital-Related Expenses	\$5,000,682	\$5,156,944	\$5,248,080	\$5,342,094	\$5,444,885	\$5,555,037	\$5,670,375
Total Expenses	\$121,076,504	\$129,015,035	\$137,693,395	\$142,208,411	\$146,634,249	\$152,312,070	\$158,252,378
Net Budget Surplus/(Deficit)		\$0	\$0	(\$10,195,855)	(\$10,711,711)	(\$12,385,843)	(\$14,226,426)

Compensation Costs

Total Employee compensation represents over two-thirds of Belmont’s operating budget. Many municipal and school employees are unionized, with contracts that typically last three years. All union contracts have been settled and on the Municipal side, Cost of Living Adjustments (COLA) were negotiated at 2% staggered in length over the next several years. The School’s COLAs were negotiated for the various units and groups as shown in the table below. With contracts settled, the focus should be on managing [FTE](#) growth especially at the schools because if total compensation costs continue to rise faster than Belmont’s sustainable revenue growth of 3-3.5%, pressure will continue to mount for further operating overrides or great cuts in service.

Unit	Titles	FY22	FY23	FY24	FY25
A	All Members	2.75%, additional 0.25% for top step	2.5%, additional 0.25% for top step	2.50%	2.50%
B	All Members	Range: 0.91%-16.04% (\$1,000-\$15,070/yr)	Range: 2.75%-4.00% per person, based on performance	Range: 2.75%-4.00% per person, based on performance	Range: 2.75%-4.00% per person, based on performance
C	Administrative Assist	2.75%, additional 0.25% for top step	2.5%, additional 0.25% for top step	2.50%	2.50%
C	Clerical Aide	Range: 10.6%-18.9%, based on step (\$1.82-\$2.88/hr)	2.50%	2.50%	2.50%
D	Prof Aide	2.75%, additional 0.25% for top step	2.5%, additional 0.25% for top step	2.50%	2.50%
D	Classrm Assist	Increase to Prof Aide rates	2.5%, additional 0.25% for top step	2.50%	2.50%
D	Campus Monitor	Increase to Building Sub rates	2.5%, additional 0.25% for top step	2.50%	2.50%
D	Building Sub	Range: 2.75%-4%, based on step (\$0.65-\$0.84/hr)	2.5%, additional 0.25% for top step	2.50%	2.50%
AFSCME	Custodial & Maintenance	3.85%-14%, based on step (\$0.79-\$3.84/hr)	2%	2%	Contract expires end of FY24
AFSCME	Food Service: Paid entirely from program; no general fund cost	15.8%-39.8% (\$2.21-\$7.35/hr)	2%	2%	Contract expires end of FY24

Mandated School Costs

Special Education (SPED) and English Language Learner (ELL) enrollment, which require mandated and sometimes costly services, have grown significantly in FY23 with the cost pressures expected to continue in FY24. More than half of the increase in the school budget for FY24 comes from [OOD costs](#) both in terms of the number of students up 26% and OOD tuition costs up 14%, the latter a new state mandate. More information on this is in the Education section of this report.

Capital Projects

The Comprehensive Capital Budget Committee (“CCBC”) identifies and recommends capital projects that can be funded within the annual operating budget allocations each year. For FY24, the CCBC’s discretionary budget is \$1.8 million which is significantly down from the uncharacteristically high \$3.3 million in FY23 which was due to one-time turnbacks from completed capital projects in prior years and another \$1 million from the sale of the Cushing Square parking lot and the proceeds must be used for capital projects. FY24 is more in line with historical trends and is 2.0% above FY22.

It has been acknowledged for several years now that the Town has not had adequate resources to keep up with its capital investment needs. Prior analysis, corroborated by municipal budget experts, suggests approximately \$3 million is the appropriate level for Belmont’s annual Capital Discretionary Fund. With recent inflation and construction cost escalation, the cost of infrastructure upgrades and critical capital equipment purchases continues to grow. Belmont continues to face the challenge of maintaining our capital infrastructure, roughly 1,000,000 square feet, with annual discretionary capital investment at current levels.

Belmont must also periodically fund major capital projects investment which is typically done through debt exclusions. One such project is the Belmont Middle and High School building project. The first phase of the project was completed in September of 2021 and grades 9-12 were welcomed to the new building for the start of the school year. Construction on the second phase of the project for the Upper Middle School - grades 7 and 8 - will be completed this summer and ready for the fall. A debt exclusion was approved by the residents in November of 2022 for a new library at \$34.4 million with demolition beginning before the end of 2023 and the project is expected to be complete in fall of 2025. A debt exclusion for a new ice-skating rink was approved by the residents in April of 2023 for \$28.7 million with demolition beginning before the end of 2023 as well. The goal is for the rink to be completed by the end of November in 2024 resulting in only one season of hockey being disrupted.

The great challenge in planning major capital projects is finding solutions that minimize the tax burden. For instance, the stages of design development for the Community Path are being funded through the Community Preservation Committee, with construction to be funded largely by state and/or federal sources.

Long-term capital planning for the Town’s ongoing capital and infrastructure needs is critical. To support this effort a new Comprehensive Capital Budget Committee (CCBC) that combines the Long-Term Capital Planning Committee and Capital Budget Committee was approved by Town Meeting in May 2022 and implemented in the Fall of 2002 after approval by the Massachusetts Attorney General. The new CCBC plans to continue developing annual capital planning recommendations for Town Meeting but will also prepare multi-year capital plans to help guide prudent long-term capital allocations.

Unfunded Pension and Healthcare Liabilities

Pension, OPEB (Other Post-Employment Benefits) are discussed in detail.

Departmental Budgets

Education

Budget by Source of Funds	FY24		Change from FY23			FTE	
	Budget in \$	% of Operating Budget	In \$	In %	Share of Total \$ Change	Total	Δ from FY23
Total General Fund Allocation	\$63,486,981						
Less: Replenish SPED Reserve	-600,000						
General Fund Operating Budget	\$62,886,981	87.8%	\$6,991,156	12.5%	121.5%	540	11
Grants & Revolving Funds	7,733,911	10.7%	-700,098	-8.3%	-12.2%	33	-2
COVID-Relief Funds	965,160	1.3%	-535,200	-35.7%	-9.3%	9	-13
Total Operating Budget	\$71,586,052	100.0%	\$5,755,858	8.7%	100.0%	582	-4
Total School Department	\$72,186,052						

School Department Overview

The School Department budget consists of three funding sources: the General Fund (which is financed by the Town of Belmont), grants from federal and state sources, and revolving funds (which represent fee-based programs).

Beginning in FY24, fringe benefits and facility expenses (custodians) have been reassigned to the Shared Services category in the Belmont Town budget. The FY23 budgeted fringe benefit and facility expenses have been excluded from this presentation to provide an accurate comparison to the prior year.

The Total General Fund (GF) budget presented by the School Department is \$63,486,981, which includes a \$600,000 allocation that is intended to be transferred to the department's Special Education reserve and does not represent an expected FY24 expenditure. To provide accurate year over year analyses in this report, this allocation has been excluded from the GF amounts discussed below.

FY24 GF Expenditures total \$62,886,981, an increase of \$6,991,156, or 12.5% from FY23. Including grants and revolving funds, the FY24 School Department budget is \$71,220,892. The total FY24 department budget from all sources, including non-recurring COVID-relief funding, is \$72,186,052, which is 9.4% higher than FY23.

As summarized below and detailed in the following sections, the primary drivers of the FY24 GF increase are an unprecedented increase in out-of-district (OOD) placements and the corresponding costs, and a 6.1% increase in budgeted salaries over FY23. Total Special Instruction increases account for 75% of the General Fund budget increase.

General Fund Expenses by Category

General Fund Breakdown	FY 24		Change from FY 23			FTEs	
	Budget in \$	% of Total Budget	In \$	In %	Share of Total \$ Change	FY24	Δ from FY23
Regular Instruction ¹	\$27,603,413	43.9%	\$1,153,077	4.4%	16%	276	-2
Special Instruction ²	22,591,193	35.9%	5,256,549	30.3%	75%	159	11
Student & Instructional Services ³	7,673,880	12.2%	124,813	1.7%	2%	54	0
Leadership & Administration ⁵	4,400,319	7.0%	209,649	5.0%	3%	51	2
Contract Allowance & Fringe Benefits ⁴	618,176	1.0%	247,068	66.6%	4%	-	-
Operations ⁶	-	0.0%	-	0.0%	0%	-	-
Total General Fund Budget	\$62,886,981	100%	\$6,991,156	12.5%	100%	540	11

1. Core academic education for Grades K-12. Includes physical education, fine arts, music, etc.
2. Special Education, English Language Education, and Pre-K.
3. Guidance/Health/Psychological Services, Library/Technology, Curriculum/Staff Development, Food Services, Transportation, Athletics & Student Activities, METCO.
4. Allowance for future union contract increases.
5. District-Wide Administration, Individual School Administration, Legal.
6. Reassigned to the Municipal Budget

The table above shows the major program categories funded by the General Fund (GF), which is the portion of the School Department’s expenditures that is appropriated by Town Meeting. Separately, grants and revolving funds (excluding one-time COVID funds and the \$600,000 state aid allocation for the Special Education (SPED) reserve) utilized in the FY24 budget total \$8,833,911, \$281,098 less than FY23. Grants and revolving funds represent 10.7% of department budgeted expenditures and are an important additional recurring source of revenue.

The FY24 GF budget is increasing by \$6,991,156, or 12.5% compared to FY23. 93% of the increase is accounted for within the Special Instruction, Regular Instruction and Student and Instructional Services program categories.

- Regular Instruction represents approximately 43.9% of the total General Fund Budget and is increasing by \$1,153,077, or 4.4%. Contributing to this increase are annual step and lane salary increases for teachers and other staff, partially offset by a net reduction of 1.9 FTE.
- Special Instruction represents the cost of out-of-district tuitions and transportation, in-district special educators and accompanying services, English Language Education, and Early Childhood

Education. Collectively, these programs represent almost 35.9% of the total GF budget and 75%, or \$5,256,549, of the \$6,991,156 total GF increase.

- Out-of-District expenditure increases totaling \$4,064,809, driven by private and collaborative tuition increases, account for 77% of the \$5,256,549 FY24 SPED increase. As discussed in the Special Instruction section, this increase is driven by 1) an unprecedented rise in the number of students placed out of district in FY23 and continuing into FY24, 2) a 14% state approved increase in private placement tuition rates, and 3) a partial replenishing of SPED reserves in FY24 that were depleted in FY23.
- In-District special instruction expenditure increases totaling \$945,794, driven by step and lane compensation increases and the hiring and/or proposed hiring of ten additional FTEs since the FY23 budget was prepared, account for 10.5% of the \$5,256,549 FY24 Special Instruction increase.
- English Language Education and Early Childhood Education increases totaling \$245,946 account for the remaining 5% of the \$5,256,549 FY24 Special Instruction increase and are driven mainly by the addition of 2.8 FTEs in the English Language Education program partially offset by the reduction of 2.0 FTEs in the Early Childhood Education program.
- Student & Instructional Services represents approximately 12.2% of the FY24 GF budget and is increasing by \$124,813, or 1.7%. This increase is driven primarily by step and lane compensation increases, an increase of approximately one FTE at the Belmont Middle and High School, and various other offsetting reallocations within the program.
- Leadership & Administration represents 7.0% of the FY24 GF budget and consists of the Leadership and Administration staff located across the individual school buildings and the District Central office. This staff consists of Principals, Assistant Principals, the Superintendent's Office, and other administrative staff. This program line is budgeted to increase by \$209,649, or 5.0% in FY 24. This increase is caused primarily by compensation increases for principals and clerical staff at the Chenery Upper Elementary and Belmont Middle Schools, deferred compensation for several retiring senior staff, and the addition of two clerical staff at the new Belmont Middle School. Also, the Central Administration component of this category includes approximately \$313,000 for the central purchasing of supplies and services for the district. Whenever possible the district consolidates supply purchases centrally to achieve savings from volume and pricing efficiencies.

The following table shows the School Department's expenditures by major functional category. Overall, salaries comprise approximately 82% of total costs; classroom teacher salaries are 51.4% of the total and are rising by \$1.88 million, or 6.2% over FY23. The increase in administration costs is driven primarily by the deferred compensation payouts and increases in principal and clerical salaries mentioned above.

General Fund Expenses by Function

General Fund Budget by Function	FY 24		Change from FY 23			FTEs	
	Budget in \$	% of Gen. Fund Budget	In \$	In %	Share of Total \$ Δ	FY24	Δ from FY23
Classroom & Specialist Teachers	\$32,345,419	51.4%	\$1,877,170	6.2%	27%	318	9
Other Teaching Services	6,048,881	9.6%	258,188	4.5%	4%	110	-3
Instructional Leadership	4,837,428	7.7%	303,934	6.7%	4%	64	2
Pupil Services	4,034,280	6.4%	139,399	3.6%	2%	11	1
Guidance, Counseling & Testing	2,335,250	3.7%	196,770	9.2%	3%	22	1
Administration	1,977,432	3.1%	282,046	16.6%	4%	11	-
Subtotal	\$51,578,690	82.0%	\$3,057,507	24.2%	44%	536	11
Materials, Equipment & Tech.	1,922,520	3.1%	-13,263	-0.7%	0%	1	1
All Other	708,428	1.1%	651	0.1%	0%	2	-
Total In-District	\$54,209,638	86.2%	\$3,044,895	6.0%	44%	540	11
Payments: Out-Of-District Schools	\$8,677,343	13.8%	\$3,946,261	83.4%	56%	-	-
Total General Fund Budget	\$62,886,981	100.0%	\$6,991,156	12.5%	100%	540	11

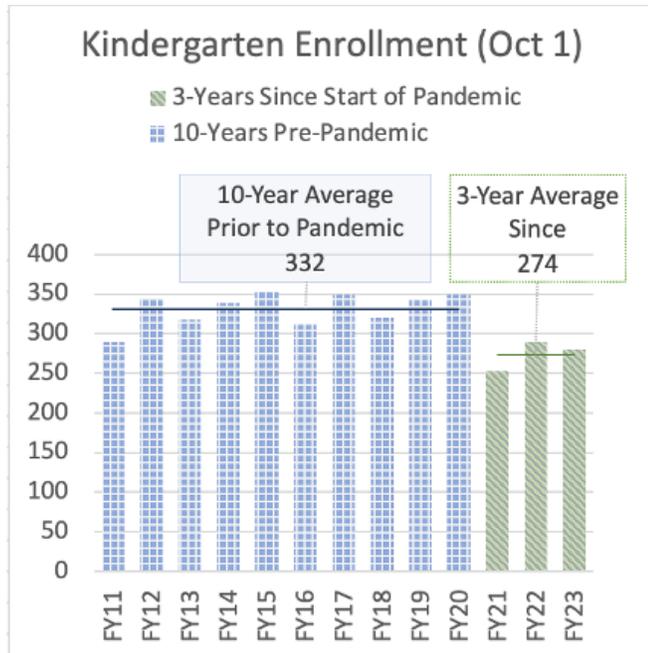
Enrollment

After ten years of increases, total enrollment is no longer a driver of higher costs or staffing increases. Enrollment is reported to the Department of Elementary and Secondary Education (DESE) on October 1 each year.² In FY23, Pre-K through 12th grade enrollment rose by 52 students, from 4,356 to 4,378. The district's total enrollment was down about 7% from its peak of 4,700 in FY20—a statewide and national trend attributed to parents choosing alternative schooling for their children. Total enrollment remains significantly lower than was projected in 2016 and 2018,³ when Belmont planned and approved the new Middle and High School.

² Source: <https://www.doe.mass.edu/infoservices/reports/enroll/default.html?yr=2223>, Enrollment by District/Grade, 2003-2023 as of Oct 1st each fiscal year.

³ Updated Enrollment Projections From McKibben Associates, March, 2018: <https://www.belmont.k12.ma.us/bps/Portals/0/docs/scpublicdocuments/2017-18/EnrollmentSlidesREVISED2018-04-10-500pm4-18-18.pdf>

The decrease in total enrollment is concentrated among the youngest grades—those who entered kindergarten since the COVID-19 pandemic began. In the ten years prior to the pandemic, kindergarten enrollment averaged 332 students. In the three years since—FY21 through FY23—enrollment has averaged 274 students, a decrease of more than 17% from the average of the prior ten years. The net effect at the elementary level is a decrease of 241 students since October 2019.



Shifting Resources to Larger Grades

With fewer students in the youngest grades and more constant enrollment in grades 7-12, the School Department has reduced the number of elementary classrooms and increased staff at the Middle and High School to help reduce class sizes. For more information about these changes, see the Departmental Staffing section later in this report.

Lower Grades are Growing, but Will Still be Smaller than Graduating Classes

It is not yet clear if the decrease in public school enrollment during the pandemic is a lasting change, a temporary shift, or the start of a new trend—making future enrollment difficult to project. New students are being added to the lowest grades each year. Based on school department data, FY23’s 2nd grade has added 40 students since kindergarten two years ago (from 253 to 293 students); and 1st grade added 21 students in one year. However, these elementary grades are still smaller than the FY23 graduating senior class (about 315 students) and the projected FY24 senior class (334 students).

Special Instruction – Enrollment

Special Instruction covers three categories:

1. Special Education (SPED) K-12 for Students with Disabilities⁴ (SWD)
2. English Language Education (ELE)⁵
3. Early Childhood Education Pre-Kindergarten (Pre-K)

Special Education (SPED) Services for Students with Disabilities (SWD)

SPED services and particularly out-of-district (OOD) tuitions for SWD are a major portion of the school budget. SPED services are a major source of budget increases, up 21% from FY23 for a total of \$24 million.

⁴ Students with Disabilities (SWD), often also referred to as SPED for the Special Education services they receive, are students who have some type of disability that affects their ability to make effective educational progress and requires special education services through an Individualized Education Program (IEP) or other services.

⁵ English Language Education (ELE) services support English Language Learners (EL) – students whose first language is not English and who are not yet able to perform ordinary classroom work in English.

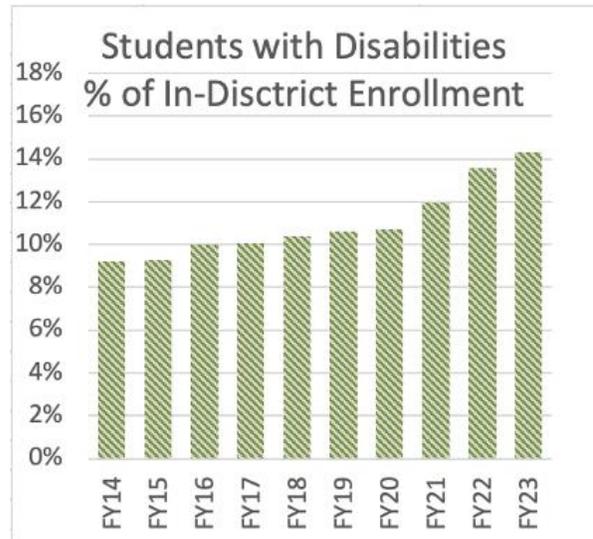
The increased costs of meeting increased numbers of SWD with more mandated services are compounded by the fact that these costs that are outpacing inflation and town revenue.

The Need for OOD Services Increased Significantly in FY23

The COVID-19 pandemic has coincided with an increase in SPED needs and OOD enrollment. SWD enrollment was relatively stable from October 2016 through October 2020 at about 10% of students. OOD enrollment unexpectedly jumped to 129 students as of October 2022, up 26% from 102 in October 2021. Because students are placed out of district throughout the school year as their needs are determined, this increase happened months after the FY23 budget was approved by Town Meeting. The School Department knows which students are expected to age out of SPED services, but it is difficult to predict individual needs for incoming students or those who have not completed their assessment process. The unanticipated needs have exceeded recent trends, stretched staff, depleted resources, and drained reserve accounts.

As total enrollment dropped from the 2019 peak, the number of SWD and particularly those whose right to access public education cannot be met in the district⁶, has increased about 40%. SWD now makes up more than 14% of enrollment.

SWD enrollment has increased from 513 in October 2019 (FY20) to 645 as of October 1, 2022.



