

Approved by
the Select Board on:

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**Minutes
Town of Belmont
Warrant Committee Joint Meeting with Financial Task Force II, School Committee and
Select Board
Understanding Overrides and Making Difficult Budget Choices Public Forum
Virtual Meeting on Zoom
Wednesday, December 9, 2020
7pm**

Financial Task Force II (FTFII) Members Present: Chair Tom Caputo, Catherine Bowen, Geoffrey Lubien, Rebecca Vose, Patrice Garvin, Floyd Carman, John Phelan, Anthony DiCologero, Mark Paolillo

Warrant Committee Members Present: Laurie Slap, Paul Ricketer, Mike Crowley, Ellen Schrieber, Elizabeth Dionne, John Alcock, Christine Doyle, Jennifer Fallon, Elizabeth Goss, Andrew Levin, Daniel Halson, Anne Helgen, Robert McLaughlin, Lynn Read, Jack Weiss, Roy Epstein, Michael Crowley

School Committee Members Present: Andrea Prestwich, Tara Donner, Amy Checkoway, Evelyn Gomez

Select Board Members Present: Adam Dash, Tom Caputo, Roy Epstein

Financial Task Force II (FTFII) Members Absent: Dan Dargon

Others present: Members of the Public were not identified.

Warrant Committee meeting was called for order at 7pm.

Select Board meeting was called for order at 7pm.

School Committee meeting was called for order at 7pm.

Financial Task Force meeting was called for order at 7pm.

Understanding Overrides and Making Difficult Budget Choices

Chairwoman Slap presented an overview of Belmont's financial situation. An initial set of FY22 budget proposals were put forth on November 23, 2020 by Town Administrator Garvin and Superintendent Phelan that rolled over existing town and school services. This forum is the beginning of the townwide conversation, providing an opportunity for community input.

- A structural deficit is when your recurring expenses are increasing at a faster rate than recurring revenue. It is structural because it keeps happening because property taxes can only increase by 2.5% annually which is not enough to cover expenses.

- Since the last override Belmont passed in 2015 there has been a surplus collected that has been used in outyears to cover this recurring deficit. There is no longer a surplus to be used to cover the gap, leaving Belmont at a fiscal cliff.
- Belmont is in a difficult position because there is little commercial tax base to utilize to increase revenues.
- Town expenses have increased because of pension obligations, employee healthcare costs, compensation (due to increased school enrollment) and mandated services.
- 75% of Belmont's revenue comes from property taxes while 10% comes from state and local receipts and remaining revenue comes from smaller sources.
- The town's budget breakdown divides into 50% allocated for School, 33% for Town and the remaining amount allocated for fixed costs.
- To manage the budget gap, the town needs to increase revenues, decrease expenses or approve an override where the town will be able to set a greater property tax baseline. There are limited opportunities for the town to increase revenue. Some property developments bring in additional revenue as well as marijuana businesses.
- Several efforts have been made by the town to restructure to gain efficiencies where possible. These efforts are on-going. The Structural Change Committee was formed to lead this effort. The Town has continually looked for COVID reimbursements where possible.
- Some of the increasing expenses were detailed as follows:
 - Healthcare costs are increasing rapidly, driving expense increases more than the 2-3% anticipated revenue growth. Belmont is a self insured community.
 - Pensions are growing on average by 7.7%. The town is legally required to fund their liability by 2042 but are on track to reach this state requirement by 2032. An independent Retirement Board is responsible for managing the Town pension system.
 - Compensation, particularly for the School Department, is growing at more than 2.5%. Compensation is governed by collective bargaining units. This is not something that can instantly be changed, making it an ineffective area for cost saving measures.
 - Federal and state mandates for SPED and ELL require annual spending. Department details regarding these mandates will be shared at the next town forum on 1/7/21.
- To manage the budget gap the town can use free cash, use reserves from early years of overrides or through other means.
 - Last year the town eliminated the roads budget. This means the town must allocate sufficient funds for road improvements in this year's budget.
 - Cash was used at a higher rate than normal.
 - All town departments pulled together to reduce expenses to confront COVID.
- The currency FY22 budget would result in a \$8.1 million deficit.
- The town did receive a significant amount of turnbacks and saw an increase in one time free cash generating events. There is currently \$13.1 million in reserves, including \$11.2 million in free cash and \$1.9 million in the general stabilization fund.

