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# Office of the Board of Selectmen Town of Belmont Massachusetts

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## SELECTMEN

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## TOWN ADMINISTRATOR

DAVID J. KALE

## ASSISTANT TOWN ADMINISTRATOR

PHYLLIS L. MARSHALL

February 22, 2016

To the Honorable Board of Selectman, Warrant Committee  
and the residents and taxpayers of Belmont:

### **Overview**

I herewith submit for your consideration the Proposed FY17 Operating Budget for the Town of Belmont. The total Proposed Budget of \$104,941,100 represents an increase of \$4,637,244, or 4.6%, over the FY16 adjusted budget.

The Proposed Budget reflects the additional resources provided as a result of the successful Proposition 2 ½ Override approved by the voters in April 2015. The FY17 School Budget reflects the addition of five teaching positions (FTEs) to support increased enrollment as reflected in the Financial Task Force Plan. In addition, funds have been provided to cover the cost of an additional bus to transport students, which is required due the continued increase in enrollment as well as an allocation to support the continued implementation of the iPad program for students. Also, increased funds have been provided in the FY17 School Budget to adequately cover the costs in Special Education Tuitions, which have significantly exceeded the budgeted amount in the current fiscal year. This will allow the FY17 School Budget to begin the fiscal without a shortfall in this account.

The FY17 Budget continues the additional capital funds provided in FY16 to support sidewalk repairs (\$200,000) and additional funds for the Pavement Management Program (\$300,000). The Proposed Town Budget provides funding to support Board of Selectmen priorities, such as the addition of a

staff planner position in the Community Development Department, public safety equipment and technology replacement while continuing to maintain level services.

A net increase in State Aid of \$417,385 contained in the Governor's Proposed Budget for distribution to Belmont has been included in the Proposed FY17 Budget with 89% of the net increase used to support School expenses in staff, Special Education, student transportation and technology. However, this additional State Aid amount is not final and is subject to revision when Legislative Budget Proposals are submitted as part of the State Budget Process. In order to provide a contingency in the case that the projected State Aid increase is less than anticipated, \$150,000 has not been used the FY17 Budget and it remains available as an offset in property taxes. As better information becomes available on the State Budget, a policy decision on the allocation or non-allocation of the \$150,000 can be made.

Belmont is not unlike other municipalities, which budget revenue at the Proposition 2½ Property Tax Levy Limit and derive a majority of their property tax revenue from residential properties to balance revenues and expenditures on an annual basis. Absent significant and consistent increases in property tax revenues from new growth, state aid, non-property tax revenues or the use of cash reserves, the annual budget process will continue to be an ongoing challenge. However, because of the increased property taxes as a result of increased new growth over the expected increase due to the Uplands development, increased state aid, and the override of 2016, the FY17 Budget allows Town and School Budgets to be maintained and to accommodate increases as a result of increased student enrollment.

## **Budget Process**

The Budget Process began in November 2015 with the development of estimated revenues to fund the upcoming Budget, as well as an estimate of "Fixed Costs." Fixed Cost budget items include State Charges and Assessments, Debt Service, Pension, Minuteman Vocational School Assessment, Reserve for Property Tax Abatements (Overlay) and an allocation for Capital Road Improvements. Fixed Cost items are funded independently from Town and School allocations. This estimate is done in collaboration with the Board of Selectman, Town Officials and the Warrant Committee and was consistent with the Financial Model developed by the Financial Task Force.

Town and School officials used these targets to develop a balanced Proposed Budget. However, it was understood that changes to these preliminary estimates would be made to available revenues and "Fixed Costs" based on additional information being received prior to the February 22, 2016 budget submission date. The "Fixed Costs" are mandated by statutory and financial regulations. This is not unusual and is part of the budget development process since initial estimates are generally conservative so as not to result in a significant reduction in initial allocation amounts to Town and School Budgets.