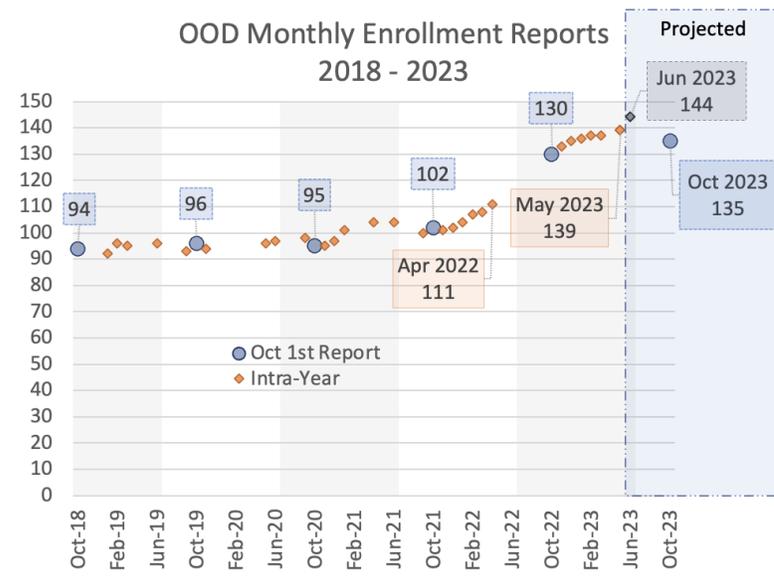
Students with Disabilities (SWD) as of Oct 1st

Fiscal Year	In-District Enrollment	# of SWD	# OOD	% of Total Enrollment	% SWD Placed OOD
FY14	4,205	394	83	9.2%	21.1%
FY15	4,283	405	93	9.3%	23.0%
FY16	4,362	444	98	10.0%	22.1%
FY17	4,466	458	104	10.0%	22.7%
FY18	4,592	486	107	10.4%	22.0%
FY19	4,628	500	94	10.6%	18.8%
FY20	4,700	513	96	10.7%	18.7%
FY21	4,420	540	95	12.0%	17.6%
FY22	4,356	604	102	13.5%	16.9%
FY23	4,378	645	130	14.3%	20.2%

⁶ Chapter 71B: Children with Special Needs: <https://malegislature.gov/Laws/GeneralLaws/PartI/TitleXII/Chapter71B>

Throughout the School Year, OOD Enrollments Have Increased Beyond Projections

SWD enrollment has continued to increase since the start of the school year. This has further strained the budget and left the School Department operating at a deficit and freezing most planned hiring and supply purchases since January 2023. SWD enrollment may change during the school year as assessments are completed or students move into or out of the district. The School Department reports enrollment (including SWD and OOD) several times during the school year.⁷



The OOD Monthly Enrollment Reports graph shows how OOD enrollment has changed since October 2018. After several years of stable OOD enrollments between 90 and 98 students, OOD enrollment has increased significantly in the past two years.

The FY22 school year began with 102 OOD students. OOD placements increased during the school year, reaching 111 by April 1, 2022. The FY23 school year began with 130 OOD students and has since added 9 more as of May 1st. Another 5 are anticipated by the end of the school year, bringing the anticipated total OOD enrollment for FY23 to 144 students (+14 since October 1).

English Language Education – Enrollment

Enrollment for English Language Education (ELE) increased to 443 students, including nine students identified by the ELE department between October and December 2022. The School Department has increased staff support and shifted resources to accommodate these increased needs. In addition, the ELE department tracks the progress of 494 former EL students. Current and former EL students represent about 21% of total enrollment.

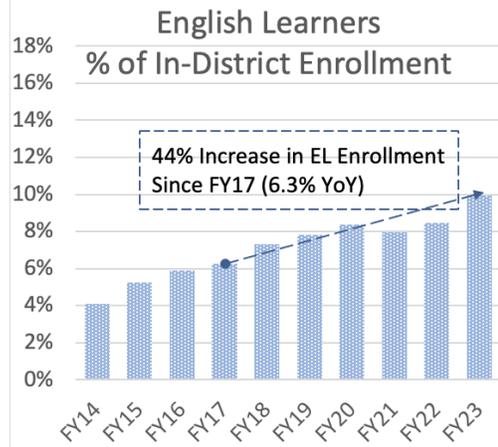
ELE Services and Enrollment are Concentrated at the Elementary Level

ELE services help students who are not yet academically proficient in English to access the curricula. In the short term, ELE increases the budget, because of higher costs and additional staffing to meet those students' needs. However, in the long term, ELE reduces costs by helping these students join mainstream classes and start learning in English at grade level. This investment is concentrated at the elementary level. More than half of Belmont's EL students are in K to Grade 2. In FY23, 30% of kindergarteners were identified as EL students, and 20% of all K through 4 students.

⁷ Source: <https://www.belmont.k12.ma.us/bps/Committee/Public-Documents/Search/enrollment>. The October monthly reports and the DESE numbers sometimes differed by one student. In these cases, the school department's numbers were used.

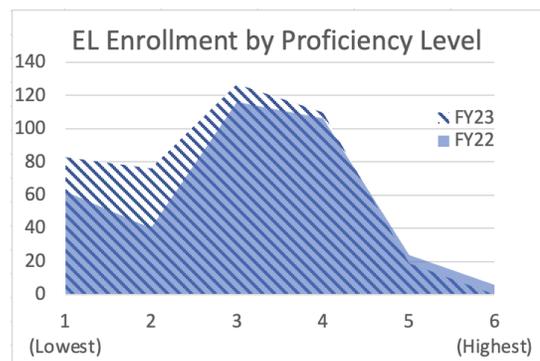
EL Enrollment Returns to Long-Term Trends

EL students made up about 4.1% of total enrollment as of October 2013 (FY14) and the number grew steadily each year through October 2019 (FY20). After an initial dip at the beginning of the pandemic, EL enrollment has returned to the level expected based on longer-term growth trends. From October 2021 through October 2022, EL enrollment grew by 65 students, to 10% of total enrollment. The ELE department reported⁸ in April 2023 that they expect EL enrollment growth rate of 3-7% per year, in line with the long-term trend, rather than the rapid increases seen after the dip early in the pandemic. This projection is based on the ELE department’s assessments completed during the first three months of the 2022-2023 school year.



EL Student Needs are Increasing

Almost all the EL enrollment growth is at the lowest levels of English proficiency. More than 83% of Belmont’s EL students have been in Massachusetts schools for three or fewer years and they may have little experience learning in English. The number of Belmont EL students at the two lowest levels of proficiency (level 1 and 2) increased by 57 students, from 102 (28.8% of EL) in FY22 to 159 (38.3% of EL) in FY23. Enrollment at the highest levels of proficiency (level 5 and 6) decreased from 30 to 19.



Exiting the EL program requires passing both quantitative and qualitative proficiency assessments of learning at grade level in English. Historically, most of Belmont’s EL students have achieved proficiency within 2-3 years, well exceeding the state standard of six years. The ELE department recently cautioned that looking forward, EL students may need increased time and support to exit the program, given pandemic-related interruptions to their education and their relative youth compared to EL students of the past.

Special Instruction

Special Instruction (SI) expenditures include all English Language Education (ELE), Early Childhood Education (pre-K), and Special Education (SPED) expenditures. All Belmont children, including those enrolled in special instruction programs, are legally entitled to educational services provided by the Belmont Public Schools. The total SI FY24 General Fund budget is \$22.6 million, a 30% increase over the FY23 budget, of which SPED represents 90%. The Students with Disabilities (SWD) receive SPED services either in-district, through regular and in-house specialized instruction and support services, or out-of-district (OOD) in specialized schools. As shown below, 95% of the increase in the FY24 SI budget consists of SPED in-district and OOD expenditures. These are described in detail below.

⁸ Source English Learners update at April 11, 2023 school committee meeting: <https://drive.google.com/file/d/1WYLzt1AsaAL5I6uljvhMDshKK8XKXi8/view> The ELE department measures enrollment about three months into the school year. This allows staff to assess most students’ needs. ELE December enrollment numbers may not match the October 1st numbers reported to DESE.

**FY 23-24 General Fund Special Instruction Budget
(Includes SPED, ELE and Early Education (Pre-K))**

	FY24		Change from FY23			FTEs	
	Budget in \$	% of Total SI Budget	In \$	In %	Share of Total \$ Change	FY24	Change from FY23
Special Education (SPED)							
In-District Expenditures							
Teachers, Aides & Admin	\$7,609,617	33.7%	\$843,305	12.5%	16%	130	10
Psych & Behavioral Therapy	1,181,753	5.2%	78,685	7.1%	1%	3	-
Program Srvcs, Tutors & Supls.	1,124,029	5.0%	23,804	2.2%	0%	-	-
Total In-District	\$9,915,399	43.9%	\$945,794	10.5%	18%	132	10
OOD Expenditures							
Tuitions	\$8,677,343	38.4%	\$3,946,261	83.4%	75%	-	-
Transportation	1,812,087	8.0%	118,548	7.0%	2%	-	-
Total Out-of-District	\$10,489,430	46.4%	\$4,064,809	63.3%	77%	-	-
Total SPED	\$20,404,829	90.3%	\$5,010,603	32.5%	95%	132	10
English Language Education	1,560,257	6.9%	303,215	24.1%	6%	16	3
Early Childhood Ed. (Pre-K)	626,107	2.8%	-57,269	-8.4%	-1%	11	-2
Total Special Instruction (SI)	\$22,591,193	100.0%	\$5,256,549	30.3%	100%	159	11

Note: Budgeted OOD expenditures include \$600,000 intended to recapitalize reserves and exclude \$600,000 to be appropriated to the SPED Reserve fund. The total General Fund OOD tuition budget before appropriation is \$9,277,300.

Source: FY24 Budget, Draft 3 changes as of 3/10/23

English Language Education (ELE)

FY24 ELE expenditures are budgeted at \$1.6 million, a 24% increase from FY23. This reflects both mandated staffing hires made in FY23 to address an increase of 65 English Learner (EL) students over the summer of 2022, as well as mandated resources needed to support continued growth in EL students.

Early Childhood Education (Pre-School)

FY24 Pre-K expenditures are budgeted to decrease by \$57,000 or 8.4%. This reflects lower staffing needs related to lower enrollment levels.

Special Education Costs

Special Education (SPED) expenditures include all SPED teachers, aides, occupational therapists, tutors, and contracted and other services for over 600 students with a wide variety of individual learning, behavioral, physical, developmental, social, emotional, and other specialized educational needs. For most students, these needs are met within the district. The SPED budget also includes mandated SPED transportation and out-of-district (OOD) tuitions for students whose needs cannot be met by the Belmont school system.

SPED expenditures represent a significant driver of the FY24 General Fund budget, due primarily to both anticipated and unanticipated increases in OOD tuitions. Total FY24 General Fund SPED expenditures are budgeted to grow by almost \$5.0 million or 32.5% compared to FY23. Of this increase, over \$4 million consists of an increase in the OOD tuition and transportation budget line, as discussed below. The number of in-district students requiring mandated services has grown significantly during the pandemic and these needs have been met with additional resources (teachers, aides, specialized FTEs, contractual services and other services). In-district expenditures are budgeted to increase by 10.5% (\$950,000).

Out-of-District (OOD) Expenditures

The School Department is responsible for the OOD tuitions, transportation, and other costs for Students with Disabilities (SWD) whose needs cannot be met in-district. Out-of-district schools include collaboratives (such as LABBB, a five-town collaborative school for SWD, of which Belmont is a member), as well as private day and residential schools that provide expanded and specific services for SWD. The cost varies by student, depending on the type of placement and the individual's needs, and is typically significantly higher than students served in-district.

As discussed earlier in the Enrollment section, the district experienced a dramatic increase in OOD placements and corresponding expenditures in FY23, which is forecast to continue in FY24. This, along with unprecedented increases in tuition rates and the need to build back essential reserves, contribute to a pronounced increase of \$4.1 million in General Fund OOD expenditures in FY24.

Three factors contributed to this \$4.1 million increase:

- **Increasing Number of OOD Students** - As described above in the Enrollment section, the district experienced in FY23 an unprecedented increase in the number of SWD whose needs could only be met out-of-district.⁹ This increase in private placements in FY23 is shown in the graph at right. The total increase in OOD placements from Oct 1, 2021 to May 1, 2023 has resulted in significant increases in OOD tuition and transportation expenditures. Actual FY23 total OOD tuitions are expected to exceed budgeted tuitions by \$1.9 million and deplete grant and SPED reserve funds.

⁹ Source: <https://www.belmont.k12.ma.us/bps/Committee/Public-Documents/Search/enrollment> monthly enrollment reports to the School Committee

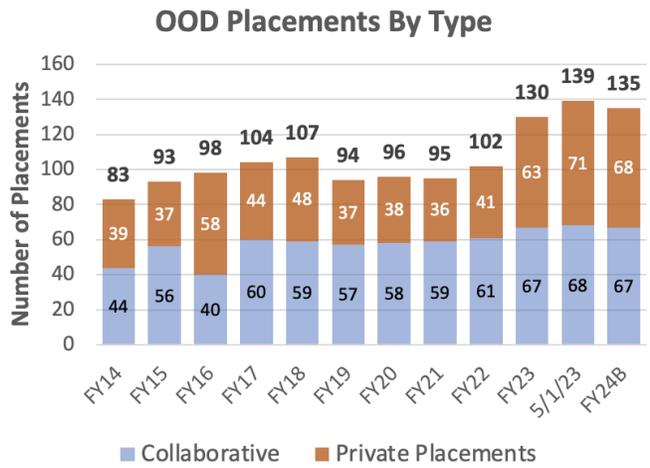
FY24

placements

are

estimated.

- State-Approved OOD Tuition Increases** - For FY24, the Massachusetts Operational Services Unit (OSU), which oversees tuition increases for approved residential and day special education schools, has set 14% “estimated rate of inflation” increase for SPED private school tuitions. This increase is based on a base inflation rate of 5.18% plus a 8.82% “workforce stability” factor to address hiring challenges and to replace state funding provided to the special needs schools during the pandemic. The 14% is significantly higher than in the prior 10 years, when increases ranged from 1.4% to 2.7%. per year. For collaborative tuitions, the OSU also approved a 5% FY24 tuition increase, which is also higher than prior years.



- Restoring Depleted OOD Reserves** - The sizable increase in FY24 budgeted General Fund (GF) OOD tuition expenses also reflects the restoration of a more typical OOD funding level, which had been reduced in FY23. That FY23 GF reduction meant that the School Department funded a higher portion of the OOD tuitions out of reserves that had accumulated in the prior years. The FY24 budget also includes a General Fund budget allocation sufficient to recapitalize \$607,605 in carry-forward reserves depleted by the unanticipated increases in FY23 tuitions. In addition, as noted at the beginning of this chapter and not included in the numbers referenced above and shown below, the General Fund budget being voted on by Town Meeting also includes an additional \$600,000 in funds to be appropriated by the School Committee to the SPED reserve fund (not yet voted on). This combined \$1.2 million recapitalization of reserves will be used to help cushion the impact of unanticipated and unbudgeted increases in OOD expenses in FY24. Any excess will be carried over as a budgeted funding source to cover FY25 tuitions expenditures.

Even though the FY24 OOD budget is increasing significantly, the projected numbers are subject to uncertainties that could result in unanticipated additional charges—for example, higher than projected increases in OOD placements and/or changes in the services needed for current placements. For FY24, the School Department projects that OOD placements will be relatively flat, because the number of SWD aging out will be replaced by a comparable number of new OOD placements. This does not include any new students who move into the district or additional students already in the district who are assessed as needing OOD placement during the next 18 months. Factors that could reduce the projected overall budget include the addition of two LABBB classrooms in Belmont, which will increase capacity for in-district collaborative programs available to students from all LABBB districts. Additionally, the School Department, town leaders and other districts are working with state legislators to identify additional state funding to cover a portion or all of the state’s unexpected and unusual 14% increase in SPED private school tuitions. Whether these factors, and others, will impact the FY24 overall OOD budget is not known at this time.

OOD Tuition Funding Sources

OOD placements are funded by the General Fund (GF), federal IDEA funds, state-administered Circuit Breaker (CB) grants, and LABBB credits (representing surpluses returned to member towns each year). In addition, any reserves carried forward from the prior year of federal and state grants can provide a buffer for unanticipated changes in OOD expenditures that occur during the year.

Based on the School Department’s most recent forecast (prepared in May 2023), FY23 OOD total tuitions are expected to be \$10.7 million. This will exceed the FY23 General Fund OOD budgeted amount of \$4.7 million, deplete \$4.6 million in prior year and current year grant reserves, draw down the entire SPED reserve balance of \$672,000, and require the School Department to reallocate funds from other GF accounts and/or seek a Warrant Committee reserve transfer to fund a projected FY23 deficit of \$355,000.

Total FY24 OOD tuitions are budgeted to increase by 31.7% over the prior year to \$11.6 million. The total GF OOD tuitions budget, including \$1.2 million to rebuild reserves depleted in FY23, is \$12,797,300, which is almost \$4 million higher than FY23.

Out-of-District Tuition Expenses by Placement Type and Funding Source

	FY20	FY21	FY22	FY23		FY24	Δ FY23 Budget - FY24 Budget	
	Actual	Actual	Actual	Budget	Q3 Forecast	Budget	\$	%
Tuition Expenses by Placement Type								
LABBB Collaborative	\$3,420.4	\$4,026.0	\$3,805.4	\$3,944.6	N/A	\$4,573.0	\$628.4	15.9%
MA Public	\$63.1	-	\$32.9	\$165.7	N/A	\$47.3	-\$118.4	-71.5%
Private	\$4,213.7	\$4,016.1	\$4,401.4	\$4,380.8	N/A	\$6,811.0	\$2,430.2	55.5%
Out-of-State	\$144.0	\$33.6	\$129.8	\$310.9	N/A	\$158.4	-\$152.5	-49.1%
Total OOD Tuitions	\$7,841.1	\$8,075.6	\$8,370.0	\$8,802.0	\$10,694.2	\$11,589.7	\$2,787.7	31.7%
Tuition Expenses by Funding Source								
General Fund ¹	\$4,593.6	\$3,362.8	\$6,029.6	\$4,731.1	\$5,086.1	\$8,677.3	\$3,946.3	83.4%
GF SPED Reserve	-	-	-	-	\$672.9	-	-	-
Federal IDEA Grants	\$623.1	\$1,694.8	\$788.7	\$800.0	\$793.0	\$782.4	-\$17.6	-2.2%
MA Circuit Breaker ²	\$1,847.1	\$3,018.1	\$1,384.9	\$3,170.9	\$4,023.4	\$2,030.0	-\$1,140.9	-36.0%
LABBB Credits	\$777.3	-	\$166.3	\$100.0	\$118.8	\$100.0	-	-
Total Funding Sources	\$7,841.1	\$8,075.6	\$8,369.5	\$8,802.0	\$10,694.2	11,589.7	\$2,787.7	31.7%

1. FY23 Q3 Forecast assumes a forthcoming mid-year transfer out of the Warrant Committee reserve.
 2. FY23 Q3 Forecast includes \$180,960 in min-year Extraordinary Relief FY23 state Circuit Breaker funds.
 Sources: FY24 Budget, 5/09/23 Multi-Year SPED OOD Funding Plan (updated “Q3 Forecast”)

OOD Reserves

OOD reserves represent unspent federal, state and other funds that are designated to fund OOD tuitions and can be spent over the course of two years. Accumulation of reserves is based on several factors, including the difference in actual-to-budgeted tuitions, the amount of grant funding, the lag in receipt of state Circuit Breaker (CB) funding relative to eligible OOD expenditures, and unpredictable LABBB credits. The School Department follows the state recommendation that the excess of available General Fund and grant funding sources over tuition costs in any year be rolled over (“carried forward”) into the next fiscal year. This practice helps bridge the gap in state CB tuition reimbursements and allows the School Department to absorb unanticipated and unbudgeted new placements that occur after the budget has been approved.

As described above, the unprecedented increase in FY23 OOD tuitions is forecast to completely deplete existing reserves, current year grants and the SPED Reserve Fund by the end of FY23. In FY24, the General Fund tuition budget will increase by almost \$4 million, including a \$1.2 million recapitalization of the reserves. Of this, the School Department will seek to allocate \$600,000 of the recently awarded increase in the town’s Chapter 70 state education funds to replenish the SPED Reserve Fund. The balance of \$607,605 will fall to School Department OOD reserves unless FY24 tuitions exceed the budgeted amount. These new reserves will support unbudgeted or other increases in FY24 OOD expenditures and/or carry forward into FY25, if possible.

In February 2023, the School Department applied to DESE for FY23 Circuit Breaker Extraordinary Relief funds. These funds are available for districts where current FY claimable SPED costs exceed 125% of the prior year’s claimable costs. In early May, the district was notified that it would receive \$180,960 in Extraordinary Relief funds to support FY23 OOD tuition expenditures.

Out-of-District Reserve Balances by Funding Source (\$)

	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Budget	Q3 Forecast	FY24 Budget
Prior Year Carry-Forward Balances						
Belmont General Fund	-	-	-	-	-	-
GF SPED Reserve Fund	-	672,891	672,891	672,891	672,891	-
Federal IDEA Grants	261,491	659,635	-	-	10,631	-
MA State Circuit Breaker	1,854,447	1,822,990	627,109	1,499,531	1,502,200	-
LABBB Credits	175,227	-	-	-	-	-
Total Prior Year Balances	2,291,165	3,155,516	1,300,000	2,172,422	2,185,722	-
Plus: Current Year Allocation						
Belmont General Fund ¹	5,266,488	3,935,141	6,029,602	4,731,082	5,086,106	8,677,343
GF SPED Reserve Fund	-	-	-	-	-	600,000
Federal IDEA Grants	972,408	1,035,129	799,296	800,000	782,382	782,382
MA State Circuit Breaker ²	1,822,990	1,822,181	2,260,015	2,373,016	2,521,182	2,637,555
LABBB Credits	602,088	-	166,339	100,000	118,813	100,000

Total Current Year Allocation	8,663,974	6,792,451	9,255,252	8,004,098	8,508,483	12,797,280
Total Available Revenues	10,955,139	9,947,967	10,555,252	10,176,520	10,694,207	12,797,280
Less: Current Year Expenditure						
Belmont General Fund	4,593,597	3,362,773	6,029,602	4,731,082	5,086,108	8,677,343
GF SPED Reserve Fund	-	-	-	-	672,891	-
Federal IDEA Grants	623,137	1,694,764	788,665	800,000	793,013	782,382
MA State Circuit Breaker	1,847,064	3,018,062	1,384,924	3,170,889	4,023,382	2,029,950
LABBB Credits	777,315	-	166,339	100,000	118,813	100,000
Total Current Year Expenditure	7,841,114	8,075,599	8,369,530	8,801,971	10,694,207	11,589,675
Ending Carry-Forward Balances³						
GF SPED Reserve Fund	672,891	672,891	672,891	672,891	-	600,000
Federal IDEA Grants	610,762	-	10,631	-	-	-
MA State Circuit Breaker	1,830,373	627,109	1,502,200	701,658	-	607,605
Total Carry-Forward Balance	3,114,026	1,300,000	2,185,722	1,374,549	-	1,207,605

Note: Beginning reserves include SPED Reserve balances. FY24B CB includes \$607,605 in recapitalization of reserves through GF. Sources: 5/9/23 Multi-Year SPED OOD Funding Plan, FY24 Budget

1. FY23 Q3 Forecast assumes there will be a forthcoming mid-year transfer out of the Warrant Committee reserve.
2. FY23 Q3 Forecast includes \$180,960 in min-year Extraordinary Relief FY23 state Circuit Breaker funds.
3. Budgeted General Fund dollars cannot be carried over. They must be returned to the town as turnbacks. LABBB credits must be spent in the year they are received.

