

Town of Belmont Financial Task Force

Executive Summary Report

January, 2015

Purpose of the Financial Task Force

- The Board of Selectman (BOS) established a Financial Task Force (FTF) in December 2013 with the purpose of developing a multi-year financial and capital plan

Membership of the Task Force:

- Board of Selectmen - Mark Paolillo
- School Committee - Laurie Graham & Laurie Slap
- Warrant Committee - Anne Helgen
- Capital Budget Committee - Anne Marie Mahoney
- Planning Board - Charles Clark
- Board of Assessors - Charles Laverty III
- Town Administrator - David Kale
- Town Treasurer - Floyd Carman
- Superintendent of Schools – Dr. Thomas Kingston (Thru 6/30/2014) & John Phelan
- School Finance Director - Anthony DiCologero
- Residents - Paul Lisanke & James Williams (Thru 1/15/2015)

Membership of the Task Force- Focus Group:

- Four residents were selected to serve as a “focus group” to provide feedback and alternative perspectives during the process. Focus Group Members: Angelo Firenze, Andrew Levin, James Tzouvelis and Justin Amico

Working Group Structure:

- Group A - Education
- Group B - Revenue Opportunities
- Group C - Capital Projects
- Group D - Town Government
(Programmatic Requirements
and Opportunities for Structural
Changes)
- Group E - Financial Projections

Goals:

The goals of the Task Force were:

- To produce a multi-year financial plan which would illustrate the ability of the Town to provide quality municipal and educational services and capital improvements based on the data and recommendations of the working groups
- Provide an opportunity to investigate potential revenue sources and service delivery models
- Analyze capital project funding needs and impacts
- Collect data on revenue and expenditure historical trends, and project future estimates based on trends and various assumptions.

GROUP A: Education

Findings

- Leadership Council reviewed and analyzed the Modeling Reports in August 2014
- Leadership Council concluded that there were more needs than would be feasible to “ask for” in any single budget year and that a multi-year approach was required
- Leadership Council considered these two areas “pressure points” on the district that needed to be addressed immediately
 - ✓ *Enrollment*
 - ✓ *Student Life (Social Emotional Learning).*
- Leadership Council attempted to keep the suggestions within an “acceptable” parameter, and suggested a three (3) year plan to address the school department needs.
- Would only maintain our existing programs and supports for students

Recommendations

1. Belmont Public Schools Projected Staffing Needs

<i><u>Level</u></i>	<i><u>Year One (SY 15/16)</u></i>	<i><u>Year Two (SY 16/17)</u></i>	<i><u>Year Three (SY 17/18)</u></i>
Elementary	1.0 Grade 4 Teacher (Wellington) * 1.0 Kindergarten Teacher * 1.0 Grade One Teacher *	1.0 Grade 2 Teacher*	1.0 Grade 3 Teacher*
Middle	1.0 Grade 5 Teacher * 1.0 Unified Arts Teacher(s) *	1.0 Unified Arts * 1.0 Guidance Counselor * #	
High	3.0 FTE's for Reduction of non-engaged/non-scheduled students *	1.0 FTE - Reduction of non- engaged/non-scheduled students * 1.0 Guidance Counselor *#	1.0 FTE - Reduction of non-engaged/non- scheduled students *
DW	2.0 English Language Learner Teachers*		1.0 Technology * 1.0 Instructional Technology Spec.* 1.0 SEL Staff Person *
Total FTE	10.0	5.0	5.0
	(*) Indicates <u>Enrollment</u> need (#) Indicates <u>SEL</u> need		

Recommendations

2. Aligning Budget Expenditures in Key Areas of FY15 Shortfall
 - Identified areas in the budget that were not fully funded and would need an increased allocation
 - The areas are:
 - ✓ **Special Services Contracted Service**
 - ✓ **Out of District Students**
 - ✓ **Special Education Transportation**
 - ✓ **Temporary Wages**