- The town treats these funds as a savings account. These funds cannot be spent down to 0.
 - Town guidelines established that an amount equivalent to 3-5% of the operating budget be maintained as free cash to mitigate against risk.
- The town does have one time expenses coming up which these funds are typically used for, such as the Chenery School roof replacement.
- Town reserves can be used to level out the budget gap.
- Possible solutions include cuts to compensation which comprises 75% of the town budget. If compensation is cut then the town would experience deep cuts in services.
 - An override is another solution. This would reset the property tax baseline. The decision to propose this solution is up to the Select Board.
 - A combination of solutions can be used to address this problem.
- As a next step, the town is asking that all departments prepare two budgets. One if an override is approved and another if an override fails.
- The town has a website where all information has been gathered for the public to use.
- The next community forum will be on January 7, 2021.

The Forum moved to a Question and Answer format where Ms. Doyle and Mr. Lubien presented questions submitted by residents. The following questions or topics were addressed and given corresponding answers. Residents asking questions were not identified by name or property address.

- How long was the 2015 override supposed to last? Why are we here again facing a budget gap?
 - The 2015 override was expected to last three years but was able to sustain Belmont financially for six years.
 - This situation that Belmont is facing will not go away despite best efforts.
- Why are pensions growing at 7% or higher?
 - A gap was built up over many years where the town was neglecting to contribute to the pensions system. The town had not been fully funding pensions it promised employees for 30-40 years. Belmont was not alone in its neglect and as a response the state passed legislation requiring municipalities to fund their pensions fully by 2042.
 - Pension law states that communities are required to put a plan in place to fill the gap. Belmont elected to have a funding plan executed by 2032.
- What portion of each property tax bill goes to schools?
 - About 60% of property taxes go to the schools and 40% go to the town.
- Is the Belmont Light Pilot program mandatory or voluntary? How did the prepayment take place?
 - The Pilot program allowed property owners to prepay their light bills. This program was launched when the town was struggling to balance the FY21 budget and proposed this as a solution for the town to receive additional revenue. This program was voluntary and resulted in an additional \$1 million in revenue for the fiscal year.

- What town employees were impacted by layoffs?
 - The only employees affected by COVID were employees of the Library. Part time, weekend shifts were eliminated, causing several employees to not receive work.
 - Non union employees did not take a Cost of Living increase.
 - The School Department enacted a hiring freeze but no employee was laid off.
- Does the town expect to receive level-funded, matching state aid? Does this affect fiscal planning?
 - Yes, the town is assuming matching state aid. An increase is expected as a result of the move to full time Kindergarten.
 - The Governor typically releases his preliminary budget in January.
- Does the financial model assume that school expenses will increase?
 - Yes, since the model assumes that the Belmont population will grow.
- Are we assuming the same employer-employee split for healthcare costs?
 - Yes. This split is negotiated with the unions and cannot easily be changed.
- How much of an override would go to the schools?
 - The exact percentage was unknown. The financial model is continually being adjusted throughout this process. Positions that are funded for the school may appear on the town side of the budget as they provide support to both town and school sides such as a Building Systems Manager.
- How do we budget for an override without knowing how big it will be?
 - Right now the town is assuming it will face a \$8.1 million override but this number may move around.
- When will the funds resulting from the accounting reclassification be added to free cash?
 - When people pre-pay their taxes and it crosses over fiscal years.
- Do overrides happen in nearby towns?
 - Yes, exact information regarding neighboring town overrides will be provided on the town website.
 - For example, Winchester passed a \$10 million override last March.
 - More overrides have occurred throughout the state since Proposition 2.5 was passed.
- Can you put school compensation into perspective?
 - On average, teachers received maybe \$80-85,000/year.
- How can Belmont diversify its revenue streams?
 - Belmont recently had its revenue plans come to fruition this year and will continue to work on it.
- How can we educate the public regarding a budgetary override?
 - The town will continue to share information and will share as much as possible to Town Meeting Members and members of the public.
- Why does the town support the construction of housing complexes when it furthers the problem of overcrowding in schools?
 - The town evaluated the financial impact of housing complexes and determined that it would ultimately generate more revenue than expenses. A study was done

for the McLean property regarding how many school age children it could expect and the town still saw profit in its development.