Sources: FY24 Budget, 5/09/23 Multi-Year SPED OOD Funding Plan (updated "Q3 Forecast")

Departmental Staffing

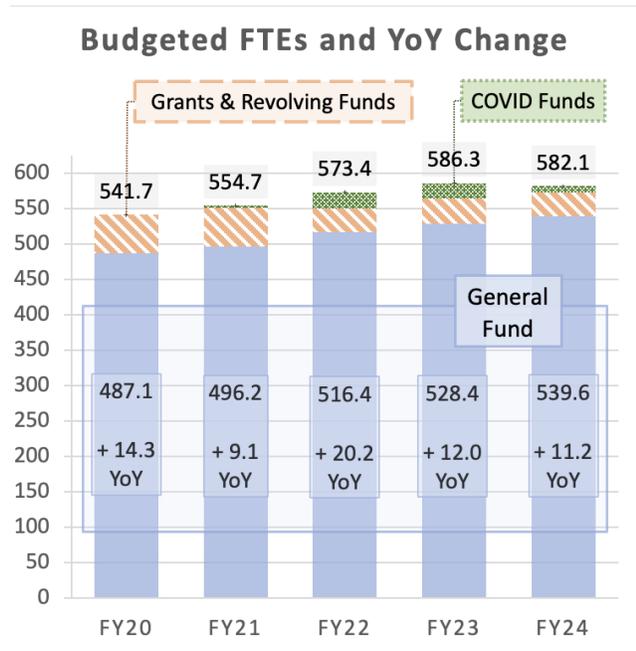
This section describes how staffing is changing in FY24 in the context of historical trends, how union contracts are affecting staffing costs this year, and use of federal funds to increase staffing during the COVID pandemic.

Staffing Changes in FY24

Budgeted FTEs in the School Department have a variety of funding sources, including the General Fund, grants and revolving funds, and in recent years federal COVID funds. These FTE counts for the past five years, their funding sources, and year-on-year (YoY) changes, are depicted in the graph to the right.

Belmont retains about 88% of teachers from one year to the next, which is approximately the median retention rate for a public school district with at least 100 teachers.¹⁰

NOTE: Historical full-time-employee (FTE) numbers have been adjusted to remove custodial staff and provide comparable numbers. For FY24, the Town updated its budgeting process, consolidating 20 custodians into the town's Facilities department. As a result, the FY24 School Department budget was reduced by \$1.2 million in related salary expenditures. The school custodial staff are still managed and overseen by the School Department.



Total Staffing Budgeted for FY24 Decreased from FY23

Staff paid from the General Fund increased by 11.2 from FY23, to 539.6 FTEs. After years of enrollment and staffing increases, student enrollment peaked in FY20, and budgeted FTEs peaked in FY23 at 586.3. The School Department's FY24 budget plans to staff seven schools with 582.1 FTEs, a decrease of 4.2 from the FY23 budget. This year-over-year change in total FTEs is highlighted in the shaded column of the chart, below. The year-over-year increase in General Fund FTEs is shown in the right-most column.

School Department Budgeted FTEs by Funding Source, FY15-FY24

Fiscal Year	General Fund	Grants & Revolving Funds	COVID Funding	Total FTEs	Year Over Year Δ	General Fund Year Over Year Δ
FY20	487.1	54.6	0.0	541.7	15.4	14.3
FY21	496.2	55.5	3.0	554.7	13.0	9.1
FY22	516.4	34.0	23.0	573.4	18.7	* 20.2
FY23	528.4	35.8	22.0	586.3	12.9	12.0
FY24	539.6	33.5	9.0	582.1	-4.2	11.2

* Note: The School Committee approved a switch to free full-day kindergarten in September 2020, after the FY21 budget was approved. As a result, all kindergarten FTEs previously funded by the full-day kindergarten revolving fund were moved into the General Fund budget, and this increase shows up in FY22.

¹⁰ Source: <https://profiles.doe.mass.edu/statereport/staffingRetentionRates.aspx> 2018-2023

Staffing Continues to Be Reallocated from the Smallest Grades to the Largest Grades

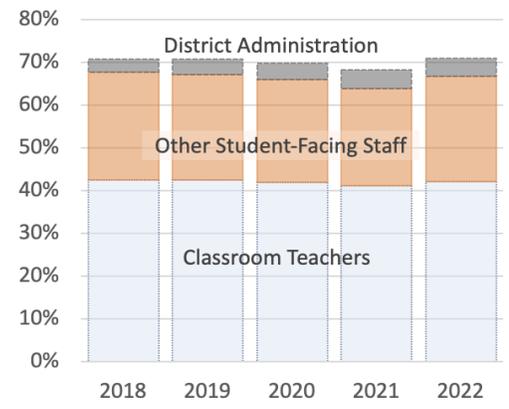
School staffing continues to shift throughout the district, particularly since the pandemic and as larger grades progress through the school system. The FY24 budget reduces K-4th grade regular instruction staff by 9.5 FTEs. Shifting educators in response to total expected enrollment for FY24 has a small effect on the budget as staffing needs have increased at the high school level where grades 9-11 are expected to average about 360 students each. For the 2022-2023 school year, 31% of high school classes have 27 students or more.¹¹ The reductions in general education staff are also offset by needing to add special instruction educators for mandated services.

67% of In-District Spending is for Student-Facing Salaries

For FY22, the most recent completed fiscal year, about 67% of spending was for staff salaries in five student-facing categories:

Classroom Teachers	42.0%
Other Teaching Services (substitutes, therapeutic staff, paraprofessionals, librarians, and distance learning)	7.9%
Pupil Services (liaisons, medical staff, transportation, food services, athletics, security)	7.5%
Instructional Leadership	5.7%
Guidance, Counseling and Testing	3.7%

Percentage of In-District Per-Pupil Spending on Staff



Cumulative Staff Changes Over the Past Four Years

In recent years, total staff growth has been concentrated in Special Instruction and COVID / grant positions. The right-most column is the total FTE growth since the FY20 budget.

¹¹ Source: https://docs.google.com/presentation/d/19kHhJdm7QfCZ9n8PQ2tfuysB9grXbeWce8OFqaSbUI4/edit#slide=id.g172fd9079a9_0_0

Cumulative Change in School Department Actual FTEs Since the FY20 Budget

	FY20 Budget	Δ FY20 Actual	Δ FY21 Actual	Δ FY22 Actual	Δ FY23 Actual (Q2)	Δ FY24 Budget
Regular Instruction	284.3	-1.3	-2.0	-5.4	-4.3	-7.6
Special Instruction	132.5	11.0	14.5	18.7	25.8	30.6
Student & Instructional Services	81.0	-0.5	0.3	1.1	0.2	1.2
Leadership & Administration	43.9	0.9	0.3	4.1	5.2	7.2
COVID / One-Time Grants	0.0	0.0	3.0	13.4	14.8	9.0
Total	541.7	551.8	557.8	573.6	583.4	582.1
Δ vs FY20 Budget		10.1	16.1	31.9	41.7	40.4

Budget Flexibility After Town Meeting Approves the Budget

The School Department’s staffing plans often change over the summer and during the school year, enabled by moving dollars from other items in the detailed budget. Some of the sources of budget flexibility are different in FY24 than previous years:

- **Staffing vacancies:** Vacant positions are allotted a full year’s salary in the budget and funds accumulate every month the position remains unfilled. These budgeted but unspent dollars can be used later in the year for other needs. A combination of vacant and not-yet-filled positions were used to fund one EL teacher and the one-year Director of District Reconfiguration Transition position for FY23.¹²
- **Staff exchange:** Unplanned staff turnover and leaves of absence during the school year typically result in budget savings, known as “staff exchange.” The replacement hire often has a lower salary than budgeted. In the past five fiscal years, staff exchange has returned a median of \$560,000.¹³ The School Department identified \$418,000 in staff exchange during FY23, in line with the \$400,000 in staff exchange accounted for in the budget.¹⁴ In FY24, the School Department budgeted for \$134,316 in staff exchange.
- **Fringe Benefits:** Starting with FY24, fringe benefits are no longer part of the school budget. Health insurance and worker's compensation insurance budgets were rarely fully expended because staff sometimes decline benefits or select a cheaper plan. Fringe benefits returned a median of \$222,000 a year since FY14.

Unbudgeted Staffing Changes During FY23

The School Department added 6.59 FTEs to the General Fund in FY23 for EL instruction, the required removal of the 4th grade strings fee, a reading/ELA teacher, and two additional aides. Despite a \$538,000¹⁵

¹² Source: https://www.belmont.k12.ma.us/bps/Portals/0/docs/scpublicdocuments/2021-22/Revenue_Source_Reallocation_FY23_Slides.pdf

¹³ Epstein memorandum re staff exchange, dated January 3, 2023

¹⁴ Source: <https://drive.google.com/file/d/1bE5c0Fu-jLGPHUmYFHaRiHM40NjnHHU/view>

¹⁵ \$418,000 in staff exchange as of Q1 plus \$520,000 in fringe benefits, minus the \$400,000 in planned staff exchange.

surplus from staff turnover, leaves of absence, and fringe benefits, by the end of Q2 the schools were projecting a budget deficit for FY23 due to unexpected costs for SPED services. The school implemented a spending freeze and a hiring freeze for non-mandated hires starting in January 2023. The tangible staffing consequences include reduced nurse coverage, fewer building substitutes, and fewer METCO aides.

Additional Staffing is Typically in Response to Mandated Needs

Increased needs due to COVID, SWD and EL students have driven staffing increases and adjustments to staffing plans formed the previous spring. The table below shows the difference between FTEs specified in the detailed budget plan presented at Town Meeting, and the School Department’s actual staff in that fiscal year. Since FY20, school staffing has changed to respond to decreased enrollment, increased SPED needs, and difficulty hiring COVID funded positions in FY22.

Budget Category	FY20	FY21	FY22	FY23
Regular Instruction	-1.4	-0.7	1.7	-0.1
Special Instruction	11.0	3.5	3.2	5.1
Student & Instructional Services	-0.5	0.8	2.1	-0.8
Leadership & Administration	0.9	-0.6	2.8	0.1
COVID & One-time Grants	0.0	0.0	-9.7	-7.2
Total	10.0	3.0	0.1	-2.9

The School Department continues to see growing needs for Special Instruction, and the district has budgeted 162 positions for FY24—an increase of more than 29 FTEs since the FY20 budget. However, as seen in the past few years, changes in the SWD cohort may result in staffing changes to meet mandated needs. English Language teachers are budgeted to increase in FY24 by 2.6 FTE to 14.8, up from 12.2 in FY23.

Staff Reconfiguration of Belmont Middle School and Chenery Upper Elementary School

The Belmont Middle School (BMS) will open in the fall of 2023, for grades 7 and 8. At that time, the Chenery Middle School (CMS), which previously educated students in grades 5 through 8, will become the Chenery Upper Elementary School (CUE) and, in the 2023-24 academic year, will educate students in grades 5 and 6. There will be a second transition in the 2024-25 academic year, when the four elementary schools, which have covered grades K through 4, will shift to K through 3, and the CUE will cover grades 4 through 6.

To handle staffing needs of the new BMS and due to the reconfiguration of grades, additional hires are being made in the FY24 budget. In addition, many staff positions that were previously in the CMS budget are now being split between BMS and CUE. The new hires that the School Department has determined are necessary for this reconfiguration total 16.08 FTEs for a total cost in FY24 of \$1.4 million. These new hires are listed below.

Newly Hired Positions to Staff CUE, BMS and BHS

Reconfiguration Position	Rationale	FTE
Principal BMS	School leadership currently not in place	1.0
Administrative Assistant BMS	School support currently not in place	1.0
Clerical Aide BMS	School support currently not in place	1.0
Speech & Language Pathologist BMS	Must meet need student need for mandated services	1.0
Tech/Engineering (or similar) BMS	Needed FTE to meet gap in instruction for schedule	1.0
Health BMS	Needed FTE to meet gap in instruction for schedule	1.0
Special Education (KEY Prog) BMS	Needed FTE to support high need students	2.0
School Psychologist BMS	Must meet student need for mandated testing	1.0
Nurse BMS	Mandated need. Student/nurse ratio	0.4
Art CUE	Needed FTE to meet instruction gap in new schedule	0.6
PE CUE	Needed FTE to meet instruction gap in new schedule	0.6
Collab Pianist CUE	Needed for support of large music classes	0.5
Nurse BHS	Mandated need. Student/nurse ratio.	0.4
English Language Education 7-12	Needed for mandated services	0.6
Curriculum Coordinator CUE	Needed to provide curriculum support, teacher evaluations	2.0
Core subject teachers at BHS	Needed FTE to reduce class size	2.0
Total		16.1

Note that two additional FTE custodians that are needed for the configuration will be added in FY24 but are not listed here. Because school custodial costs have been moved to the Facilities Department budget in FY24, the additional 2 FTE appear in that department's budget.

These hires have all been determined by the School Department as necessary for the reconfiguration. Most of these hires are necessary for the staffing of the new BMS building, and others are being added to facilitate scheduling issues, mandated service enhancements, and reduce class sizes at BHS.

Redeployment of Staff Due to Enrollment Changes

In addition to those staff changes related to reconfiguration, there are some further staff changes in which some positions are being eliminated and some added to respond to enrollment changes throughout the rest of the system. In general, enrollments are currently higher at the High School and lower at the elementary schools. Therefore, some FTEs are being shifted in response. These staffing changes are listed in the table below and result in no net change in FTEs.

Reduce	FTE	Redeploy	FTE
Grade K teacher	1.0	Computer Science teacher BHS	1.0

Grade K assistant	1.0	Science teacher BHS	1.0
Grade 1 teacher	1.0	Math teacher BHS	1.0
Grade 3 teacher	1.0	Social Studies teacher BHS	1.0
World Languages CUE	0.4	World Language CUE	0.2
Tech Engineering CUE	0.4	ELE CUE-BMS-BHS	0.6
Health CUE	0.4	Nurse BHS	0.4
Total	5.2	Total	5.2

Union Contracts

Salary expenses are the single biggest component of the School Department budget, representing about 72% of the Department’s total FY24 budget and about 74% of the FY24 General Fund budget¹⁶. The School Department has contracts with four separate units of the Belmont Education Association (BEA) – Unit A (teachers and educators), Unit B (directors and assistant principals), Unit C (administrative assistants and clerical aides), and Unit D (classroom assistants and aides) – and with The American Federation of State, County and Municipal Employees (AFSCME) for food service workers and custodians.

As is typical in Massachusetts, all of the union contracts provide for annual cost of living adjustments (COLAs). In addition, all contracts except for BEA Unit B have a system of “steps,” which provide employees with annual pay increases over and above the COLA. The Unit A contract, which covers about 60% of School Department employees, has a total of 14 steps, with pay increasing annually until a teacher reaches 15 years of service, at which point they only receive COLA increases. The Unit C and D contracts have from three to six steps, with pay increases after reaching periodic years of service milestones. The Unit B contract has specific identified salaries for individual positions, with the ability to earn additional merit-based increases.

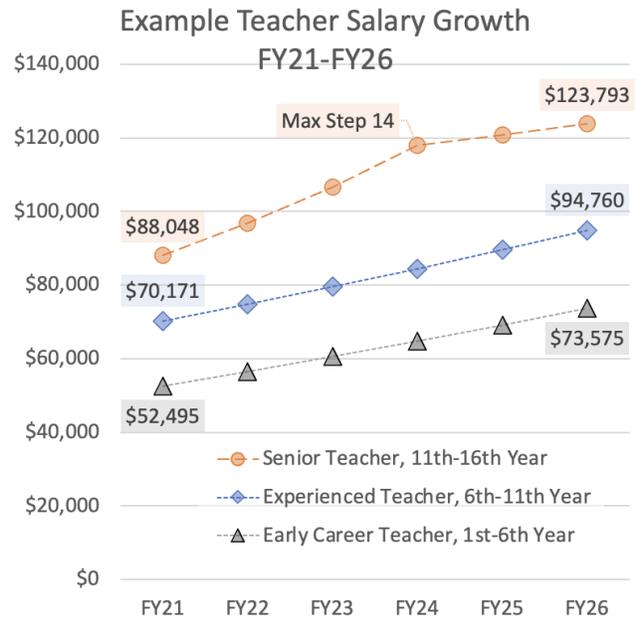
In addition to the steps, the Unit A contract also has a series of “lanes,” which provide teachers with additional pay increases for academic achievements, specifically for obtaining master's and doctorate degrees. The individual Unit A steps vary somewhat by years of service and by lane, but they average about 4.5% - 4.75% per year in addition to the COLA. The lane increases, which occur less frequently, vary by individual step, but average about 7.5% for earning a master’s degree and about 10.5% for earning a doctorate.

In late June 2022, the School Committee reached agreement with the BEA and AFSCME on new contracts for all units, retroactive to the beginning of FY22. The contracts with the BEA run through FY25; the contract with AFSCME runs through FY24. The changes to the individual contracts vary, but in general, the annual COLA increases for the BEA contracts amounted to 2.75% for FY22 and 2.5% for each of the remaining years. Additionally, the Unit C contract and the AFSCME contract also had significant one-time adjustments, retroactive to FY22, to increase salaries on the low end of the scale, with annual COLA increases of 2-2.5% thereafter.

¹⁶ FY24 Staffing and Salary table prepared by the School Department, dated May 12, 2023.

The chart to the right provides a visual example of how the COLA and steps/lanes increase the salary of three hypothetical Unit A teachers, who all joined the district in September 2020. The chart assumes a 2.5% COLA for FY26. The contract encourages continuing education and compensates teachers for completing additional credit hours.

One teacher is just starting their career having earned a bachelor's degree and 15 additional credit hours. Their starting salary in FY21 would be \$52,495 and grow to \$73,575 in the 6th year (about 7% YoY). The second teacher already has five years' experience when they join the District, has a master's degree, and 15 additional credit hours. This educator has a starting salary of \$70,171 in FY21, and it grows about 6% YoY to \$94,760 by FY26, when they will be in their 11th year of teaching. The third is a senior teacher who already has ten years' experience in FY21, with a master's degree and 45 additional credit hours. They start at \$88,048 annual salary, and after reaching the max step 14 in FY24, receive only COLA adjustments from then onward. In FY26, now in their 16th year of teaching, they would make about \$123,793.



The combination of the step and lane increases in the union contracts mean that total departmental salary expenses increase faster than the COLA percentage alone. For FY24, the School Department has calculated that the aggregate rolled-forward salary increase from FY23 to FY24 for existing employees will be 6.13%.¹⁷ To be fair, however, that annual percentage increase slightly overstates the true annual rate of salary increase attributable to the new contracts. This is because the department based its FY23 budget on an estimate of the then-unsettled union contract salary scale and that estimate turned out to be about 1% less than the final settled contract amounts.

For FY25 (the final year of the current contract), the department is projecting that the annual percentage increase for the teaching (Unit A) positions will be 5.05%. That percentage is somewhat below the percentage increase that is obtained by simply adding the COLA to the aforementioned average step increases because of the variance in individual salary increases by step, and because of the impact of teachers who are at the maximum step. Nevertheless, the bottom line is that, even with no incremental change to staffing levels, these contractual budgetary increases significantly exceed the town's recurring revenue growth under Proposition 2½ constraints.

Federal Funds

Cumulative non-recurring federal and state sources of COVID-relief total close to \$5.5 million from FY21-FY24. In the initial year of the pandemic (FY21), about 70% of the funds were used for supplies to support in-home learning (Instructional Supplies and Technology Equipment & Software categories above) or to prepare for a return to in-person learning (Medical/Building Supplies and Building Equipment categories). Since then, most of the COVID-relief funds has gone towards salaries and services to support students

¹⁷ FY24 FTE Change Detail worksheet presented to the School Committee on January 3, 2023.

with the transitional needs associated with a return to in-person learning and learning loss from the COVID years, needs arising from SPED and increased social-emotional needs among the entire school population, and increases to the nursing staff.