Recommendations

3. Space Needs Due to Increased Enrollment

- With the increase in enrollment the need for increased classroom space is inevitable
- Space Task Force commissioned and an architectural firm hired to project the needs of the Belmont Schools, as it relates to increased enrollment and corresponding classroom space
- Graduating class of 2014 at Belmont High School was 260 students. The 2014 entering kindergarten class was 354 and all five grade levels at the elementary level are over 330 students. Historical enrollment trends indicate there is little, if any, net loss of enrollment over the grade spans
- Results of Space Task Force will identify options

GROUP B: Revenue Opportunities

Findings

- The Revenue Opportunities working group created a consolidated fee schedule and found that Belmont's current fee structure is competitive with those found in comparable municipalities
- The working group confirmed the Town is pursuing all potential Payment-in-Lieu-of-Taxes (PILOT) opportunities to the extent possible and also confirmed all cellular towers within the Town are being assessed personal property taxes
- Increases to parking fees and parking permit fees were recommended to the Board of Selectmen this fall, and were approved. Implementation is estimated to achieve a revenue increase of \$50,000. Implementation of a commuter parking pass program is scheduled to be initiated in Belmont Center by the end of the current fiscal year

Major Recommendations

1. The Town maximize revenue opportunities from Town and School recreational assets, including the Underwood Pool, Higginbottom Pool, and other existing recreation assets
2. Hire a new full-time professional Recreation Director to manage recreation facilities
3. Sell town owned parcels for residential development or defining a public purpose
4. Implement March 2012 Parking Management Plan approved by Board of Selectmen after Belmont Center Reconstruction Project is completed
5. Create additional parking opportunities on Concord Ave (i.e. the vacant town owned lot to the right of JV Soccer Field)

Major Recommendations

6. Consolidate the management of Town and School recreation assets under experienced recreation management
7. Create a “Field Management” task force of all stakeholders to determine usage, prioritization, fees, maintenance and upgrades and to coordinate improvements for both Town and School fields

GROUP C: Capital Projects

Findings

- The current Capital Budget operating budget allocation (“Pay-As-You-Go”), has averaged \$1,346,000 over the last three years. This budget funds the purchase of major equipment and vehicles, sidewalk repairs, building improvements/repairs, facilities systems replacements, and technology systems
- FY15 Capital Budget plan included over \$4.5 million in legitimate (not “blue sky”) requests
- In addition, another \$1 million in capital repair/ replacement has been identified as a result of a recently completed Facility Study
- The sub-group believes quite strongly that the annual Capital Budget must be increased to a level of at least \$3.0 million a year to adequately keep up with the repairs, smaller renovations, and capital purchases that are necessary to keep all of the Town departments functioning efficiently *and* safely

GROUP C: Capital Projects

Findings

Major capital projects have been successfully completed in recent years including:

- Construction of two new fire stations
- new senior center
- new Wellington School
- Harris Field Complex improvements
- Joey's Park
- Butler School Playground
- improvements to White Field House (privately funded)

Additional capital projects are in process or scheduled to be underway. These include:

- the new Belmont Light Sub-Station project (in process)
- Underwood Pool (in process),
- Belmont Center Reconstruction Project (in process),
- Trapelo Road Street and Sidewalk Reconstruction Project in collaboration with the State Department of Transportation (in process)
- It should be noted that the debt service for the Chenery Middle School (\$1.1 million) is scheduled to be retired in FY16

GROUP C: Capital Projects

Findings

- There are several major capital projects, most of which will require successful debt exclusions to fund the debt service in whole or in part depending on the project and available grants, Community Preservation Act Funds, donations or other sources. These projects include:
 1. Belmont High School – estimated cost \$70,000,000
 2. Incinerator Site – Athletic fields-estimated cost \$2 million
 3. DPW Facility- estimated cost is \$28,000,000
 4. Library – estimated cost is \$18,000,000
 5. Police Station - estimated cost for new building is \$20,000,000