- What is the expected deficit created by the schools?
 - An exact number was not available.
- What structural reforms have been made since 2015?
 - Question was referred back to the presentation given.
- Are there ways to manage the deficit without having future overrides?
 - Managing costs are important but revenues are increasing for the foreseeable future. This is a common phenomenon facing communities. The town is trying to find ways to extend revenue where they can.
- How is Belmont encouraging business growth?
 - Belmont is already pretty built out. The Select Board is working on this matter but is a continual challenge for Belmont. The town also needs to get to 10% affordable housing.
- Can we publish per employee numbers for pension?
 - The Belmont Retirement Board provides financials on their website. Individual pension amounts are not available.
 - The increase in pension is similarly to paying off credit card debt. The Belmont Retirement Board is responsible for managing Belmont's pension system. They received approval from the state to execute their plan for town contributions. The town is trying to pay more actively towards employee pensions in order to avoid costs that occur over a longer execution time.
- Can we extend the pension schedule further as a way to save money?
 - The town can influence but not control the Retirement Board.
 - The Select Board asked for an adjustment to the pension system in October which was approved. They do not intend on returning again to the Retirement Board anytime soon.
- How has the town looked into shared municipal services?
 - The schools do have partnerships in place for SPED services (LABB collaborative) and for professional development services.
 - The town shares a plumbing and gas inspector with Watertown. The town always takes part in collaborative purchasing. The town is exploring possibly regionalizing Police and Fire services.
- Is it possible to split an override for town and school budgets?
 - This question stems from a loss of confidence in the current school system budget management. It is possible to split the override but is ultimately up to the Select Board to determine that. This split would be presented in the proposed verbiage drafted in the ballot question.
 - School Committee members defended that it is unfair to say that the budget has not been managed responsibly. Belmont schools are nationally recognized and face a difficult challenge.
 - Members agreed that the town is in this problem together.
- Are there any urgent capital expenditures expected over the few years?
 - The Chenery School roof will need to be replaced as it is at the end of its life.

- For expenses such as this the town has in place a building envelope program.
- Is the headcount for town and school staff expected to increase?
 - A handful of positions are proposed on the town and school sides.
- Does the town expect a significant amount of retirements?
 - No hard numbers are available for expected retirements.
- Are the Police and Fire Departments going to be level funded?
 - The town deferred significant spending in FY21. All Fire and Police budget requests were added into the FY22 budget. Spending will remain relatively flat except for contractual requirements.
- Can the town change the composition of the revenue stream to fix the structural deficit?
 - Revenue streams are limited.
- Why was the deficit not addressed in 2018?
 - Town Administrator Garvin sought recommendations by UMass Boston McCormack School in 2018 and enacted some of the recommendations right away. The Financial Task Force 2 was created as a part of these recommendations. At that time the new High School was well on its way to being placed on the ballot and was ultimately a separate event. Regardless, the new school building will be coming online right in time to accommodate for additional students.
 - Since 2018 the town has been looking for the right time to propose an override.
 - An operating override is different from a debt exclusion (how the High School is funded).
- Why have healthcare costs increased?
 - Belmont is a self insured community. Healthcare funds come from a trust that both the town and employees pay into. The amount is calculated year over year. The town pays claims out on a monthly basis. Any surplus accumulated remains in the trust. Calculations are made based on the market. It is a rather complicated process.
- Can more healthcare costs be passed onto employees?
 - The healthcare costs are split 75-25. Any change in this split would need to be negotiated with the unions.
- Can the town debt be renegotiated?
 - The Town Treasurer, Mr. Carman has stayed on top of this matter. The debt issued to the town is not like a home mortgage. By law, debt issued to the town cannot be renegotiated for at least 5 years. You can only refinance once before the call date. This process is far more limited than a home mortgage. The town bond rating associated with this allows the town to save millions in dollars. The town has a AAA bond rating.
- When will property owners see the second increase in their tax bills related to the high school debt exclusion?
 - February 2021 is when the second borrowing for the High School construction will take effect. The second increase will be equivalent to the first.
- Can the proposed school positions be launched sooner?

- The school has a list of positions proposed as the new school is launched. They wish to incrementally add the positions to avoid a significant request among. The proposed FY22 positions total \$400,000 in expenses.
- When can the public offer input?
 - All questions, suggestions, etc. are welcome anytime. Anyone can submit feedback through email, phone call or an online form.
- If an override fails, what services could be cut?
 - This topic will be discussed at the next forum on January 7, 2021.

In total, about 95 questions were posed. There was an attendance of about 130 people present.

On a motion by Mr. Dash and seconded by Mr. Caputo, the Select Board voted to adjourn.

On a motion by Mr. Lubien and seconded by Ms. Doyle, the Warrant Committee voted to adjourn.

On a motion by Prestwich and seconded by Mr. Crowley, the School Committee voted to adjourn.

On a motion by Mr. Lubien and seconded by Ms. Bowen, the Task Force voted to adjourn the meeting. *The meeting adjourned at 9pm.*

Respectfully Submitted,



PATRICE GARVIN, Town Administrator

Documents Used:

- Understanding Overrides and Making Difficult Budget Choices Presentation (Slap)