In FY23, the School Department budgeted \$1.5 million in available COVID-relief grants to fund a total of 22 FTEs: 2.0 Math Specialists (Elementary), 4.0 Social Workers, 4.0 Building Substitute Teachers, 8.0 METCO Aides, 1.0 Nurse (district-wide), 1.0 Special Ed Teacher (Transition Room), 1.0 Technology Integration Specialist, 0.4 Assistant Principal (Elementary) and 0.6 High School Educators.

The Federal American Rescue Plan Act (ARPA) is the only COVID-related source of funds that remains available to the School Department in FY24. ARPA funds must be obligated by the end of 2024 and spent by the end of 2026.¹⁸ The Select Board approved the School Department's use of \$1.876 million of Town ARPA funds for FY24 and FY25, and the department proposes to use \$965,000 in FY24 to fund the 9.0 FTEs listed below and use the remaining \$911,000 in FY25. **Proposed Use of ARPA Funds in FY24**

FTE and Role	Budgeted Salary
1.6 Nurses District-Wide	\$199,909
0.4 Assistant Principal (Elementary)	49,836
2.0 Math Specialists (Elementary)	220,613
2.0 Social Workers (CUE)	167,527
2.0 Social Workers (BHS)	199,755
1.0 Special Education Teacher (Transition Room, BHS)	127,521
Total	\$965,160

Summary and Recommendations

Risks

- Out-of-district (OOD) enrollment increases beyond what is currently projected and/or there are other unanticipated tuition and/or transportation increases.
- The School Department and School Committee conclude during the year that there is a need for additional unbudgeted hiring, to meet Special Education (SPED), English Language Education (ELE), or other needs.
- Fringe benefits being moved from the School Department budget removes a source of budget flexibility. Because that line item often had a positive variance, savings in that account previously could be used to cover unexpected costs in other areas.

Outlook for FY25 and Beyond

- Salary increases built into the current union contracts exceed the growth rate of recurring revenue to the town. The current union contracts expire at either the end of FY24 or FY25, depending on the specific contract. These contracts will need to be renegotiated.

¹⁸ Source: Coronavirus State and Local Fiscal Recovery (CSLFR) Final Rule, <https://home.treasury.gov/system/files/136/SLFRF-Final-Rule-Overview.pdf>, page 43, "Timeline For Use of Funds." The Treasury Department further clarified "obligation" and using funds for payroll in the CSLFR Final Rule FAQ, question 13.17, <https://home.treasury.gov/system/files/136/SLFRF-Final-Rule-FAQ.pdf>, page 57

- Continued increases in staffing levels will add to the town’s structural deficit.
- Funding for the positions currently paid for using federal COVID-relief funds runs out after FY25. The positions funded with those dollars were intended to be temporary. To the extent that the School Department and School Committee determine that the needs being addressed by those positions continue beyond the expiration of the current funding, additional dollars will need to be identified to fund those positions. To the extent that the General Fund is looked at as a source for those funds, that will put additional strain on the General Fund budget.
- Future enrollment trends – overall, by age cohort, or by individual student populations – are unknown and could have unforeseen impacts on departmental operations and budgets.

Recommendations

- The School Department should work collaboratively with the Town Administrator’s office and the Warrant Committee to incorporate best practices utilized by other neighboring communities to improve the budget development process and to complete the process earlier in the fiscal year. Examples of such enhancements could include a more explicit salary budget development model that provides a clearer understanding of the components of the budgeted salary increases and better incorporation of current fiscal year actuals into the budget. Additionally, the School Department should, as they did in this year’s budget, continue to ground the volatile OOD tuition budget numbers in explicit assumptions about projected enrollment by placement type and projected costs by placement type.
- The School Department should work collaboratively to enhance the on-going reporting throughout the year, including providing information on unbudgeted hires added throughout the year (such as rationale and cost impact) and potentially also including budget-vs.-actual numbers by budget category.
- While the Warrant Committee recognizes that the School Department and School Committee believe that there are significant unmet needs, the School Department’s budget growth rate is not sustainable in comparison to the town’s projected recurring revenue growth rate. The hiring of a new superintendent next year might present an opportunity to take a fresh look at the department’s operations, including conducting a comprehensive assessment of department costs and operations.
- The School Committee and members of the public have suggested that we might seek to provide more special education services within the Belmont schools. The Warrant Committee supports those efforts. The appeal of this initiative is primarily rooted in keeping students engaged with their peers and connected to their community. But also, from a budgetary standpoint, it may be less expensive to meet those SPED needs within the district versus sending students out of district.

Shared Services

Shared Services is a new approach to revenue allocation for FY24 described in the [Executive Summary](#). The Shared Services are operational necessities: financial obligations, operational essentials, and core services that are shared among the Town and Schools. The Town funds these commitments and services from available revenue before allocating funds for Town and School operations. The Shared Services budget for FY24 is \$54.8 million, about 38% of all projected revenue. The five biggest components are employee benefits (\$15.6 million), debt service (\$15.2 million), pension assessment (\$10.1 million), facilities (\$6.9 million), and certain capital investments (\$5.9 million).

Facilities

The Facilities Department is responsible for the maintenance and operation of both Town and School buildings. It also manages much of the capital investment the Town and Schools undertake. The Facilities Department has been moved to the new “Shared Services” category in the revised Town budget format to recognize that it is a town-wide department that serves all Town buildings, regardless of department. Since the merger of the separate Town and School facilities operations into a single town-wide Facility Department about six years ago, the department has become a model for one approach the town can undertake to improve efficiency. By having one Facilities Department, the town is improving coordination, ensuring better maintenance of assets, and avoiding duplicative costs. As is discussed in other parts of this report, as well as in the Structural Change Impact Group report, the Town may want to consider this organizational approach for other areas, such as IT.

FY24 Budget Changes from FY23

	Dollars	Change from FY23	% Change	FY24 FTEs	FTE Change
Total Budget	\$7,519,388	571,281	8.22%	33	+22 (net increase of 2 after considering transfer of school custodians)

In FY24, all the school custodians and maintenance workers are being transferred from the School Department to the Facilities Department. This is a significant change that advances its mission as a town-wide department. As a result, Facilities Department FTEs are rising by 22. Transferred employees comprise all but two of these FTEs. Two new custodians are being added to serve the cleaning needs of the new Middle School.

The cost of custodial services for the Town and the School Department is moving in different directions due to different circumstances. The Town recently rebid its custodial services contract and that bid resulted in a drop of 14% in the custodial contract for the Town. The cost of custodial services for the schools is more complex. It includes the daytime custodians, who recently received a contractually obligated cost of living increase, as well as the cost of the night custodial service contract. As mentioned earlier, two new custodians also must be added to serve the new middle school. These factors lead to about a 42% increase in the cost of school custodial services.

Utilities are included in the Facilities Department and there are a few notable shifts:

- Natural gas: the school budget for gas is decreasing because the new Middle and High School does not use gas and because the Wellington gas boiler was updated and uses less fuel now. The Town gas budget is increasing because of the rise in gas prices.
- Electricity: Town electricity budget has decreased because the Town staff took a hard look at usage over the past few years and decided that we could accommodate a lower electrical budget. Note – the school electrical budget does not provide for savings from the PV solar array at the High School. After the financial results of the new array are visible to the Town, the budget will be adjusted in future years.
- Water: in FY23 the water and sewer fees were waived by those enterprise funds as a cost-saving measure for the Town. Such waivers are not sustainable for the enterprise funds and so the “wholesale” water and sewer charges have been reinstated. (“Wholesale” water and sewer covers only the MWRA charges and not the retail costs of service delivery.)

The Facilities Department supports, and in many cases leads, all the Town’s capital investment in buildings. This is very time-consuming and takes up most of the Director’s time.

Budget Risks/uncertainties in FY24

The transfer of the school custodians to the Facilities Department will result in a meaningful increase in management responsibility for Facilities, which is already thinly staffed at the management level. The progress of this transfer will need monitoring by the town and school department staff. The opening of the new Middle School is a major event for the Facilities Department, accompanied by some risk in initial operations.

The Facilities Department is overseeing many capital projects in the Town’s buildings, as well as participating in three major new buildings’ Building Committees. This management portfolio is wide, and the Town Administrator and the Facilities Director will need frequent communication to ensure that oversight is occurring for the many projects.

Outlook for FY25 and Beyond

The Facilities Department will oversee the operationalizing of two major buildings in FY25 and beyond – the rink and the library. These new facilities will require new types of maintenance and management. The Facilities Department may need additional management capacity to oversee these new assets.

Health Insurance

Org	Object	Description	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Approp.	FY2024 Request	FY2024 TA Rec.	Dollar Change	Percent Change
19141	518200	Town Retiree Health Insurance	\$ 1,599,018	\$ 1,560,949	\$ 1,757,729	\$ 1,798,748	\$ 1,549,991	\$ 1,549,991	\$ (248,757)	(13.8)%
5051605	517101	School Retiree Health Insurance	\$ 1,563,463	\$ 1,724,811	\$ 1,771,720	\$ 1,982,309	\$ 1,788,190	\$ 1,788,190	\$ (194,119)	(9.8)%
Total Retiree Health Insurance			\$ 3,162,481	\$ 3,285,759	\$ 3,529,448	\$ 3,781,057	\$ 3,338,181	\$ 3,338,181	\$ (442,876)	(11.7)%
19141	517000	Town Employee Health Insurance	\$ 3,029,119	\$ 2,932,976	\$ 2,838,755	\$ 3,454,596	\$ 3,254,049	\$ 3,254,049	\$ (200,547)	(5.8)%
5150603	517000	School Employee Health Insurance	\$ 6,160,289	\$ 6,116,858	\$ 6,307,820	\$ 6,613,680	\$ 7,515,731	\$ 7,077,903	\$ 464,223	7.0 %
Total Employee Health Insurance			\$ 9,189,408	\$ 9,049,834	\$ 9,146,575	\$10,068,276	\$10,769,780	\$10,331,952	\$ 263,676	2.6 %

*Figures have been restated for FY2020, FY2021, FY2022 and FY2023 to reflect the proposed combining of benefit lines in FY2024.

Employee and Retiree Health Insurance Description

Belmont health insurance costs for Town and School employees and retirees are self-insured and paid annually through Belmont’s Health Insurance Trust. The Trust was created to manage the inherent volatility that exists year to year in healthcare utilization and pricing. The Trust balance is replenished each year through a combination of employee premium payments (monthly payroll deductions) and the Town’s contribution from the General Fund budget. Employee contributions cover 15-20% of the total premium costs, depending on the negotiated union contract or employment agreement, and the Town’s General Fund covers the balance.

Because the Town self-insures, the Health Insurance Trust pays the true healthcare expenses experienced by our Town and School employees and retirees each year. To minimize catastrophic risk, the Town pays from the Trust for reinsurance to protect against excessive costs for any individual/family. Any healthcare claims above that reinsurance limit result in reinsurance recoveries deposited back into the Trust. The

Town's healthcare plan administration is outsourced to Harvard Pilgrim and renegotiated annually. Healthcare premiums for Belmont employees are set each fiscal year for the HMO/PPO plans managed by Harvard Pilgrim, and each calendar year for Medicare supplement plans. Health insurance premiums are adjusted annually, in consultation with the Town's healthcare consultant, based on historical and recent healthcare claims and industry trends. Based upon this analysis, FY24 health insurance premiums are projected to increase by 3%.

Health Insurance Expense Trends

Health insurance expenses are a significant portion of the Town's annual budget, reaching nearly 10% of the General Fund expenditures. Between FY16 and FY21, total annual health insurance costs for Town and School employees and retirees (as measured by contributions to the Trust) increased by a 5-year compound annual growth rate of 6.3%¹⁹, well above the Town's typical 3.0-3.5% recurring revenue growth. Health Insurance costs represent a consistent "budget buster" and have been a significant contributor to the Town's growing structural budget deficit.

FY24 Health Insurance Budget

For FY24, the Town and Schools' annual budget combines a number of shared and overlapping budget lines into a new Shared Services budget category. For example, Shared Services now included employee benefits expenses including health insurance, Medicare, workers compensation, and unemployment. This Shared Services approach is designed to increase transparency and consistency in budget analysis. Additionally, this approach should help inform the Town's exploration of a potential transition to Massachusetts' Group Insurance Commission (GIC) healthcare plans with the goal of reducing the Town's health insurance costs in future budget years.

The FY24 budget request for Town and School Retiree Health Insurance is \$3,338,181, a decrease of \$442,876 (-11.7%) from the prior year. The Shared Services aggregation process has allowed for the identification of budget efficiencies and improved forecasting which is reflected in the year-over-year budget reduction. The FY24 budget request for Town and Schools Employee Health Insurance is \$10,331,952, which is an increase of \$263,676 (2.6%) from the prior year. While some cost efficiencies were identified in this year's budget process, those employee health insurance savings have been offset by proposed increases in School staff for FY24. The comparatively modest increase in health insurance costs this year are likely efficiencies to be captured in a single year, and future health insurance cost increase are likely to return to prior growth trajectories, unless structural adjustments are made.

Considerations for Future Health Insurance Expense Management

An alternative to Belmont's healthcare cost self-insurance is for the Town to join the Massachusetts Group Insurance Commission (GIC). Established by the Massachusetts Legislature in 1955, the GIC was formed to provide and administer health insurance and other benefits to state employees and retirees. In 2007, the Legislature added provisions to allow cities and towns to also join the GIC as a means of reducing the rate of growth in municipal healthcare expenditures by accessing GIC's economies of scale and broad risk base.

The GIC currently provides health insurance coverage to over 450,000 state and municipal employees, retirees, and their dependents, including the employees of 48 Massachusetts cities, towns, and school

¹⁹ Belmont [Structural Change Impact Group Final Report](#) (pg. 269)

districts.²⁰ This includes nearby communities such as Arlington, Bedford, Brookline, Hingham, Lexington, Somerville, Sudbury, Watertown, and Weston.²¹ Participants in the GIC program can choose from a diverse set of health insurance plans offered by Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim Health Care, and Tufts Health Plan.

Belmont has considered joining the GIC in recent years as a potential cost mitigation strategy in an environment of increasing self-insurance healthcare expenses. Massachusetts Law includes provisions for Towns like Belmont to opt in to the GIC, but the process can take several years and must be enabled by negotiations with impacted employee and retiree union groups. In Belmont's case, the Select Board can initiate a transition of the Town and School employees and retirees into the GIC, but must first engage in negotiations with employees and retirees related to GIC plan selection, premium rations, withdrawal provisions, and disposition of remaining funds in the Health Insurance Trust. If a negotiated agreement related to a transition to the GIC cannot be reached, the Town's proposal can go to a State-sanctioned review panel, which may order the transition of the Town to the GIC, if the panel finds that the transfer would provide meaningful cost savings to the Town and would sufficiently mitigate the impact on those negatively affected by the transfer. As part of this process, municipalities that decide to join the GIC for the purposes of reducing healthcare costs must share a portion of the savings with employees and retirees as a way to mitigate any increases in subscriber costs.

²⁰ [GIC Participating Municipalities](#) from mass.gov.

²¹ Belmont [Structural Change Impact Group Final Report](#) (pg. 269)

A potential transition to the GIC could provide the Town with quantitative and qualitative benefits including:

- Potential reduction in annual health insurance premium for both employees and the Town
- Reduced annual volatility in healthcare expense and greater predictability to support long-term budget planning
- Expanded breadth of health insurance plan and provider choices for employees and retirees
- GIC-managed health insurance plan design evolution which takes the annual plan adjustment responsibility away from the Select Board and, thus, removes often contention union negotiations regarding the specifics of plan design changes.

The Town is currently in the process of exploring the opportunity and implications of a transition to the GIC, including modeling the potential cost savings to the Town and the mitigation for employees and retirees. The Select Board, in consultation with the Town's healthcare consultant, has recommended that the Town wait for the GIC to complete its bidding process for the FY24 plan to have the most current and accurate information to use to estimate future costs and potential savings. This GIC program update work has recently concluded, and the Town can now proceed with this exploration in earnest. A potential transition to the GIC would not result in cost savings for FY24, but could set the Town up for a financial benefits in FY25 or FY26.

Belmont's Financial Task Force II recommended the Town explore a transition to the GIC in their [Financial Task Force II Recommendations](#) in July 2021. The following year, the Structural Change Impact Group recommended a transition to the GIC in their [SCIG Final Report](#) in March of 2022.

Recommendation: The Warrant Committee recommends that the Select Board and the Town Administration conduct an analysis, in consultation with the Town's healthcare consultant, regarding the cost savings, benefits, and implications of a transition to the GIC with the goal of reducing health insurance cost increases in FY25 and beyond.

Pension

Most Belmont employees (the teachers have a separate state system) receive pensions managed by the Belmont Retirement System ("BRS" or the "System"). The BRS is a separate and autonomous legal entity and not a municipal department of Belmont. It meets monthly to cover its two main responsibilities: managing investments and administering pension benefits.²² BRS is overseen by the Public Employee Retirement Administration Commission ("PERAC") which regulates standards for investment performance, accounting standards, benefits administration, ethics, education, travel, and other aspects for all public pension systems in Massachusetts. BRS regularly goes through financial audits and separate actuarial valuations.

BRS is managed by a 5-person board of two representatives elected by pension members, the town accountant, one Select Board appointee, and a 5th member chosen by the other four. Since 2016, four of the board members have remained the same. Current chair Tom Gibson and member Walter Wellman

²² See the Warrant Committees FY23 report for a detailed overview of the BRS, funding schedule, assumed rate of return and factors affecting actuarial valuation.
<https://www.belmont-ma.gov/warrant-committee/files/fy23-warrant-committee-report>

have served together on the BRS board for more than 25 years.²³ Meetings do not include an agenda item for public comment.²⁴

The System is underfunded, and most of the Town's payments each year go toward catching up on funding its financial commitments to employees and retirees. This year, the Town of Belmont will contribute about \$10 million²⁵ from its operating budget. The 2022 actuarial valuation report by Segal states BRS is 70.42% funded, up from 60.42% the previous year. For 2022, the assumed rate of return was reduced from 7.15% to 7.00%. This change is in-line with similar pension systems. In 2022, the System paid out about \$11.6 million in pension benefits to retirees. All the benefits are guaranteed and set aside from the Town's revenue before funds are made available for other operating expenses.

We will cover three (3) key areas that affect the general fund dollars needed each year to meet the Town's pension obligations:

1. Net investment returns (after expenses and fees)
2. Administrative overhead
3. Increasing the FY23 cost-of-living-adjustment ("COLA") to 5% while extending the schedule for fulling funding the System from 2030 to 2031.

The first two—net returns and administration overhead—impact the compounding dollars available to pay benefits year-over-year. The FY23 COLA increases the benefits owed retirees, while extending the funding schedule decreases the Town's annual assessment by spreading catch-up payments over more years.

The Warrant Committee would like to thank the BRS board for their feedback, corrections, and the budget data provided to help improve this report, make it clearer, and more accurate. The BRS also noted that the Warrant Committee has made many of these points and recommendations for the past ten years or more.

Investment Returns and Fees

The BRS monthly board meetings begin with general market news and performance updates presented by New England Pension Consultants ("NEPC").²⁶ As of January 2023, about half the BRS funds are invested in Pension Reserves Investment Trust ("PRIT") funds, which are managed by the state's Pension Reserves Investment Management Board ("PRIM"). Considering the 20 annual "vintages" of the PRIT Fund used by BRS (2001, 2004-2022) as a single fund, BRS directs investments to 17 other funds across nine (9) different asset managers.²⁷

²³ Source: PERAC annual reports, 1998-2021 from <https://archives.lib.state.ma.us/> and <http://www.belmontretirementsystem.org/board-members/>

²⁴ Source: <http://www.belmontretirementsystem.org/historical-minutes-and-agendas/>, and <http://www.belmontretirementsystem.org/recent-minutes-and-agendas/>, posted agendas September 2017-April 2023

²⁵ FY24 Budget Changes Approved by the Select Board, https://www.belmont-ma.gov/sites/g/files/vyhlif6831/f/uploads/tab_2.a_-_revised_disc_pv_on_fy2024_budget_-_budget_changes_with_total_fy2024_budget_5-8-23.pdf

²⁶ <http://www.belmontretirementsystem.org/investment-docs/>

²⁷ Source: NEPC Investment Report 1/30/2023

http://www.belmontretirementsystem.org/my_uploads/2023/01/BELMONT-RB-JAN-2023-MEETING.pdf and "Response to WC FY24 Draft Report to Town Meeting"

The investments of the BRS lost 8.3% in the 2022 calendar year, with the fund’s market value dropping from \$161.1 million to \$148.7 million. BRS net investment returns out-performed PRIM by an estimated 2.38 percentage points in 2022. Despite the losses, this should be considered an excellent 1-year result and is a significant improvement from 2021, when BRS underperformed PRIM’s net returns by an estimated 3.4 percentage points.