The total available revenue amount contained in this proposal is \$104,941,100 for the FY17 Budget, which is an increase of \$4,637,244 or 4.6% over FY16. Estimated "Fixed Costs" total \$16,541,896, which is an increase of \$714,228, or 4.5% from FY16, leaving \$88,399,204 in available funding for Town, School and Capital Budgets. This resulted in a \$52,656,000 FY17 School Budget, which is a \$2,995,930 increase or 6.0% before the reallocation of school facility budgets, \$34,311,018 FY17 Town Budget, an increase of \$1,313,265 or 4.0% and \$1,432,186 FY17 Capital Budget, which is a decrease of \$386,179, or 21.2% due the reallocation of funds to support capital debt service approved last year.

**TOTAL AVAILABLE REVENUE IN FY17 PROPOSED BUDGET**

\$ 104,941,100	<b>TOTAL FY17 BUDGET</b>
\$ 16,541,896	FIXED COSTS
\$ 88,399,204	AVAILABLE FOR NON-FIXED COSTS (TOWN, SCHOOL, CAPITAL)

**FY17 PROPOSED BUDGET NET REVENUE AVAILABLE FOR NON-FIXED COSTS BEFORE PHASE ONE IMPLEMENTATION - COMBINED FACILITIES DEPARTMENT**

\$ 88,399,204	<b>NET AVAILABLE FOR NON-FIXED COSTS</b>
\$ 52,656,000	SCHOOL BUDGET FY17
\$ 34,311,018	TOWN BUDGET FY17
\$ 1,432,186	CAPITAL BUDGET FY17

During the budget process, meetings and discussions between local and state elected officials, Town and School officials, Warrant and Capital Budget Committees were held to share information as Town and School Budgets were being developed and changes to revenue and estimated fixed cost increases were identified. This process allowed information to be shared between the various stakeholders to ensure that accurate and complete information was provided prior to submission of Town and School Budgets.

The chart below reflects the reallocation of approximately \$2.5 million between the Town and School Department facility operations to move forward with the first phase to consolidate these costs into one budget.

<b>Before Change in School and Facilities Department Operations Budget</b>	<b>After Phase One Reallocation of Operations Budget</b>	<b>Difference</b>	
\$88,399,204	\$88,399,204	\$0	<b>NET AVAILABLE FOR NON-FIXED COSTS</b>
\$52,656,000	\$50,126,583	(\$2,529,417)	SCHOOL BUDGET FY17
\$34,311,018	\$36,840,435	\$2,529,417	TOWN BUDGET FY17
\$1,432,186	\$1,432,186	\$0	CAPITAL BUDGET FY17

In developing a “present level of service” Budget, Town Department Heads were asked to review their budgets to ensure that any one-time items were identified for reduction or reallocation. Additional guidelines included that any non-salary operating items with contractual or known increases must be budgeted appropriately. Energy budgets were budgeted to reflect cost increases.

Salary and Benefit budgets were allowed to increase to reflect negotiated salary increases, increments, health insurance and Medicare increases or changes. Vacancies were reviewed during the process.

Department Heads submitted their FY17 Budget requests to the Town Administrator in early January 2016. Department Heads met with the Town Administrator, Assistant Town Administrator, Town Treasurer, Town Accountant and the Human Resources Director to review budget requests. Changes to departmental budget requests were made during this process.

The following is a summary of the major revenue sources used to fund the FY17 Budget.

## **Revenues**

FY17 revenue estimates were developed in collaboration with the Board of Selectman and Warrant Committee. Non-Property Tax Revenues have been increased based on prior year actual receipts and current year estimates.

### Real Estate and Personal Property Taxes

The property tax is the Town’s largest and most stable source of revenue growth. The FY17 Budget estimates that \$85,456,184 will be derived from this revenue source, which is 81.4% of total revenues. This amount includes an estimated \$720,000 from property taxes due to new construction (new growth). New growth is the only way that a municipality at the Proposition 2 1/2 levy limit can generate additional property tax revenue. The Board of Assessors reviewed calendar 2015 information and increased the initial \$675,000 new growth estimate to \$720,000 during the process. This total amount includes a new growth estimate of \$220,000 for the Uplands Development.

The total property tax levy includes property taxes used to finance debt exclusions based on the debt schedule for the approved projects.