Higher investment fees and administrative costs make it more difficult for BRS to match or beat PRIM’s net returns in the long run. A 2018 review of investment-related expenses for pension funds²⁸ found BRS’s expense ratio (the ratio of fees to assets) was 0.75% (75 basis points), tied for 11th most expensive out of 105 Massachusetts retirement systems.²⁹ BRS was more expensive than every system using PRIM, and 43 of the 55 non-PRIM systems. Similar funds investing with PRIM averaged an expense ratio of 0.526%. Based on the 2020 and 2021 annual reports, BRS’s expense ratio appears to drop to 0.644%, about 22% higher than PRIM’s expense ratio. With a balance of about \$150 million, this higher fee would cost BRS an additional \$177,000 every year. BRS noted in their response that asset management fees increase lockstep with increases to market value—meaning as the Town makes catch-up payments and if investment returns are positive, investment cost will continue to increase. In the 2018-2023 budgets provided by BRS, the system stopped entering investment consultant fees, custodial fees, and manager’s fees after 2020, when they totaled more than \$122,000. BRS did not provide investment expenses for 2022, nor provide an estimate for 2023.³⁰

Exact data on expense ratio is difficult to gather. We have used available data to estimate the BRS and PRIM expense ratios to approximate the net investment returns.

Year	BRS 1-Year Returns			PRIM 1-Year Return			Δ Gross Return
	Gross	Estimated Expense Ratio	Net	Gross	Estimated Expense Ratio	Net	
1997	17.90%	0.730%	17.17%	18.43%	0.526%	17.90%	-0.73%
1998	17.39%	0.730%	16.66%	14.84%	0.526%	14.31%	2.35%
1999	10.16%	0.730%	9.43%	23.25%	0.526%	22.72%	-13.29%
2000	3.70%	0.730%	2.97%	-1.21%	0.526%	-1.74%	4.71%
2001	-2.95%	0.730%	-3.68%	-5.32%	0.526%	-5.85%	2.17%
2002	-6.65%	0.730%	-7.38%	-8.94%	0.526%	-9.47%	2.09%
2003	20.60%	0.730%	19.87%	26.33%	0.526%	25.80%	-5.93%
2004	12.78%	0.730%	12.05%	14.45%	0.526%	13.92%	-1.87%
2005	7.84%	0.730%	7.11%	12.70%	0.526%	12.17%	-5.06%
2006	15.70%	0.730%	14.97%	16.72%	0.526%	16.19%	-1.22%
2007	10.72%	0.730%	9.99%	11.90%	0.526%	11.37%	-1.38%
2008	-22.54%	0.730%	-23.27%	-29.50%	0.526%	-30.03%	6.76%
2009	26.20%	0.730%	25.47%	17.55%	0.526%	17.02%	8.45%

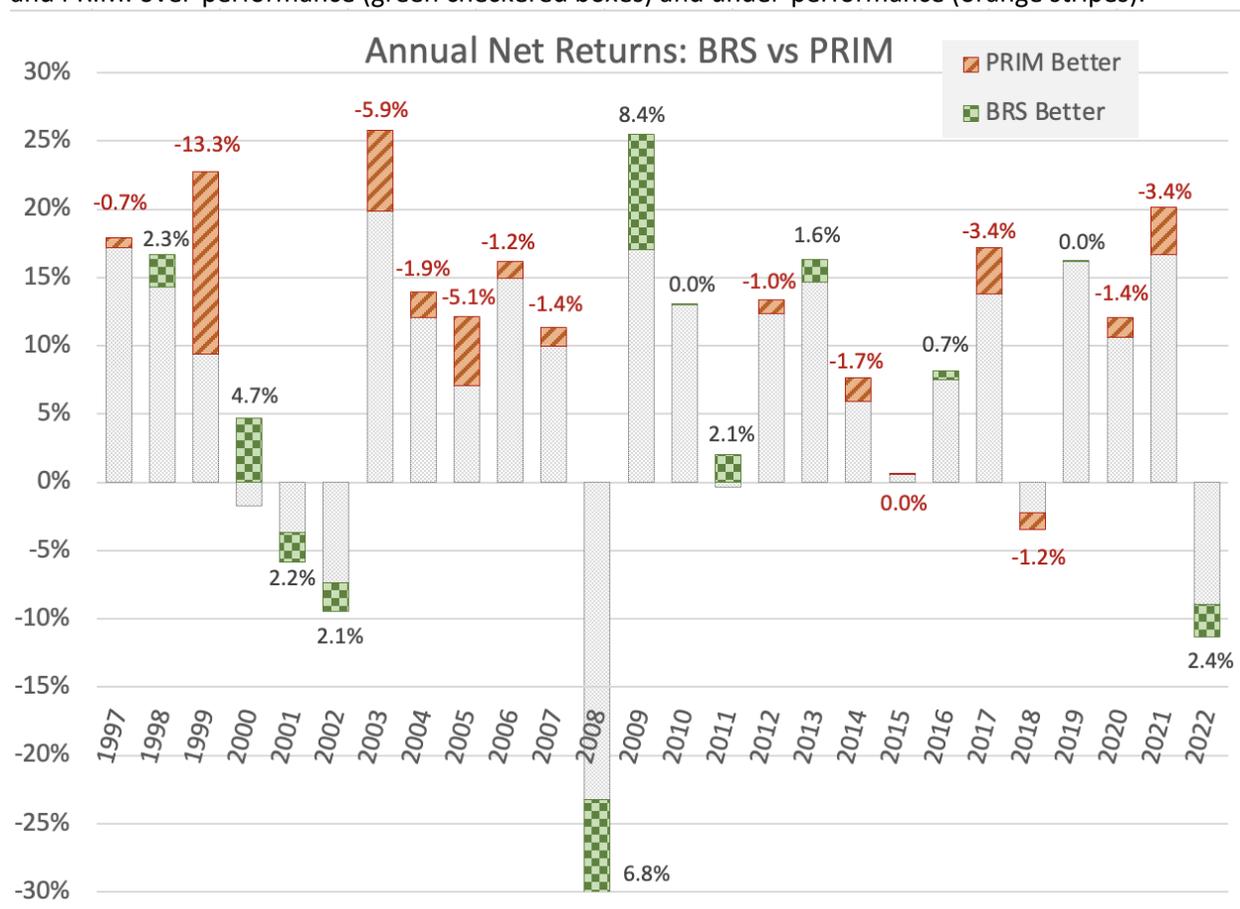
²⁸ Source: 2018 | A Comparative Analysis of Investment-Related Expenses for MA Contributory Retirement Systems and Investment Returns For 5, 10 and 34-year Periods Ending December 31, 2018, <https://www.mass.gov/doc/2018-comparative-analysis-fee-report/download>

²⁹ In response to a draft of this section, BRS stated the comparative analysis should have reported an expense ratio of 0.68% for 2018. This would have tied for 27th highest expense ratio among 105 pension systems.

³⁰ As of May 2023, BRS’s 2022 annual report has not been made public yet.

2010	13.78%	0.730%	13.05%	13.55%	0.526%	13.02%	0.03%
2011	2.44%	0.730%	1.71%	0.18%	0.526%	-0.35%	2.06%
2012	13.06%	0.730%	12.33%	13.87%	0.526%	13.34%	-1.01%
2013	17.07%	0.730%	16.34%	15.22%	0.526%	14.69%	1.65%
2014	6.69%	0.730%	5.96%	8.16%	0.526%	7.63%	-1.67%
2015	1.32%	0.730%	0.59%	1.14%	0.526%	0.61%	-0.02%
2016	8.89%	0.730%	8.16%	8.02%	0.526%	7.49%	0.67%
2017	14.50%	0.730%	13.77%	17.69%	0.526%	17.16%	-3.39%
2018	-2.69%	0.730%	-3.42%	-1.73%	0.526%	-2.26%	-1.16%
2019	16.85%	0.644%	16.21%	16.71%	0.526%	16.18%	0.02%
2020	11.30%	0.644%	10.66%	12.61%	0.526%	12.08%	-1.43%
2021	17.37%	0.644%	16.73%	20.67%	0.526%	20.14%	-3.42%
2022	-8.30%	0.644%	-8.94%	-10.80%	0.526%	-11.33%	2.38%

In the last ten years, BRS's net investment returns have been approximately equal, or worse than PRIM seven times, and five of the last six years. BRS tends to do better during down years, losing value but less than PRIM. In years where the market is up, BRS tends to perform slightly worse, or like in 2017 and 2021, underperform by more than three percentage points. The chart below highlights the gap between BRS and PRIM: over-performance (green checkered boxes) and under-performance (orange stripes).



There have been years where BRS has significantly outperformed PRIM, such as 2000 (+4.7%) 2008, (+6.8%), and 2009 (+8.4%). There have also been years of underperformance, such as 1999 (-13.3%), 2003 (-5.9%), and 2005 (-5.1%). To streamline investment costs, operations, and performance, 37 pension systems in Massachusetts delegate all investment management to the low cost, professional teams at PRIM.³¹ These “Participating Retirement Systems” save time, expense, and enable local board to focus on benefits for employees and retirees. Another 62, including Belmont, use PRIM as “Purchasing Retirement Systems,” allocated a portion of their investments to PRIM funds.

Small Differences in Net Returns Can Compound to Millions of Dollars

We will show the challenge of consistently outperforming the market two ways. First, by asking: would the fund have been better off if BRS had switched to PRIM that year and stayed with PRIM through the end of 2022—even after BRS’s out-performance in 2022? It appears the System would have been better off fully switching from BRS’s investments to PRIM for twelve years straight—from 2010 through 2021. This suggests that for more than a decade, the Town will need to contribute more dollars to fully fund the guaranteed pension benefits. It also suggests any out-performance by BRS over a longer timeframe must be attributed to 2009 or sooner. We also noted that BRS underperformed PRIM for five years straight from 2003-2007.

The Difference in a \$150 Million Fund Had It Switched to PRIM at the Beginning of the Year, Through the End of 2022

BRS’s balance is currently about \$150 million. We can simplify visualizing the effect on the total investment balance if we ignore contributions in, and benefit payments out. The estimated difference in the compound annualized net return can result in a multi-million-dollar difference.

For example, if a \$150 million fund had experienced PRIM’s net returns in the past six years, from 2017 through the end of 2022, the balance would be nearly \$6 million higher—even after BRS’s excellent year in 2022. If such a \$150 million fund has switched to PRIM at the start of January 2021 that balance would be about \$200K higher with PRIM even after BRS’s excellent results in 2022.

Since Beginning of Year	Δ Net (Basis Points)	Annualized Return	Compound Difference	Timeframe
2009	23		3.2 M	14 years
2010	-33		-4.3 M	13 years
2011	-36		-4.3 M	12 years
2012	-60		-6.4 M	11 years
2013	-56		-5.4 M	10 years
2014	-78		-6.8 M	9 years
2015	-67		-5.3 M	8 years
2016	-77		-5.3 M	7 years
2017	-101		-5.9 M	6 years
2018	-57		-2.8 M	5 years
2019	-41		-1.6 M	4 years
2020	-54		-1.6 M	3 years
2021	-12		-0.2 M	2 years

Using estimated expense ratios, one must go back to 2009, another excellent year for BRS, for pension members to come out ahead using BRS’s investments compared to PRIM. For such a \$150 million

³¹ Source: <https://www.mapension.com/our-clients/>, March 29, 2023. Counts exclude former systems that have since merged into other retirement systems.

portfolio, BRS would be approximately \$3.2 million ahead of PRIM after 14 years compared to switching to PRIM in the beginning of 2009.³²

The Difference in 3-Year and 5-Year Annualized Returns Helps Show Performance Consistency

A second way to visualize the difficulty of consistently outperforming the market is to use rolling multi-year annualized returns. This method asks: What is the consistent effect of active management?

The table and bars to the right show the difference between BRS's and PRIM's annualized net return for 3-year and 5-year windows. Available annual returns data begins with 1997, so the first 3-year window ends in 1999 and first 5-year window in 2001. The orange (negative) bars show PRIM's returns were better, and by how much per year. The blue (positive) bars indicate BRS's returns were better over the previous 3- or 5-year timeframe. As with the first demonstration, small differences can have multi-million-dollar effects on a \$150 million portfolio.

Year	3-Year	5-Year
1999	-3.89%	
2000	-1.75%	
2001	-1.56%	-0.67%
2002	2.94%	-0.04%
2003	-0.10%	-1.48%
2004	-1.52%	0.57%
2005	-4.26%	-1.39%
2006	-2.76%	-2.18%
2007	-2.59%	-3.07%
2008	2.25%	0.13%
2009	4.95%	1.93%
2010	5.41%	2.92%
2011	3.35%	3.48%
2012	0.42%	3.56%
2013	0.94%	2.15%
2014	-0.39%	0.22%
2015	-0.06%	0.21%
2016	-0.34%	-0.10%
2017	-0.84%	-0.54%
2018	-1.25%	-1.08%
2019	-1.50%	-0.76%
2020	-0.89%	-1.05%
2021	-1.60%	-1.85%
2022	-0.54%	-0.57%

The effect of the outstanding 2008 and 2009 net returns compared to PRIM is evident in both the 3-and 5-year average. BRS's advantage in the annualized 3-year net return reaches a high-point of 5.41% per-year in the window ending in 2010. BRS's peak advantage in a 5-year timeframe is 3.56% per-year for 2008-2012. BRS's 3-year annualized average net return has been negative since 2014 (the years 2012 through 2014), and the 5-year since 2016 (the years 2012-2016). Even after an excellent 2022, BRS's 3-year (2020-2022) annualized net return underperforms PRIM by about 0.54% per-year, and by 0.57% per-year over 5 years (2018-2022).

Most Similar MA Pension Systems Use a Single Investment Manager

Using a single major manager provides economy of scale, simplifies the local board's operations, reduces investment overhead, and leverages investment professional expertise. To put the investment operations in context, it helps to compare BRS with similar pension systems—ones of similar size and funding levels—for a more apt comparison. There are 47 systems in the range of about half to about twice BRS's investments (\$75M – \$300M as of Dec 2021), and with a funding ratio within 15 percentage points (55% - 85% as of Jan 2023).

Thirty-three of these 45 similar systems use PRIM or another single investment manager³³ exclusively or nearly exclusively. Nine (20%) systems do not use PRIM and fully manage their investments as a "fund of

³² BRS correctly noted in their feedback that 2008 was also an excellent year for BRS, when the fund lost about 22.5% compared to PRIM's loss of about 29.5%

³³ As of the 2021 PERAC annual report, 6 pension systems use SEI Investment Trust Company and 4 used the DeBurlon Group

funds”—that is, actively directing money to various asset managers and funds. Five others, including BRS, have significant investment with PRIM but also actively manage allocations.

BRS Administrative Overhead

Operating the BRS as both an investment manager and benefits administrator has generated significant expenses for the BRS. The Town only has oversight through an appointee of the Select Board and the ex-officio board membership of the Town Accountant. These costs are born by the taxpayers as part of the Town’s annual appropriation and by employees’ pension contributions. A summary of calendar year (CY) expenses was reviewed from the 2016-2021 BRS annual statements³⁴ along with the 2022 budget actuals and 2023 budget as provided by BRS. Management fees increased from \$466K to \$663K (+42%) from 2020 to 2021, the most recent year such data was made available by BRS. This growth is highlighted in the table below by the red solid-lined box. We also have questions about staffing, legal, rent and travel expenses, which also come out of the fund, as bolded and shaded in the table.

Category	2023 (Budget)	2022	2021	2020	2019	2018	2017	2016	2015
Board Stipend	\$15,000	\$15,000	\$15,000	\$14,750	\$15,000	\$15,000	\$12,500	\$11,000	\$12,000
Salaries	208,695	194,769	177,961	186,781	158,722	143,204	154,066	140,003	90,340
Benefits	0	0	0	0	0	0	0	0	0
Mgmt. Fees	No Data	No Data	663,165	466,312	422,544	403,659	383,362	430,842	440,849
Custodial Fees	No Data	No Data	40,906	29,481	34,746	23,568	43,695	55,044	17,448
Investment Consult. Fees	No Data	No Data	86,250	65,059	62,500	55,000	41,370	96,440	13,750
Legal Expense	28,000	27,670	24,973	29,579	24,532	30,111	34,471	36,898	15,020
Med. Expense	500		0	0	0	0	228	36	0
Fiduciary Ins.	6,337	6,399	6,337	5,944	5,816	5,560	5,441	5,365	5,208
Svc. Contracts			0	0	1,794	24,241	25,853	46,819	20,842
Rent Expense	26,400	26,700	25,200	25,200	24,300	24,000	6,000	0	0
Prof. Services	17,000	5,000	28,500	8,500	17,600	7,869	22,520	44,562	0
Actuarial Svc.	5,000	15,000	5,000	22,750	5,000	21,000	0	0	4,246
Account. Svc	0	0	0	0	0	0	0	0	0
Ed. & Training	1,630	3,875	400	1,630	5,240	3,420	1,800	3,170	5,717
Admin. Expen.			57,207	59,748	47,490	16,471	52,953	4,560	724
Furniture & Equip	1,000	3,804	1,582	76	1,789	18,087	3,795	13,160	0
Travel	12,000	7,379	0	427	7,978	5,710	3,560	16,039	0
Depreciation	0	0	0	0	0	0	0	0	0
Total	Insufficient Data		\$1,132,481	\$916,237	\$835,051	\$796,899	\$791,614	\$903,938	\$626,144

Investment-related expenses raise questions about operational efficiency, and where expenses could be reduced to bring net returns more in line with PRIM. The most obvious option would be delegating all

³⁴ BRS annual statements: <http://www.belmontretirementsystem.org/financial-documents/>

investment management to PRIM, a decision up to the 5-member retirement board. This could reduce BRS's reliance on NEPC, advisory fee is at least five basis points (0.05%) of assets³⁵ and, as BRS also noted in their response, will increase as the pension fund grows due to contributions and investment returns. Investment consultant fees averaged \$67K a year since 2018, and in 2021 cost more than \$86K.

We have questions about legal, staffing, rent and travel expenses as well. The BRS makes heavy use of lawyer James Quirk, who attends BRS board meetings in their entirety. Between January 2022 and April 2023, Mr. Quirk remotely attended 15 of the 16 board meetings, including both February and March 2023 when he had no updates for the Board.³⁶ Mr. Quirk's frequent attendance raises questions about legal fees for attending meetings and other events.

Total salaries have more than doubled from \$90K in 2015 to \$209K for 2023. BRS has hired additional staff since moving to private offices at 90 Concord Ave in 2017, and total salaries are up 43% from the 2016-2018 average.³⁷ These increased staffing and administration costs are in addition to the more \$26K / year rent for 2023. The BRS also spent \$35K in the furniture and equipment category from 2016-2018.³⁸

The BRS spends several thousand dollars annually on travel and education. The 2023 budget sets aside \$12K for travel, up from about \$7K in 2022. Pre-Covid, from 2016 through 2019, the board spent \$33K on travel and \$13K on education and training. This raises questions about how these travel expenses are reviewed and approved. A typical retirement board has a travel policy that utilizes in-state conferences only, single day trips, and sending one representative to report back to the other members. The Massachusetts Association of Contributory Retirement Systems (MACRS) holds a spring and fall conference.³⁹ The fall 2022 conference was held in Springfield, MA, and the spring 2023 conference will be in Hyannis, MA—both day trips by car from Belmont.

FY23 COLA Increase and BRS Funding Schedule

Aside from overseeing investments, BRS is responsible for pension administration. BRS spends about half its monthly board meetings discussing legal, budget, regulatory, and legislative news. Retirements and eligibility are discussed, reviewed, and voted upon.

In April 2023, BRS and the Select Board worked together to approve a cost-of-living-adjustment ("COLA") increase for retirees of 5% while extending the pension funding schedule to 2031. The combined effect of these two changes is lower annual assessments⁴⁰ spread over more years, while improving benefits for

³⁵ NEPC form ADV Part 2A, page 3:

https://files.adviserinfo.sec.gov/IAPD/Content/Common/crd_iapd_Brochure.aspx?BRCHR_VRSN_ID=838704

³⁶ Source: listed attendees in Belmont Retirement System meeting minutes, 2022

<http://www.belmontretirementsystem.org/recent-minutes-and-agendas/> Prior to Open Meeting Law allowing remote participation, Mr. Quirk attended board meetings in person.

³⁷ BRS clarified they hired an additional employee during this timeframe.

³⁸ BRS clarified that the furniture expense line includes "servers, laptops and telephones" and that furniture "included used furniture."

³⁹ <https://www.macrs.org/macrs/page/annual-spring-2023-conference>, <https://www.mass.gov/event/fall-macrs-conference-2022-10-02t080000-0400-2022-10-05t150000-0400>

⁴⁰ The total annual assessment also includes payments made by the Water and Sewer enterprise funds.

our employees and retirees. The FY23 COLA increase is retroactively effective to June 2022, and increases the unfunded liability⁴¹ by just over \$800K. BRS also approved a 3% COLA for FY24.

Prior to BRS’s approval of the updated schedule in April 2023, the target date was 2030 as discussed and approved by BRS in September 2022. Based on the 2021 actuarial valuation, the System is now projected to be funded by 2031. This projection will be updated in 2024 to reflect 2022-2023 contributions, retirees, employees, and investment returns. Because of the investment losses in 2022, it is generally expected the next valuation will project full funding will be after 2031.

Extending the funding schedule is like taking a longer-term loan: annual payments will be lower, but the total sum of all payments will be higher. Over the next six fiscal years, the town is scheduled to pay \$8.83 million less, but total payments are projected to be \$3.8 million more by the end of FY31.

To spread out the financial impact and give the Town budget flexibility for the next few years, BRS evaluated and approved an extended pension funding schedule. Rather than growing by 4.45% every year, the annual assessment will remain level through FY25, then grow at 2.5% per year. By Massachusetts law, the pension assessment cannot be lower than the previous year until the system is fully funded. It is expected PERAC will approve the new

	FY23 Schedule	Proposed Schedule	
Fiscal Year	4.45% Annual Increase	Flat Payment Through FY25 Followed By 2.5% Annual Increases	Difference in Proposed vs FY23 (\$ Millions)
23	11,765,178	11,765,178	0.00
24	12,288,728	11,765,178	-0.52
25	12,835,576	11,765,178	-1.07
26	13,406,759	12,059,307	-1.35
27	14,003,360	12,360,790	-1.64
28	14,626,510	12,669,810	-1.96
29	15,277,390	12,986,555	-2.29
30	9,006,505	13,311,219	4.30
31	3,105,119	11,430,961	8.33
32	3,207,869	3,207,869	0.00
33	3,314,004	3,314,004	0.00
Total FY23-FY33	112,836,998	116,636,050	3.80

schedule, with the caveat that such a delay in funding is not generally recommended. The Town can choose to increase their annual payment. The longest extension allowed by PERAC—level payments until fully funded—projected full funding in 2032.

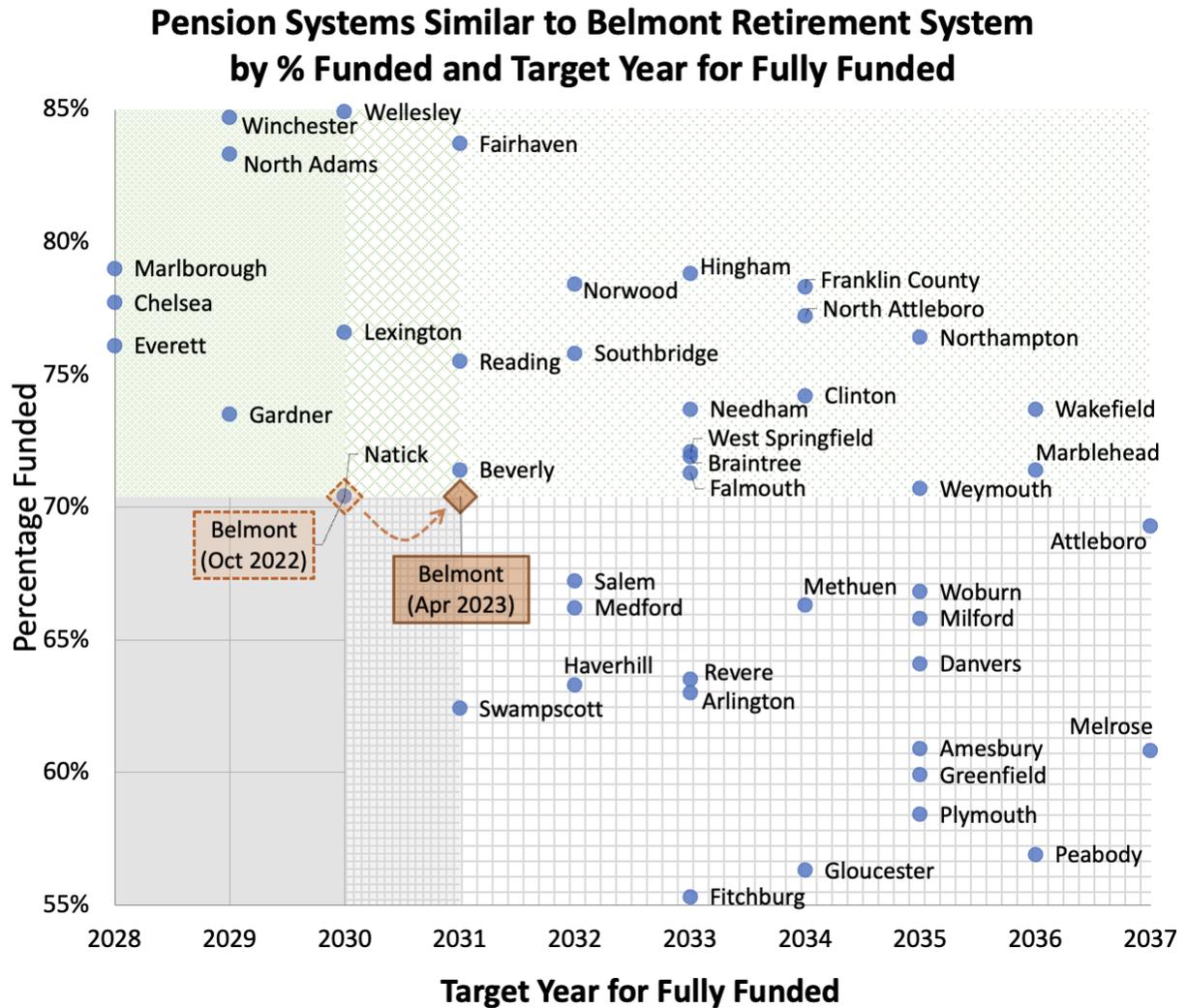
BRS Funding Schedule in Context

Because the System is underfunded, the size of the annual assessment also dependent upon the timeline for fulling funding the pension obligations. We compared BRS’s funding schedule to similar pension systems.⁴² This comparison is displayed in the chart following chart. Belmont is marked with an orange diamond at 70.4% funded, reflecting the change from 2030 (data point overlaps with Natick) to 2031.

⁴¹ Segal letter to BRS 2/27/2023 re: Cost of Increasing the July 1, 2022 COLA from 3% to 5% - updated: Increasing the July 1, 2022 COLA from 3% to 5% increases the July 1, 2022 unfunded liability by \$813,758 or 1.27% from \$64,224,373 to \$65,038,131.

⁴² Source: Retirement Board Funded Ratios as of 1/1/2023, file 010123fundedratio.csv available from <https://www.mass.gov/info-details/funded-ratios> Fund sizes as of PERAC 2021 annual report.

Presuming PERAC approves the funding change to 2031, Natick and Swampscott have more aggressive schedules: similar or lower funding, and a similar or earlier target date (shaded gray area, lower left of Belmont).



The 2031 schedule approved by BRS is still more aggressive than the 17 similarly sized and capitalized retirement systems in the green cross-hatched area in the upper right. There are 17 similar pension systems (the light gray square shading in the lower right) which are lower funded than BRS and have allowed additional years for full funding. All these systems have at least a 3-year cushion before the 2040 deadline. Six of the eight systems that target 2028-2030 are at least 75% funded.

Warrant Committee Recommendations

We recommend the BRS evaluate investment and operational review and reforms that will simplify operations, reduce expenses, standardize returns, and ease the annual financial burden on Belmont taxpayers. We recommend the BRS:

- Review and reduce investment and administrative expenses to be in line with PRIM. The most obvious way to reduce expenses would be for the board to delegate all investment management to PRIM. This will normalize returns, simplify operations, and remove cost overhead related to evaluating and directing investments. This will also address the investments and consultants’ fees which cost tens-of-thousands of dollars each year, lower BRS’s net returns, and grow with assets in the System. The board will be freed up to focus on service the employees and retirees of the Belmont Retirement System.
- Limit meeting attendance and other billed hours by legal counsel unless necessary. Verify if using Town council would be more cost effective.
- Review lease of private office space and explore possible Town owned space.⁴³
- All recommendations from the FY23 Warrant Committee report.

Other Post-Employment Benefits (“OPEB”)

The Town provides its employees, including those of the school department, with healthcare and life insurance retirement benefits, known as Other Post-Employment Benefits (“OPEB”). OPEB are managed and overseen by the Town, paying current benefits out of this year’s budget (“pay-as-you-go”), while making small contributions to an underfunded “OPEB Trust Fund” for future obligations. The Trust is overseen by the Town Treasurer while its investments are managed by Morgan Stanley.

For FY24, the combined budgeted cost of health insurance, life-insurance, Medicare, and contribution to the OPEB Trust is just over \$5 million.

Total OPEB Contributions, FY20-FY24

	FY20	FY21	FY22	FY23 (approx.)	FY24 Budget
Retiree Health Insurance	\$3,162,481	\$3,285,759	\$3,529,448	\$3,781,057	\$3,338,181
Employee Health Insurance	9,189,408	9,049,834	9,146,575	10,068,276	10,331,952
Life Insurance	12,708	10,234	11,077	19,425	19,425
Medicare	831,395	875,330	908,544	1,064,576	1,097,497
Unemployment	34,698	142,423	62,279	227,000	272,900
Workers Compensation	346,533	315,529	343,420	505,998	455,398
OPEB Trust Contribution	552,695	50,000	50,000	579,275	552,695
Total (OPEB)	\$4,559,279	\$4,221,323	\$4,499,069	\$5,444,333	5,007,798

Total (excluding pensions)	\$14,129,918	\$13,729,109	\$14,051,343	\$16,245,607	\$16,068,048
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The Town identified efficiencies and improved forecasting while restructuring the benefits budget for both Town and School retirees. As a result, the FY24 pay-as-you-go budget for retiree health insurance is \$3,338,181, a decrease from the prior year by \$442,876 or nearly 12%.

⁴³ BRS noted they sought office space from the Town in 2017, and “an offer from the Town for comparable office space [...] would be given thoughtful review.”

As of January 2023, the OPEB Trust Fund held about \$7.4 million⁴⁴ toward a liability of about \$97.5 million⁴⁵, a funding ratio of 7.6%. It is important to note that the OPEB liability is inherently more volatile than the liability for pension benefits as healthcare costs and inflation, benefits utilization, plan design and federal health policy changes, can have a significant impact on predicting future expenses. The Town’s OPEB Trust funding policy calls for the Town to aim for a contribution equal to 5% of its excess undesignated fund balance to the OPEB Trust each year. The goal is to make annual contributions to the OPEB Trust consistent with the policy until after the pension system is fully funded, when additional resources will be available to increase contributions more meaningfully into the Trust.

Recommendations

The OPEB Trust is well suited for low-fee, broad market index funds that would reduce management fees compared to a full-service advisor. The Trust is relatively small, follows a simple investment policy of 70% equities and 30% fixed income, and has a long investment horizon.

Debt

The town currently has approximately \$255 million of debt outstanding, consisting of \$209 million for schools (82% of total debt), \$32 million for general government (13%) and \$12 million (5%) for water & sewer operations. Debt service will comprise 10.8% of budgeted revenue in '24, which is down by about \$600,000 from the prior year due to the retirement of Town Hall Complex renovation debt. The \$16 million of debt service in '24 will consist of \$13 million of debt service (or 80%) that has been voted exempt from Proposition 2 ½ levy limitations (debt exclusion debt) and funded with dedicated property tax revenues with the remainder (\$1.4 million) funded within Proposition 2 ½ limitations (non-debt exclusion debt) by general operating revenues or water/sewer revenues.

To assist in funding its capital plan, the Town will often issue “replacement” non-exempt debt after the prior non-exempt debt has matured. The Warrant Committee is supportive of this prudent debt management policy. The Town’s water and sewer enterprise funds also issue debt to support their capital projects; this debt is “self-supporting” and is serviced by the user fees paid to the Town enterprises.

During the current fiscal year voters approved two additional debt exclusions, one for the construction of a new library and the other for a new skating rink. The estimated debt issuance for the library is \$34.5 million and \$28.6 million for the skating rink. Debt issuance for these projects is expected in FY24. The Warrant Committee recommends the issuance of any future debt be conducted in a manner consistent with the debt policies specified in the Town’s [Comprehensive Financial Management Policies](#). The town’s debt service costs are broken down below by exempt and non-exempt debt service and does not include the impact of the recently approved debt exclusions.

	FY23 Budget	FY24 Budget
Exempt Debt Service	\$13,731,513	\$13,154,414
Non-exempt Debt Service	\$1,438,989	\$1,415,039
Total Debt Service	\$15,170,502	\$14,569,453
Debt Service as % of Budget	10.5%	9.7%

Town’s Bond Rating

⁴⁴ Balance: \$7,378,300. The Javaheri Group, Strategic Performance Reporting, 1/24/2023

⁴⁵ As of July 30, 2021. For more detailed overview of actuarial valuation, see FY23 Warrant Committee Report.

The Town is currently rated Aaa & AAA by Moody’s and S&P, the highest ratings achievable. These ratings reflect the strength of the town overall financial profile and takes into consideration the health the town’s tax base, its financial position, governance practices and the community’s fixed cost burden (combined debt, pension and OPEB costs and liabilities). The town’s bond rating impacts the interest paid on bonded debt with a higher rating resulting in lower interest costs. The town’s rating will be updated in conjunction with the upcoming bond sales associated with the library and rink projects. The Warrant Committee supports the maintenance a strong bond rating through prudent financial planning and sound fiscal stewardship.

Public Services

Belmont Public Services Departments include the Community Development, the Department of Public Works, and the Recreation Department.

FY24 Budget Changes from FY23

	Dollars	Change from FY23	% Change	FY24FTEs
Total Budget	\$10,574,116	\$436,235	4.3%%	49.47

The FY24 budget reflects a reduction of 2.4 current FTE positions. These are two 0.5 FTEs in Community Development, and 1.4 seasonal FTEs in Recreation. The proposed budget includes the addition of 1.0 FTEs in the Water Enterprise Budget for Storm Water Management.

Community Development

The Community Development Department is composed of three main operating divisions – Building Inspection, Engineering Services, and Planning. Building Inspection performs building code duties including permit review and inspections, and enforces local zoning and general bylaws, as well as state codes and regulations. Engineering Services oversees all major infrastructure projects in the town, including repairs and improvements to roads and sidewalks and to sanitary sewers and storm drains. Planning handles land use, economic development, zoning, and planning issues for the town. The department is headed by a Director and an Assistant Director who oversee all activities in the department and administer the department’s many contracts and service agreements. The Director serves as the head of the department as well as the Town Engineer, the Inspector of Buildings, and the Zoning Enforcement Officer.

A. FY24 Budget Changes from FY23

	Dollars	Change from FY23	% Change	FY23FTEs
Total Budget	\$979,022	(\$17,189)	(1.73%)	9.26

The requested FY24 budget for Community Development of \$996,212, represents a decrease of \$17,189, or 1.73%, from FY23. The FY24 decrease is attributable to a reconfiguration of departmental staffing resulting in the reduction of two 0.5 FTE positions.

Over 85% of the department’s budget consists of salary expenses. By division, the administrative division accounts for about 40% of the total budget and is up 2.8%. Building Inspection and Planning represent about 30% and 25% of the department budget, respectively. The Planning budget is up slightly (2.0%), while the Building Inspection budget is down about 10% due to the aforementioned staffing reconfiguration. The Engineering budget is unchanged from FY23.

Impact of Proposed FY24 Budget on Department Operations

STAFFING: The department has been dealing with staffing challenges for several years. Consequently, while the department is managing to perform services that are statutorily mandated, the department feels that the level of service does not match the expectations of residents.

In FY22, the town's Resident Engineer position was eliminated due to the failed April 2021 override. Most of those duties were absorbed by the Assistant Director, who had been extensively involved with the Zoning Board of Appeals (ZBA). The department shifted those ZBA functions back to the Planning Division, but the new staff planner left in August 2022 for personal reasons and the position remains open. However, the elimination of the Resident Engineer position means that the department is not able to adequately provide oversight and management of the capital improvement projects that are underway within the town, including coordinating various separate contractors and managing scheduling issues with town residents.

RECRUITMENT: Moreover, while not strictly a budgeting issue per se, the department has a number of open positions that have been difficult to fill. For example, as noted above, the staff planner position remains open. As of October 2022, both building inspector positions (a full-time position and a part-time position) were open, although the full-time position was filled in February 2023. Filling open positions has been a challenge for the department. The open positions require a minimum threshold of technical proficiency that has generally not been evident in job applicants. Moreover, the fact that employees in the department are often expected to juggle multiple roles and responsibilities (e.g., building inspectors who are also expected to also do code enforcement), can make Belmont's positions less attractive than comparable positions in other surrounding towns.

IMPACT OF OPEN & UNFUNDED POSITIONS: The impact of the unfunded and open positions has a domino effect on the department, as other departmental employees, particularly the director and assistant director, need to step in and pick up the other tasks. This, in turn, leads to delays in response times for statutorily required tasks such as approving building permits, undertaking inspections, and responding to code violation complaints (such as snow removal by-law violations). In addition, the open staff planner position is impeding the department's ability to update the town's comprehensive plan (which is critical for obtaining federal and state grant funding), to update the town's housing production plan (which could help provide a temporary safe harbor from Chapter 40B projects if affordable housing projects are permitted), and to support the development of a now-mandated zoning plan around the town's transit stations.

Budget Risks in FY24

The continued inability of the department to find and hire qualified candidates for the open staff planner position and the open building inspector positions forces the department to be more reactive than it otherwise should be and impairs the department's ability to perform required services on a timely basis.

Outlook for FY25

The statutory requirements that the department must comply with keep ratcheting up. As an example, the town's stormwater permit must be renewed every five years. The requirements the town must meet in renewing the permit get more burdensome each time, inevitably placing more burdens on the existing staff.

Department of Public Works

The Department of Public Works (DPW) is comprised of multiple divisions, and it can be stated that the DPW touches more Belmont residents and businesses daily than any other town department. This report highlights the challenges, uncertainties, and notable changes in budget requests in specific divisions of the DPW.

A. FY24 Budget Changes from FY23

	Dollars (TA Rec)	Change from FY23	% Change	FY23 FTEs	FY24 FTEs
Total Budget	\$ 8,070,665	\$ 518,920	6.87 %	24.46	24.46

COMPENSATION: Compensation (salary plus contractually obligated compensation) is 29% of the total DPW budget. The negotiated COLA increase was 2%; other contractually obligated compensation is reflected in the percentage increases shown here. The TA recommended FY24 budget for DPW of \$ 8,070,665 represents a 6.87% increase from FY23 to FY24. That increase is chiefly due to salary adjustments for a COLA of 2%, plus a one-time retroactive adjustment following the successful union contract negotiations. Those retroactive payments, plus other union contractual compensation such as step increases and longevity, contribute to the 6.87% increase seen in the FY24 budget.

	FTE/FY23	FTE/FY24	FY23	FY24	Diff.	%
Public Works Admin	3	3	\$318,842	\$333,013	\$14,171	4.4%
Parks & Cemetery	11.5	11.5	\$ 838,812	\$ 885,645	\$46,833	5.58%
Street/Fleet Maintenance	10	10	\$ 998,798	\$ 1,072,986	\$ 74,188	7.43 %
Forestry	0	0	\$20,000	\$20,000	-	-
Collection & Disposal	0	0	-	-	-	-
	24.46	24.46	\$2,176,120	\$ 2,312,492	\$136,372	6.0%

STAFFING: The number of FTEs in DPW is unchanged from FY23 to FY24 at 24.46. The department currently has **nine unfilled budgeted positions**. Efforts are ongoing to recruit and hire to fill these openings. However, echoing a nationwide trend, attracting individuals to such jobs is challenging. This staff shortage means certain services are more reactive than proactive. Examples of the services affected are street sweeping, snow plowing, and catch basin cleaning. Town-owned snow equipment may sit idle due to this staffing shortage, and because union employees may decline a request to work over-time hours. Belmont is working with the unions to study whether department compensation is competitive within the local market, as a factor in employee retention and recruitment.

RECRUITING: Recruiting employees who have a Commercial Driving Licenses (CDL) is particularly daunting, as competition for licensed individuals is keen. The staffing challenge has both a budget and service impact. Overtime costs increase, as do costs for contracted services such as snow removal. These costs offset, to some degree, the salary and benefit budget not spent.

Highway Division - Budget Changes from FY23 to FY24

	FY24 Dollars	Change from FY23	% Change	FY23 FTEs	FY24 FTEs
Total Budget	\$2,450,386	\$65,788	2.76%	10	10

This budget covers line painting, street lighting, snow and ice removal and fleet maintenance (sidewalk and road repair is conducted in collaboration with Community Development), The increase in the budget is chiefly due to compensation increases of 7.43% from COLA, plus other contractual obligations.

OVERTIME: The highway division overtime budget reflects a 46.9% increase from FY23 to FY24, restoring it to the spending level of FY22. Several factors contribute to the need for this overtime; the Highway Division no longer employs six summer-time employees; the staff was reduced by two FTEs with the defeat of the 2021 override; and the DPW currently has nine unfilled, budgeted positions.

Forestry – Budget Changes from FY23 to FY24

	FY24 Dollars	Change from FY23	% Change	FY23 FTEs	FY24 FTEs
Total Budget	\$ 426,665	\$ 22,810	5.65 %	0	0

TREE INVENTORY: A tree inventory has been completed by the external consultant, and that survey is available on the town website. There is no FY24 request for the tree warden position to be filled, part-time nor full-time, in the budget. Jay Marcotte and Mike Santoro continue to function in that role with a stipend of \$10,000 each. The Professional and Technical services line item in this budget is for the contract with Asplundh for tree removal and trimming services.

The budget includes replacement of trees, and a new tree vendor was established in FY23, with positive results. The department head raised the question for future budgets is whether the purchase of trees should be a capital budget item, with the maintenance as a line item for the DPW. The Commemorative Shade Tree Project has been a welcome source of donated trees.

Parks and Cemetery – Budget Changes from FY23 to FY24 – TA Recommended

	FY24 Dollars	Change from FY23	% Change	FY23 FTEs	FY24 FTEs
Total Budget	\$1,597, 409	\$91,138	6.05%	11.5	11.5

Compensation increase from FY23 to FY24 is 5.58%, derived from the COLA of 2%, plus other contractually obligated increases. The expense increase for the cemetery budget is chiefly due to the increased cost of disposal of soil and brush removal since the incinerator site closed.