### State Aid

Total State Aid (Local Aid) is estimated at \$9,333,441, or 8.9% of total revenues used to fund the FY17 Budget and reflects a net increase of \$417,385, which reflects the amount included in the Governor’s FY17 Proposed Budget. The two major categories of State Aid (Chapter 70 Education (School Aid and Unrestricted General Government Aid (UGGA)) totals \$9,267,003. It should be noted that in addition to the Local Aid distributed to the Town, there are assessed charges from the State to pay for services (MBTA, etc.) totaling an estimated \$1,754,199, which brings the net State Aid revenue amount to \$7,579,242.

### Other Taxes

In addition to the Property Tax (Real Estate and Personal Property), other taxes including Motor Vehicle Excise (\$3,100,000), Meals Excise (\$210,000), Penalties and Delinquency Interest Payments (\$220,000) and Payment In-Lieu-of Taxes (\$36,000), are a major source of revenue to the Town. These tax revenues total \$3,566,000, which reflects an increase of \$96,485, or 2.8% in the FY17 Budget and represents 3.4% of total revenues.

### Free Cash

Free Cash is the amount of funds remaining from the operations of the previous fiscal year, which are certified by the State Department of Revenue (DOR) Director of Accounts as available for appropriation. Essentially, this means actual revenues collected were in excess of budget estimates and expenditures were below budget. The Town's certified Free Cash figure is \$7,604,052 as of July 1, 2015, which is an increase from \$7,465,047.

Overall, Local Receipts have been increased in the FY17 by a total of \$185,733. This has resulted in a corresponding reduction in the amount of Free Cash used, from \$1,750,000 in FY16 to \$1,600,000 in FY17. This revenue source represents 1.5% of total FY17 revenues.

However, the ability to consistently use Free Cash annually to fund the Budget will depend upon our ability to substantially replenish the amount used each year. Failure to do so will result in a reduction in the total available balance.

### Other Revenues

Additional major revenues used to fund the FY17 Budget include: Belmont Municipal Light Department Payment-in-lieu-of-taxes (PILOT) \$650,000, Ambulance fees (\$822,000), Recreation Fees (\$735,000) and Building Permits (\$835,000). The total of these revenue items total \$3,042,000 or 2.9% of total FY17 revenues.

## **Expenditures**

The following is a listing of highlights contained in the FY17 Budget:

### Capital Budget

The FY17 Budget contains \$1,432,186 to support capital projects, recommended by the Capital Budget Committee.

### Capital Budget-Roads

The FY17 Budget contains \$1,588,000 to support the on-going Pavement Management Program to support improvements to Belmont Streets. This amount is in addition to approximately \$534,000, which is received annually by the town from State Chapter 90 Highway Funds to support our Pavement Management Program.

### Debt Service

The FY17 budget for Debt Service has increased by a net amount of \$289,613 to a total of \$4,690,532 to reflect debt service related to the High School Fire Alarm System and Public Safety Radio Replacement Projects, which were approved last year.

### Pension, Health and Other Insurance

Pension costs are projected to increase by \$455,365 or 7.00% based on the latest funding schedule approved by the Belmont Retirement Board. Estimated cost increase for health insurance is projected to be 2.5% based on current year claims experience and estimated costs increases. Property and Liability Insurance and Worker's Compensation premium costs are estimated to increase by combined \$23,965.

### Charges and Assessments

State Charges and Assessments are estimated to increase by \$16,383 or 1.0% to \$1,754,199. The largest assessment is for the MBTA, which is estimated at \$1,643,590 for FY17. These State Assessments may change based on FY17 Legislative Budget proposals. The FY17 Minuteman Vocational High School assessment is estimated at \$751,165, which reflects an \$80,360 decrease.

### Departmental Budgets

Highlights of changes to departmental budgets include the following: The Community Development Budget provides for the addition of a staff planner position (\$56,049) which is required to meet the increased service demands of the planning division to review applications, plans, bylaw compliance, permitting. The Police Department Budget includes additional funding for computer equipment replacement (\$25,000) which has reached its useful life, law enforcement training (\$10,000) and an additional part-time Parking Control Officer (\$20,641) to provide parking enforcement coverage in the business districts after 4PM. The Fire Budget includes funding for a firefighter turn-out gear replacement program (\$25,000) for approximately one-half of the department which can no longer be used as it has reached its useful life defined by Federal standards and replacement of the current Fire Management Computer System (\$96,375). The Public Works Department includes increased funding for solid waste collection related to a two year extension of the existing agreement (\$135,000), primarily related to the prevailing wage rate required by the Massachusetts Department of Labor Standards. This will allow the department to prepare for the issuance of the next long-term bid in FY18 based on a process to collect data and public feedback in order to determine the service delivery model for trash, recycling and yard waste pick-up. The Facilities Budget contains additional funding (\$20,000) for system wide major repairs for buildings, which brings the total allocation for this purpose to \$295,000.