OVERTIME: In FY23, overtime costs for DPW service of the Viglirolo Rink surpassed \$30,000. While this specific overtime expense will not occur in FY24, it is anticipated that overtime will be needed in delivery of other park services, due to the overall DPW staff shortage (9 unfilled positions). For example, the water in the Underwood Pool must be tested daily, incurring overtime costs on weekends. Overtime is also needed for weekend pick-up of trash in Belmont playgrounds, parks and in town center.

Collection and Disposal - Budget Changes from FY23 to FY24

	FY24 Dollars	Change from FY23	% Change	FY23 FTEs	FY24 FTEs
Total Budget	\$3,763,512	\$345,929	10.4%	0	0

NEW COLLECTION AGREEMENTS: There are no DPW employees dedicated to this division. The percentage increase from the FY23 to FY24 budget is due to the new collection and disposal agreements with third party service providers. Changes in regulations for disposal and recycling are uncertainties impacting the budget for FY24 and future years. Recent regulation changes in textile recycling and disposal are an example. Potential additional compliance will involve disposal of organics, with consequent increased expense.

SPECIAL DISPOSAL SERVICES: Extra costs are incurred with resident requests for disposal of mattresses and bulky items. The Subcommittee recommends that the fees for these services be reviewed and increased with the intent to make these services cost-neutral, if possible. Per Jay Marcotte, department head, there are approximately 1,200 mattresses picked up annually; a fee of **\$50.00** per mattress would generate \$60,000, adequate to cover the cost of this specially requested service. Also, per Mr. Marcotte, there are approximately 2,300 bulky items picked up annually, at extra charges from Waste Management. A fee of **\$35.00 to \$40.00** per item would generate approximately \$80,000 to \$90,000 to cover the expense for this extra service.

Budget Risks and Considerations in FY24

Like other Public Service Divisions, there are compliance and statutory regulations which create budgetary uncertainties in the DPW. For example, disposal of organics and dealing with textile disposal or proper recycling, are areas which may impact workload and staffing and other costs.

The challenges of attracting and retaining employees in this department will continue in FY24 and FY25.

The Committee suggests that the department should consider an increase in fees for pick-up and disposal of both bulky items and mattresses to cover the costs of these extra services.

Outlook for FY25

Staffing and staff retention will remain a major challenge. As retirement age nears for some individuals employed within the DPW, the pressure on recruitment and compensation will increase to ensure adequate staffing to provide services. This department will continue to rely upon overtime and external contractors to continue to deliver services for as long as budgeted positions remain unfilled.

Enterprise Funds - Water & Sewer

The Water & Sewer Enterprise Funds are a component of the Department of Public works. Enterprise Funds are distinct from other Town departments as they are intended to be self-sustaining by charging separate user fees to customers. This section will provide a brief discussion of the Water and Sewer Funds' operations and costs, and changes in billing rates proposed for FY24.

Public Works Water Division

The Water Division maintains Belmont's water distribution system, delivers adequate and safe drinking water to the community, assures compliance with the USEPA Safe Drinking Water Act and Mass DEP regulations, and provides water for public safety firefighting. The Water Department maintains Belmont's

93 miles of water main pipes and valves, 825 fire hydrants, 7,745 water service pipes, and provides around the clock emergency service.

The FY24 Water Department budget is \$8,005,382, up 1.2%, or \$95,558, from FY23. The increase is driven by a 4.2% increase in compensation totaling \$62,601 from an in-depth review of employee benefits. The Division’s budget employs 12.3 FTEs, unchanged for FY24 from prior years. Overall, the Division’s day to day operating budget, which includes compensation, is \$17,795 lower than FY23 as higher compensation costs are offset by savings primarily in vehicle maintenance.

- The single largest budgeted expenditure is the MWRA assessment, totaling \$3,279,924, an increase of 1.4%, or \$45,077, from FY 23.
- The Division’s capital budget, for replacement of water mains and other infrastructure, is increasing by \$352,525 in FY24. The Division funds capital improvements with cash raised through water charges and with annual low interest borrowings.
- In FY24, the Division Budget benefits from lower indirect costs charged by other Town departments that provide administrative support. These costs are lower by (\$274,834) from an updated analysis of services and charges.
- The Water Division Budget is shown here:

Water Division Budget Summary

Budget Summary

Department Summary	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Revised	FY2024 Recommended	Dollar Change	Percent Change
Compensation & Benefits	\$ 1,581,517	\$ 1,349,519	\$ 1,393,960	\$ 1,504,293	\$ 1,566,894	\$ 62,601	4.16 %
Expenses	\$ 5,709,943	\$ 5,313,689	\$ 5,390,857	\$ 6,405,531	\$ 6,441,473	\$ 35,942	0.56 %
Total 5250 Water Division	\$ 7,291,460	\$ 6,663,208	\$ 6,784,817	\$ 7,909,824	\$ 8,008,367	\$ 98,543	1.25 %

Division Summary	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Revised	FY2024 Recommended	Dollar Change	Percent Change
Total 5251 Water Dept. Operating	\$ 2,254,514	\$ 2,022,476	\$ 1,928,161	\$ 2,624,599	\$ 2,606,804	\$ (17,795)	(0.68)%
Total 5253 MWRA Assessment	\$ 3,001,040	\$ 3,040,437	\$ 3,321,668	\$ 3,234,847	\$ 3,279,924	\$ 45,077	1.39 %
Total 5254 Debt Service	\$ 903,500	\$ 851,392	\$ 797,813	\$ 854,188	\$ 844,488	\$ (9,700)	(1.14)%
Cash Capital	\$ 602,280	\$ 77,750	\$ 210,000	\$ 669,275	\$ 1,022,500	\$ 353,225	52.78 %
Indirect Expenses	\$ 519,000	\$ 664,000	\$ 519,000	\$ 519,000	\$ 244,166	\$(274,834)	(52.95)%
OPEB Contribution	\$ 10,485	\$ 6,990	\$ 7,500	\$ 7,500	\$ 10,485	\$ 2,985	39.80 %
Total 5250 Water Division	\$ 7,290,819	\$ 6,663,045	\$ 6,784,142	\$ 7,909,409	\$ 8,008,367	\$ 98,958	1.25 %

Public Works Sewer Division

The Belmont Highway Department maintains Belmont’s sanitary sewer system consisting of 76 miles of sewer main pipes, 2,365 manholes, 6,700 service lines to buildings, and three pumping stations. The Highway Division also constructs, maintains and repairs Belmont’s storm water drain system consisting of 54 miles of main lines, 2,000 catch basins and one stormwater pumping station.

- The FY24 Sewer Department budget is \$9,799,181, a decrease of (\$1,085,401), or (9.97%), from FY23. This savings is driven by a 65% reduction in capital expenditures of (\$1,285,700) and a reduction in indirect costs of (\$270,679), or (52.15%), from an updated analysis of services and charges, partially offset by a 39.68%, or \$404,724, increase in compensation and benefits.
- The Sewer Division has maintained a staff of 12 FTE through FY23. In FY 24 the Division has budgeted a new position for a Stormwater Manager to oversee and address increasing regulatory demands from

federal and state compliance requirements. This, along with the result of an in-depth review of employee benefits and a reallocation of \$109,261 in pension benefits from the Water fund, accounts for the \$404,724 compensation increase.

- The single largest sewer division cost is the MWRA assessment, totaling \$5,750,128, an increase of 1.27%, or \$72,128, from FY 23.
- The Division’s capital budget, for replacement of sewer mains and other infrastructure, is decreasing by (\$1,288,187) in FY24. The Division funds capital improvements with cash raised through user fees and with annual low or no interest borrowings. The FY24 savings results from the completion in FY23 of two culvert replacements for Trapelo Road and Claflin Street.
- In FY24, the Division budget benefits from lower indirect costs charged by other Town departments that provide support to the Division. These costs are lower by (\$270,679) from an updated analysis of services and charges.
- The Sewer Division Budget is shown here:

Sewer Division Budget Summary

Budget Summary

Department Summary	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Revised	FY2024 Recommended	Dollar Change	Percent Change
Compensation & Benefits	\$ 1,321,952	\$ 1,384,494	\$ 922,946	\$ 1,019,902	\$ 1,424,626	\$ 404,724	39.68 %
Expenses	\$ 8,097,483	\$ 8,438,604	\$ 8,262,413	\$ 9,864,680	\$ 8,375,582	\$(1,489,098)	(15.10)%
Total 5260 Sewer Division	\$ 9,419,436	\$ 9,823,099	\$ 9,185,359	\$10,884,582	\$ 9,800,208	\$(1,084,374)	(9.96)%

Division Summary	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Revised	FY2024 Recommended	Dollar Change	Percent Change
Total 5261 Sewer & Stormwater Operating	\$ 1,997,051	\$ 1,845,808	\$ 1,389,770	\$ 1,781,682	\$ 2,183,019	\$ 401,337	22.53 %
Total 5262 MWRA Assessment	\$ 5,312,385	\$ 5,332,639	\$ 5,482,714	\$ 5,678,000	\$ 5,750,128	\$ 72,128	1.27 %
Total 5263 Debt Service	\$ 843,373	\$ 908,340	\$ 925,124	\$ 915,700	\$ 913,213	\$ (2,487)	(0.27)%
Cash Capital	\$ 742,100	\$ 1,213,200	\$ 864,250	\$ 1,985,700	\$ 700,000	\$(1,285,700)	(64.75)%
Indirect Expenses	\$ 519,000	\$ 519,000	\$ 519,000	\$ 519,000	\$ 248,321	\$ (270,679)	(52.15)%
OPEB Contribution	\$ 5,527	\$ 4,112	\$ 4,500	\$ 4,500	\$ 5,527	\$ 1,027	22.82 %
Total 5260 Sewer Division	\$ 9,419,436	\$ 9,823,099	\$ 9,185,359	\$10,884,582	\$ 9,800,208	\$(1,084,374)	(9.96)%

Proposed FY24 Water and Sewer Rates

Historically, Belmont’s Water and Sewer rates have been among the highest in Massachusetts, topping out at #1 until FY 2019. To manage this public perception Belmont has held water and sewer rates flat starting in 2019, leading to our recent position at 7th highest in the state. Town Administration recognized this is unsustainable and commissioned a water and sewer rate study to guide the FY24 budget. The purpose of the study was to analyze the water and sewer Enterprise Funds’ financial condition and propose a new rate structure to ensure the long-term financial stability of the funds.

While Belmont’s rates have not changed since 2019, water and sewer rates across the country have increased by approximately 5% and 6%, respectively, on average, as inflation, aging infrastructure and declining consumption (causing volume-based revenue declines) have placed pressure on the cost of water and sewer service delivery.

The study generally found that the cost of both operations and maintenance, and infrastructure improvements will continue to increase through 2028. Total water fund expenditures are projected to grow from \$9.4M in fy24 to \$10.2M in FY28. Likewise, sewer fund expenditures are expected to grow from \$10.4M in FY24 to \$12.3M in FY28. Without corresponding rate increases, the funds' cash flow will be negative in each of these years and the funds' reserve balances will be depleted starting in 2025.

To avoid running out of money, the study recommends the following rate increases:

	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>
Water Rates	4.0%	4.0%	4.0%	4.0%	4.0%
	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>
Sewer Rates	8.0%	8.0%	3.0%	3.0%	3.0%

Please note the final Water and Sewer rates will be voted on by the Select Board on 5/22/2023 after this report is published.

With these new rates in place, both the water and sewer funds are expected to maintain adequate cash flow over the period while funding reserve balances to at least the targeted level of 90 days' worth of operating and maintenance expenditures, on average.

The study also estimated the incremental cost of these new rates to the consumer. For a 4-person Belmont Household, the average combined Sewer and Sewer bill is projected to increase by approximately 6.3%, or \$158, per year.

Recreation Department

The mission of the Recreation Department is to offer quality year-round programs and services for residents of all ages and abilities. These offerings include summer and school-year programs, the Underwood Pool, the Skip Viglirolo Rink, and S.P.O.R.T. adaptive programs among others.

FY24 Budget Changes from FY23

	Dollars	Change from FY23	% Change	FY24 FTEs	FTE Change
Total Budget	\$1,524,426	(\$65,496)	(4.12%)	14.75	(1.4)

The total FY24 budget for Recreation is \$1,699,429, an increase of \$109,504 or 6.9% from FY23. The increase in expenses is due to increased programming, particularly in the summer. These expenses are almost entirely offset by participant fees.

	FY23 Revised Budget	FY24 Recommended	\$ Change	% Change	FY24 FTE
Total Compensation	\$896,435	\$844,439	(\$51,996)	(5.8%)	14.75
Total Expenses	\$693,490	\$679,990	(\$13,500)	(1.95%)	
Grand Total	\$1,589,925	\$1,524,426	(\$65,496)	(4.12%)	

PROGRAM PARTICIPATION: Participation in recreation programs is back above pre-pandemic levels with a large increase in the variety of programs offered. At the Fall 2022 Town Meeting, a supplemental budget was approved for the recreation department to support the larger-than-anticipated program participation. Program fees are expected to match the appropriation.

REVOLVING FUND: Because of the fee-for-service nature of recreation, Belmont has long planned to create a Recreation Enterprise or Revolving Fund – an independently-operated town “enterprise” that manages its own revenues and expenses. (Many towns run their recreation departments with a similar model; neither recreation program revenue nor expenses are part of the regular general fund budget.) The formation of either a revolving or an enterprise fund was delayed due to the pandemic and loss of fields and gyms with the Belmont Middle High School construction. The creation of a Recreation Revolving Fund was approved by Town Meeting on May 3, 2023, and the first monies to flow into this account will come from summer program fees that start to come in during the Spring 2024.

PART-TIME WAGES: Current market conditions for the hiring of part-time staff – especially hiring of lifeguards – mean that wages for these positions must be increased to staff the pool, camp, rink, and other programs effectively, which has placed pressure on the budget.

Budget Risks/uncertainties in FY24

RINK: The rink permanently closed on March 18, 2023. The April 4th debt exclusion vote confirmed that the current rink would be demolished, and a new rink constructed. Construction plans and timing predict the loss of one season of ice in Belmont. The Recreation budget for the rink was reduced from FY23 levels of \$216,000 to \$68,000 for FY24 reflecting a reduction in compensation, supplies, heating, electricity, and professional and technical services related to rink programs. These expenses will not be incurred, nor will there be fees collected for skating and ice recreation activities in FY24. \$68,000 remaining in the budget for ice recreation, which may address FY24 programs and activities on rented ice, and the consequent cost of that alternative. That budgeted amount may be reassessed in the Fall Town Meeting.

Outlook for FY25 and Beyond

The implementation of a Recreation Revolving Fund will shape the outlook for FY25 and beyond. The new rink will offer new opportunities for increased programming. Much of this planning work will be underway during FY24.

Public Safety

Fire, Police, Emergency Management

	<u>FY24</u>	<u>Change from FY23</u>	<u>% Change</u>	<u>FTEs</u>
Fire Department	\$ 6,390,227	\$411,947	6.89%	55.49
Police Department	\$7,731,948	\$269,096	3.61%	70.38
BEMA	\$24,144	\$0	0.00%	Within FD

The positive variances are largely the result of the completion of contract negotiations with associated increases for both the Fire and Police Departments. For Police, the increases are limited due to ongoing vacancies and recent retirements.

Fire Department

FY24 Budget Changes from FY23

- After remaining flat for several years, the FY24 budget for the Fire Department budget reflects a 6.89% increase, driven largely by compensation increases tied to the recent completion of contract negotiations.
- The budgeted amount for salaries is up \$386,647 (7.23%). The Fire Department budget headcount at 55.5 FTEs remained unchanged in FY24. Headcount has been largely flat since FY15 with the exception of a budgeted reduction of one firefighter in FY22, following the failed override.
- Budgeted expenses are up \$25,300 (4.0%) due to an increase in projected ambulance use which will increase ambulance services billing costs and ambulance supplies. Some of this cost increase will be offset by modest increases in ambulance revenue.
- The two remaining Fire Department staff vacancies were filled in FY23 so the Department in FY24 should be fully staffed. Recent vacancies and long-term disability have resulted in substantial demands on the FY23 Overtime budget which will likely be overspent by year-end. The FY24 Overtime budget has been increased by 8.2%, in line with the increase in salary expense.
- The Fire Department provides revenue to the Town through the ambulance services which is projected to be \$950,000 in FY24, representing a 6.9% decrease over FY23 levels.

Impact of Proposed FY24 Budget on Department Operations

- With lingering vacancies in 2023, the Fire Department has continued to rely upon Overtime to meet staffing needs and respond to calls for service in the community.
- The Fire Chief is keen to introduce additional community engagement programs but is constrained by limited growth in the FY24 budget, beyond the contractual increase to salary. Specifically, the broader rollout of the EMS bike unit, home safety inspections, and additional community CPR courses are examples of programs that were not fully funded in the FY24 budgets. The Fire Chief continues to implement limited versions of these programs, to the degree possible, by leveraging state grants and stepped-up commitments from the Fire Department staff.
- Significant opportunities exist to better serve the community through expansion of fire prevention services, but limited staffing prevents meaningful expansion in FY24.
- Incidents requiring Fire Department response have continued to climb as the community activity returns to normal after COVID (2020: 2,678 incidents; 2021: 3,280 incidents; 2022: 3,869 incidents). The frequency of calls for service has continued to increase in 2023, and the expectation is that the Fire Department will respond to over 4,000 incidents in 2023, if trends continue. EMS and Fire Alarm calls are some of the biggest drivers of incident growth. This steady growth puts strains on existing budgets which, with the exception of salaries, have only increased moderately in recent years.
- Morale with the Fire Department has continued to improve in recent months as contract negotiations have concluded and lingering vacancies have been filled, reducing overtime burdens.
- The Department expects to be able to meet its obligation to respond to the public safety needs of the Town, assuming no change to its current staffing model.

Budget Risks in FY24; Impact on Town Services

- Overtime continues to be a risk for the FY24 Fire Department budget, but the situation will likely improve in the coming year. With all vacancies now being filled, Overtime will likely return to budgeted levels.

- The continued use of Civil Service is presenting less urgent challenges in ensuring a qualified pool of applicants for open roles. However, the use of Civil Service continues to present challenges to increasing the diversity of the Department, which is nearly 100% white, as documented in the [report of the Diversity Task Force](#).

Outlook/Recommendations for FY24

- Given the historical challenges in hiring new Fire Department recruits through the Civil Service program, the Fire Department may be constrained in the future hiring and face challenges related to expanding diversity within the department. The Town should, once again, explore the option of withdrawing from Civil Service.
- The Fire Department was successful in obtaining grants to fund an initial pilot of the EMS Bike Unit and will continue to seek additional public and private funding, when available.
- The Fire Department, like other Town departments, should continue the effort to implement the recommendations of the Town’s Diversity Task Force report.

Police Department

FY24 Budget Changes from FY23

- After remaining flat for several years, the FY24 budget for the Police Department (Department) reflects a modest increase.
- The budgeted amount for salaries rises by \$276,631 (4.21%), resulting from the completion of contract negotiations. However no new positions have been added since 2014, with the exception of a School Resource Officer (SRO) in 2018 (now budgeted in the Detective unit). Also, the budgeted number of 48 patrol officers (PO) is one less than it was in FY21 because the Department reduced one PO as part of the FY22 budget cuts after the failure of the override.
- The rise in salaries will be somewhat offset by continued vacancies not filled, long term injury, and recent retirements including high-ranking officers.
- Continued vacancies result in high overtime (OT). OT is already 36% over budget in FY23.
- Budgeted expenses decline by \$7,535 (0.85%), due to a reduced fuel budget as the department purchases only hybrid patrol cars.

Impact of Proposed FY24 Budget on Department Operations

- Despite the contracted salary increases, the Department feels daily the impact of vacant positions going unfilled. In November 2022, of 48 budgeted positions, 38 were working, resulting in forced overtime (OT) and double shifts. Overtime is 36% over budget in FY23, and OT usage will continue to be high in FY24.
- While the Department has been able to fill three positions, some vacancies remain and two retirements are anticipated.
- An essentially flat budget combined with ongoing vacancies leaves the Department little margin to respond to unusual events. For instance, this year numerous officers have been called to testify in court on the death of Henry Tapia, and court time is likely to remain high in FY24 due to the double shooting in January 2023. Most court time is OT.
- The Department continues to have a contracted Social Worker through a grant from the state Department of Mental Health. The Social Worker helps de-escalate calls with people in crisis and helps divert these incidents from hospital emergency rooms and arrests that would consume patrol

officer time. The Social Worker does a high volume of evaluations and has had a positive impact for the Department and residents.

Budget Risks in FY24; Impact on Town Services

- The Police Department is facing 4 vacancies in FY24, two of which remain from FY23 because they could not be filled from the Civil Service list, and two retirements are expected around July 2023. At the time of this report, the Department plans on requesting an additional list from Civil Service for the hiring of 4 additional candidates. These 4 candidates would enter the academy in late 2023 or early 2024. In addition, one supervisor remains on National Guard duty and two Patrol Officers are on long-term injury leave.
- Any significant delay in filling the vacant positions could lead to greater use of OT. The high use of OT can impact the health and safety of Patrol Officers, delay promotions, and hurt morale, and thus impact the delivery of continued public safety service. The continued use of Civil Service raises significant barriers to filling vacant positions, including a deficit of eligible candidates, which inflates the use of overtime and delays promotions.
- In addition, the continued use of Civil Service is a significant barrier to increasing the diversity of the Police force, which is currently 98% white, as documented in the [report of the Diversity Task Force](#).
- The Department expects OT will continue to be affected by court duty as officers are required to appear in person for trials and other judicial proceedings.
- The lack of crossing guards is again becoming an issue. Despite the installation of traffic signals at Common/School and Sycamore/Lexington streets, which eliminate two posts for crossing guards, the remaining positions are difficult to fill, which puts a strain on patrol officers and affects traffic control.

Outlook/Recommendations for FY24

- Given the lack of a reasonable number of qualified Police candidates from the Civil Service list, the Town can expect vacancies and excess OT to continue.
- The Department was successful in obtaining a \$100,000 grant to fund the Social Worker position and will continue to seek funding for the Social Worker position going forward.
- The Police Department, like other Town departments, should continue the effort to implement the recommendations of the Town's Diversity Task Force report.

The Warrant Committee notes the extensive hiring challenges faced by the Town's Police Department in recent years. These challenges have led to several lengthy vacancies, which in turn have driven high OT costs. Among the contributing factors to the hiring difficulties is the Town's participation in the state civil service system. The Structural Change Impact Group ([SCIG](#)) included a lengthy review and analysis of the civil service system in Belmont in its final report.

The Warrant Committee will not repeat the excellent review of civil service from the SCIG; however, the Warrant Committee supports the "Next Steps" outlined in the SCIG Report (page 53) for the Select Board and the Town Administrator:

- Continue discussions with unions with the goal of withdrawing from Civil Service with union support.

- As part of negotiations, continue the discussion of terms and conditions for an alternate system for hiring in Police Department and Fire Department.
- Hire an outside consultant to forecast savings and costs to determine the net benefit/loss for the Town.
- Develop a plan to leverage existing work done in non-civil service communities to develop exams, and other necessary guidelines.

General Government

General Government Departments are responsible for the administrative, financial, legal, and management functions of the Town. They are Town Clerk, Town Administration, Human Resources, Information Technology, Town Accountant, Town Treasurer, and Assessors' Office.

The FY23 budget numbers for the seven General Government Departments are listed in the table below. The details about each department are included in the sections that follow.

	FY23 Budget	FY24 Budget	\$ Change	% Change	FY24 FTE	Change from FY23
Town Clerk	\$525,298	\$508,161	(\$17,137)	(3.26%)	4.5	0
Town Administration	\$1,018,088	\$1,125,097	\$107,009	10.51%	5.0	0
Human Resources	\$1,020,978	\$655,063	(\$365,915)	(35.84%)	2.75	0
Information Technology	\$1,352,693	\$1,413,944	\$61,251	4.53%	5.4	0
Town Accountant	\$362,152	\$443,031	\$80,879	22.33%	4.0	0
Town Treasurer	\$724,774	\$649,437	(\$75,337)	(10.39%)	6.5	0
Board of Assessors	\$424,098	\$425,021	\$923	0.22%	4.0	0

Town Clerk

The principal change in the FY24 budget compared to FY23 results from the fact that there will only be two elections during FY24 as compared to three elections last year. However, there are new state mandates concerning voting by mail and in-person early voting which result in increased costs requiring overtime and poll workers to support the process. Although the chart above shows 4.5 FTEs, the operation of the Clerk's Office actually includes four FTEs (Clerk, Assistant Clerk, two Administrative Assistants). The Town Moderator and the Board of Registrars of Voters result in the additional .5 FTE.

The Clerk's Office has embraced new technologies. At this year's elections, the familiar paper poll book has been replaced with an electronic version that shows not only the person's name, but whether they are properly registered and if they are in the wrong precinct. It even provides directions to the proper precinct. There are new electronic voter tabulators which not only count the votes but inform the voter

when any ballot has been improperly completed (i.e., vote for 13 Town Meeting Members when only 12 seats), asking the voter whether the ballot should be counted as is or if they would like a new ballot. The use of technology is now allowing more accessible ways for the public to secure Town records and licenses.

Town Administration

The most significant personnel change in the Town Administrator's office in 2022 was hiring Assistant Town Administrator/Finance Director Jennifer Hewitt. Ms. Hewitt has provided essential information for budget planning to the committees that are responsible for planning the FY24 budget: the Select Board, School Committee, Warrant Committee, and Comprehensive Capital Budget Committee. In FY24, there are no changes in FTEs in the Town Administration department.

Legal services are covered under the Town Administration budget and it has been increasing in the past several years. In FY24, the budget for legal services has increased by \$90k or 30.25% (from \$297,500 to 387,500), which reflects recent spending levels. This increase is appropriate because of the significant number of situations where the Town needs legal advice to determine how to resolve conflicts among property owners and residents. For example, the Beatrice Circle 40-B project and the Belmont Hill School parking lot project have both generated significant legal fees. In addition, the COVID-19 pandemic raised a large number of legal issues. Residents should be aware of the financial cost of legal services that the Town incurs each time a conflict arises.

Human Resources

The Human Resources (HR) department has been without a director since September 2022. The Town is working with a third-party to help with recruitment. The difficulty in hiring the HR Director is an example of the difficulties the Town has faced in hiring senior staff in the past year. It has been generally easier to hire lower-level staff.

All public employee union contracts have been settled. There are four contracts that will expire on June 30, 2023, and negotiations are underway. Concluding negotiations with these unions is a primary goal in FY24. In addition, the department will be implementing changes recommended from the wage and classification study that was completed in late 2022. HR is also responsible for 889 benefit-eligible employees, in Town and school departments.

In FY24, the HR department budget decreases by 35% (\$1.02 million to \$655,000). This large decrease is entirely due to the HR budget carrying a smaller salary reserve in FY24 than in FY23. Salary reserve is included in the HR budget to account for potential salary changes due to union negotiations and there are fewer outstanding union contracts this year.

Information Technology

In addition to its other responsibilities, the IT department assists the Assessors Office with importing data into the Department of Revenue reporting system. This is a significant annual task, as the Town's current CAMA (Computer Assisted Mass Appraisal) software does not follow state standards. (See the Assessors section for a further discussion of CAMA.)

The addition of a part-time administrative assistant has made a significant improvement on the department's ability to focus on mission-critical performance and security needs.

The department implemented a Town-wide upgrade to Microsoft Office 2021 on very favorable terms. This will be the final non-subscription upgrade available for that software suite. The department anticipates that software services for FY2026 will increase by approximately \$90,000 under Microsoft's mandatory subscription model.

Cyber threats targeting government networks continue to challenge IT department resources. Ransomware and other threats are a serious concern and require multifaceted efforts, including training for town staff to avoid email phishing attacks and network security tools to detect unusual activity on the network. The department has now purchased automated security assistance through a Security Operations Center (SOC) on an annual contract.

Town Accountant

After the previous Town Accountant resigned and moved out of state, the Assistant Town Accountant succeeded to the position. The process of updating and streamlining the Town's accounting procedures continues. Closing the Town's books shortly after the fiscal year on June 30 has allowed the Town to receive timely Free Cash Certification by the state Department of Revenue, a significant help to the town's budget process over the past two years.

In recent years, the Accountant's office has demonstrated a creative approach to finding efficiencies in the Town's various accounting systems, including implementing and training the Town's various departments on Tyler Content Manager in MUNIS, the Town's accounting system. The decentralization of the process of entering invoices allows for the generation of necessary financial reports in real time.

Last year the office located and released approximately \$430k in prior year encumbrances related to capital expenses. These funds then became available for necessary capital expenditures. The department has now implemented a policy of using or releasing encumbrances before September 30 of the following fiscal year.

Last year the office also assumed responsibility for payroll processing from the Treasurer's office. The Town Accountant's office decentralized time entry and implemented workflow approval. Further updates will allow employees online access to pay stubs, W-2's, and other data are being planned.

Town Treasurer

The citizens of Belmont have been fortunate for the past 18 years to have had Mr. Floyd Carmen (first elected in 2005) as its Town Treasurer. He brought great competence and professionalism to the position of Treasurer and skillfully guided the cash management of the Town. On his watch, Belmont has maintained a AAA bond rating by both Moody and S&P putting Belmont as one of the only 11 communities in Massachusetts to have earned this distinction.

The office of Treasurer is now in a state of transition. Mr. Carmen has retired. In keeping with one of the recommendations of the Collins Report, the April 4, 2023, Annual Town Election ratified the previous Town Meeting vote to now provide that the office of the Treasurer shall no longer be an elective position, but hereafter shall be by appointment of the Town Administrator.

The reduction of the Treasurer’s budget as reflected above results primarily from the transfer of a Payroll Manager position to the Accounting Office. Mr. Carmen, as outgoing Treasurer, stated that he did not believe the office needed the continued service of an office assistant as a .5 FTE. The Treasurer’s Office last year closed out six real estate tax liens yielding \$796,301. The function of the Treasurer’s Office as collecting parking fines should not be viewed as a profit center but instead as a necessary activity for the effective enforcement of parking laws.

Assessors’ Office

The Assessors Office lists and values all real and personal property for purposes of taxation by the Town, in accordance with state law and as certified by the Massachusetts Department of Revenue. It administers tax exemptions and abatements, as well as inspections and changes in value due to structural additions and modifications.

The new growth figure for FY2024 is expected to be \$860,000, largely driven by residential additions or renovations.

The Abatements and Exemptions reserve is now \$840,000, which is approximately 1% of total property tax revenue. The reserve accounts for new growth valuations that might create additional abatement requests. It also accounts for property tax work-off programs provided to Belmont seniors.

The Assessors Office currently uses CAMA (computer assisted mass appraisal) software developed by J.F. Ryan. The Collins Center Report has “emphatically” recommended that the “Town should invest in upgrading its CAMA system” to one which conforms to state standards. However, this upgrade is unlikely to happen prior to the summer of 2025. Every five years the Massachusetts Department of Revenue recertifies the Town’s assessed values, a process that will begin in FY2024 and which typically lasts an entire year. The current CAMA contract runs through 2025, and it would be too difficult to migrate to a new system the year before recertification.

Abatement requests have varied in recent years. (FY2024 abatement requests were due this year on February 1, 2023.)

<u>Year</u>	<u># of requests</u>
2019	200
2020	556
2021	408
2022	148
2023	139

FY24 Recommendations

Pursuant to recommendation 1.8 of the Collins Center Report, Town Meeting should consider a ballot question to shift the Board of Assessors from an elected to an appointed body.

If the Town adopts an appointed Board of Assessors, the Select Board should then implement a comprehensive PILOT (Payment in Lieu of Taxes) program for the Town’s non-profit landowners. (This is recommendation 2.1.2 of the Collins Center Report.) The Town is unlikely to implement a successful PILOT program without clear lines of authority and a coordinated approach, including necessary data from the Board of Assessors.

Commercial property currently accounts for approximately 5% of Belmont’s annual property tax receipts. The Town should pursue business-friendly policies and a rewrite of the zoning bylaw, with an ultimate goal of substantially increasing the percentage of annual property tax receipts from commercial sources.

Town Meeting should consider filing a home rule petition with the state legislature to request an exemption from the 75% tax break under MGL Ch.61B, as applied to golf courses.

In anticipation of an override ballot question on the April 2024 ballot, Town Meeting should consider filing a home rule petition with the state legislature to provide additional property tax relief to qualifying seniors, beyond the maximum current limits Belmont already provides under state law.

Human Services
Council on Aging

The Belmont Council on Aging (COA) serves the town and our seniors through a variety of programs. These programs include social services; lunch and nutrition; wellness and exercise; and learning and arts programs. These services also provide valuable socialization for Belmont’s seniors.

Budget Overview

	FY 23 Budget	FY24 Budget	\$ Change	% Change
Salaries	\$439,136	\$369,079	\$(70,057)	(15.95)%
Expenses	\$38,004	\$36,775	\$(1,229)	(3.23)%
Total	\$477,140	\$405,854	\$(71,286)	(14.94)%
FTE	5.6	5.6	--	--
ARPA/Grant FTE	1.6	1.6	--	--

The decrease in compensation for FY24 of (15.95%) reflects the fact that ARPA grant should not be included in the budget. Economies in rental of office equipment and vehicle supplies account for the decrease of (3.23%) in the expenses budget.

It is anticipated that a FY25 grant will be secured to replace ARPA funding for a Social Worker.

Grant Overview

Grants and additional funding the COA receives:

- State Formula Grant-\$80,628 allows COA to fund three staff positions, including one driver, media coordinator, and volunteer coordinator.
- Title III-This funding supports congregate meal site five days a week.
- Taxi & Livery Partnership Program administered by MassDevelopment- \$10,000 awards the COA an opportunity to provide medical taxi rides through a partnership with Belmont Taxi. The medical rides go to locations beyond where the BelderBus can take people.
- Friends of the Belmont Council on Aging- The Friends provide various financial support when needed. Examples include funding the facilitator for our decluttering support group, volunteer appreciation lunch, money to provide expanded evening and weekend programs, covering the cost of the technology needed for our volunteer driver program and MyRec for online registrations, paying for the tent and spot at Town Day, and so much more.

- Massachusetts Councils on Aging- When available, the COA will apply for grants through MCOA. Last year, the COA was awarded over \$7,000 for a diversity luncheon event.

Program Overview

The Beech Street Center opened full time in FY23 and is open late on Tuesday evenings. The Center receives a 100-119 Belmont Seniors daily, and serves luncheon, provided by Springwell, to an average of 50 seniors daily. There are a monthly average of 700 rides to medical appointments or other learning and recreation activities. (Details on utilization are below.) Tuesdays and Wednesdays are the Center's busiest days.

Using March 2023 as a representative month, The COA serviced **482** individual Belmont Seniors in the 23 days opened, delivering a total of 3699 events, rides, or other services. This tally of 482 individuals includes the COA volunteers and others.

In March, the total population of center users was 663 people serviced, as seniors from neighboring towns and other Belmont residents use the Center. March 2023 data showed that people aged 50 and older who lived outside of Belmont checked into the center **904** times.

Activities in the Center include fitness, indoor pickle ball, wellness and learning programs. The COA provides at-home services as well, including nutrition, social services, and in-home fitness.

In coordination with the Age-Friendly Action Committee, the COA is organizing programs for seniors living independently. These initiatives address safety, access to services, and life-long learning opportunities for seniors.

The COA also manages the weekend and off-hours rental of the Beech Street Center, with rental fees flowing to the town. The Center has been rented by private parties for weddings, scout troop meetings, and Easter Egg hunts, among other uses. Rentals are beginning to pick up as the weather gets nicer. Every Saturday was booked with a rental in March, and May and June weekends are already booked.

Fees are collected from seniors for learning and recreational trips and events. These sums offset the costs of such programs, and scholarships are offered for those unable to afford the fee.

Future Considerations and Recommendations

The Director of the Council on Aging does not foresee any major risks in the FY24 budget. In FY25, it is anticipated that grant funding will replace the ARPA funding for the new social worker, so there will not be a requested additional FTE in the FY25 budget.

Outreach to serve more Belmont seniors at the Center is important, as well as seniors who are unable to visit on-site. Consideration should be given to mailers, flyers placed in local houses of worship, or other contact for Seniors who may not be reached via the internet and social media.

Review of the rental fees for the Center is appropriate to determine if these rates are market competitive and reasonable.

Library

Budget Overview

FY23	FY24	\$ change from prior year	% change from prior year	FY24 FTEs
\$2,374,315	\$2,348,394	\$25,921	(1.1%)	26.85

Budget by Program

The Library has four main program areas: Public Services, which includes Circulation, Adult/Reference, Young Adult and Children's Services, all directly serving patrons; and three areas supporting those services, Technology and Technical Services, Plant Operations and Administration.

Program	Budget \$	% Change
Public Services	1,461,098	(1.41%)
Technology and Technical Services	391,620	6%
Plant Operations	234,871	(25.8%)
Administration	260,805	26.6%
Total	\$2,348,394	(1.1%)

To be certified, the state requires certain minimum standards of free public library services which include a minimum appropriation and minimum hours per week. The present recommended appropriation just meets the MBLC's Municipal Appropriation Requirement (MAR). It is funded to the exact necessary amount. Typically, this number increases annually by 2.5% and, therefore, will bear close scrutiny in the preparation of the FY25 budget.

FY24 will be a year of transition for the Library. With the successful Town Meeting vote and tax override, progress on building the new Belmont Library is underway. It is anticipated that the Library operations will move out of the existing location and demolition will begin before the end of this calendar year. Construction of the new building will begin early in calendar 2024 and the target for opening is Labor Day of 2025.

During the construction year, the Library will continue to function. Plans are being finalized but it is expected that there will be as many as four - five temporary locations to house the Library's functions.

In recent years, the Library Trustees and the Director have undertaken an overhaul of the Library structure by combining departments and revising job descriptions. In addition, they have implemented automation, including automatic self-checkout machines and online reservation systems, self-service checkout via mobile apps and more.

Comparing FY24 to FY23, the following savings have been realized: (i) reduction in part-time salaries \$58,284; (ii) reduction in overtime \$2,000; (iii) reduction in new books and e-resources \$19,168; (iv) reduction in the maintenance budget because of new building \$24,435. Now, with the elimination in FY24 of a full-time custodial line and its support lines an additional \$64,320 has been realized.

It was the request of the Library that with these savings the FY24 budget would include sufficient funding to provide for a full-time Assistant Library Director. The need for an Assistant Director is compelling. The Library is the only department in Belmont and the only Library compared with our peer towns that is

without an assistant director. The Belmont Library is the 10th busiest library in the Commonwealth. The Director manages a workforce of 26.85 FTEs and during next year, he will be burdened by the responsibility of managing the separate temporary library locations as well as devoting substantial time as a liaison to the Library Building Committee. Because of the fiscal constraints of balancing Belmont's FY24 budget, the recommended budget could not entirely meet the Library's request for the full-time Assistant Director. That said, with the savings from the overhaul of the Library structure in previous years referenced above and including now the elimination of a full-time custodial role from the FY24 budget, the final recommended budget for the Library for FY24 includes enough funds to hire an Assistant Director approximately half-way through FY24.

Health Department

Budget Overview			
FY24	\$ change from prior year	% change from prior year	FY24 FTEs
\$597,112	(\$45,224)	(7.04%)	6.27

Budget by Program

The Health Department's areas of responsibility include disease control, enforcement of state and local sanitary codes and health regulations, health permitting, animal control and veterans' services.

Program	Budget \$	Budget %
Health Administration including: Environmental Health and Disease Control	\$412, 748	69.12%
Veterans' Services	\$109,940	18.42%
Animal Care & Control	\$74,424	12.46%
Total	\$597,112	100%

The Department's budget decrease of 7.04% results from recognizing that ARPA grant funding should not be reflected in the budget, and a reduction in hours requested by the Veterans Services Officer.

In FY23 the Health Department's workload remained as unusually high as it resumed more of its traditional responsibilities to enforce minimum sanitary standards for retail food sales and rental housing, investigate nuisance complaints, inspect swimming pools and summer camps, and perform Title V septic inspections, while continuing to address continuing effects of the COVID-19 pandemic. The Department received one-time federal funding to hire a temporary Public Health Agent, who conducted free dual-vaccine clinics for flu and COVID, and led contact tracing after Covid outbreaks including a Butler School classroom in September 2022. The Agent also conducts outreach for the Department on food safety inspections and veterans' issues and helps with all functions in the Department. The resumption of twice-yearly inspections revealed that during the pandemic, many food service establishments had slipped out of compliance, requiring more visits by the Department than usual to bring them back into compliance.

The Department has no full-time Public Health Nurse but shares a Nurse with the Town of Arlington. This Nurse works 14 hours (two days) per week for Belmont and is a Belmont employee. The Department's Veterans Agent also works part-time and reduced his hours in FY23. The full-time Animal Control Officer remains in high demand for administration of pet licensing, off-leash dog programs and response to nuisances including rats and the conditions that attract them. The Youth and Family Services Social

Worker has been moved into the Recreation Department, but there is need for a Social Worker to address food insecurity, hoarding, and other complex housing conditions. Overall, the workload of the Health Department remains higher than it was before the pandemic, and staff and the volunteer Board members continue to make themselves available on evenings and weekends.

The high demand for Department services means it will be necessary to replace the one-time federal funding to retain the Public Health Agent position, which will expire after FY24.

The Department sought and received grants from other sources, including a \$5,000 grant from the US Food and Drug Administration to participate in a program to reduce the rate of food-borne illness. However, the Department lacks the staff to draft grant proposals for more funding.

The Health Department has unmet needs for capital to invest in an electronic payment system for the many permit fees administered by the Department. Such a system would free employees to provide health services needed throughout Belmont.

Note

This report is a collaborative report that reflects many hours of work by all members of the Warrant Committee with assistance from the Town Administrator, Assistant Town Administrator / Finance Director, the Town Treasurer, the Town Clerk, the School Committee, School Superintendent and Finance Director, and each of the department heads. The Chair of the Warrant Committee takes responsibility for the content of this report. We welcome all feedback that could help make the report more useful to Town Meeting Members. Please email any comments to warrcommpublic@belmont-ma.gov.