## **Conclusion**

I encourage readers to review each department's budget narrative in detail, which provides information on operations, accomplishments and performance measures. We have made improvements to our budget process and document as part of the FY17 budget development. We will continue to work on making improvements in the future. In FY16, many accomplishments have been achieved, which are described in individual department narratives. Some of the major accomplishments include:

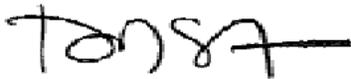
1. Execution of the sale of the Woodfall Road parcel for \$1,750,000. Proceeds may be used to fund a portion of the cost of some of the major building projects facing the Town, such as the High School.
2. Completed the construction of the new Underwood Pool, which opened in August 2016.
3. Substantial completion of the Belmont Center and Trapelo Road Reconstruction Projects, with final completion anticipated in the spring 2016.

4. After submitting Statement of Interest Applications over the last several years, the Town was invited in January 2016 to join the process by the Massachusetts School Building Authority for the Belmont High School Project.
5. Moody's Investor Services reconfirmed the AAA bond rating in April 2015 for the Town's \$34.1 million General Obligation Municipal Bonds to finance several projects. This rating allows the Town to receive the lowest interest rates on debt issued for capital projects.
6. Convened two public meetings with officials from the MBTA regarding accessibility issues and possible closure of the Waverley Square Train Station. Advocacy by the BOS resulted in keeping the Waverley Square Train Station open in its current location while a solution is developed by the MBTA.
7. Coordinated comprehensive public presentations on the topics of Pension Obligation Bonds/OPEB Liabilities and a presentation on the progress of Belmont Sewer and Storm Drain System Rehabilitation.
8. Proceeded to carry out the Financial Task Force recommended development of a Recreation Strategic Plan Process and develop strategic goals, objectives and recommendations for the coming 5 years. Completion of the Strategic Plan is anticipated in FY16.
9. Completed the Comcast Cable Franchise License negotiations and awarded another 10-year License term.
10. The Community Path Implementation Committee continued its work on the process of identifying routes and funding options for approval by the BOS. Issuance of a request for proposal for a Feasibility Study as part of the process is anticipated in the spring 2016.
11. A formal Community Preservation Act (CPA) allocation process developed by the Community Preservation Act Committee, resulted in the recommendation of \$818,350, in CPA Funds for 6 projects. Town Meeting will consider these projects in May 2016.
12. Worked collaboratively with Belmont Light to select a new Utility (Electric, Water and Sewer) Billing, Collection and Accounting System. Implementation is expected to be completed in the fall, 2016.
13. Replaced outdated public safety radio and communication system to continue to ensure effective emergency response.
14. Continued progress in completing the process for the conveyance of the former incinerator site from the State to the Town, which includes the identification of post-closure uses.

Belmont is a vibrant Town, with engaged citizens who volunteer countless hours serving on Boards, Commissions and Committees. The issues facing the Town are numerous, but by working together we can find solutions to these issues which maintain our Town and School services while investing in our infrastructure.

I look forward to working with the Board of Selectman, School Committee, Warrant Committee and Capital Budget Committee in the months ahead as we finalize the best possible Budget for Town Meeting approval in June. We welcome any suggestions, comments or feedback from Town Meeting members or citizens concerning the FY17 Budget. Individuals can e-mail comments to [Selectmen@belmont-ma.gov](mailto:Selectmen@belmont-ma.gov) or to [dkale@belmont-ma.gov](mailto:dkale@belmont-ma.gov)

Very truly yours,

A handwritten signature in black ink, appearing to read "DKale", with a long horizontal stroke extending to the right.

David J. Kale  
Town Administrator