Recommendations

- Recommend that \$500,000 in additional funds from property taxes - \$300,000 for roadway improvements and \$200,000 for sidewalk repairs - be added to the Task Force Financial Model to address these needs
- Recommend that additional funds for debt service payments on \$1 million in bond financing (\$500,000/5-Year term in FY16 and \$500,000/5-Year term in FY17) be added to the Task Force Financial Model to address capital budget needs
- Based on the fact that another application must be submitted for the High School Project to the Massachusetts School Building Authority (MSBA) in spring 2015, and state funding may still be several years away, it is recommended that;
 - a decision on the post-closure use of the former Incinerator Site be made as soon as possible. This will determine the possible location and timing of a new Police Station and the potential (or not) of an athletic field installation or other uses at the site.
 - otherwise, the DPW facility should be the next major project to be funded and initiated, which has a location and should move forward with planning.
 - a decision to renovate/construct on existing site or elsewhere needs to be made by the Library Trustees for the next grant round. This includes planning and updating the previous feasibility study.

GROUP D: Town Government (Programmatic Requirements and Opportunities for Structural Changes)

Findings

- Town departments have incurred staffing reductions over the years and are continuing to do more with less. Over the last 20 years Public Works permanent staff has been reduced by 26% and seasonal staff by 58%
- Fire and Police staffing have been reduced by 10 positions. Further reductions will require elimination of core services
- Town departments currently participate in many collaborations and regionalization efforts with other municipalities, collaboratives and state agencies to increase efficiencies and cost savings
- Became clear throughout the process of examining town government in Belmont is that departments are stretched extremely thin in terms of resources

Findings

- A small group of the notable collaborations within the Town of Belmont include:
- **Fire Department**
 - Belongs to Metro Fire which consists of 35 other fire departments surrounding Boston
 - Metro Fire supplies mutual aide to fires and incidents for the member departments
 - 2 members of the department belong to the Regional Hazmat Team
- **Department of Public Works (DPW)**
 - Regional procurement groups for fuel, road salt, equipment purchase and vehicle supplies.
- **Library**
 - Member of Minuteman Library Network (MLN) which is a consortium of 43 Libraries.
 - Massachusetts Library System (MLS). Benefits include group purchasing, free training workshops and other resource sharing
- **Health Department**
 - Collaborates with neighboring communities in the delivery veterans services
 - Shares animal control activities with Lexington and Arlington
 - Founding member of 8 town regional hazardous waste collection collaborative
- **Community Development (CD)**
 - Shares a plumbing, wiring and gas inspector with Town of Watertown

Findings

- **Police**

- Northeastern Massachusetts Law Enforcement Council (NEMLEC)
- Services include school threat assessment and response, SWAT, and Regional Response Teams
- Middlesex County Sheriff's Department
- Entered into Mutual Aid Agreement with Middlesex Counties, which provides sharing of resources

GROUP D: Town Government (Programmatic Requirements and Opportunities for Structural Changes)

Recommendations:

- Establish an incentive bonus pool for department heads and other employees to reward them for the development and implementation of innovative and cost saving ideas
- Continue to explore opportunities for collaboration and/or regionalization with surrounding communities in the delivery of Town services
- Establish a working group of town administrators/managers with comparable communities to enable the sharing of innovative ideas and solutions to the common challenges we face in the delivery of town services, effective management of our increasing cost infrastructure and the generation of additional non-property tax revenues
- Work more closely with and join our state legislators to lobby for changes at the state level in the current pension system and for additional healthcare reform to more effectively manage our burgeoning Other Post Employment Benefit (OPEB) Liability

GROUP E. Financial Projections

Findings

- Over 80% of the annual Belmont budget is funded from property taxes. An additional 9% is funded from state aid. The remainder is funded from other local revenues, free cash, and other available funds. The Town's ability to maintain town and school services and invest in its infra-structure (capital) will require additional property tax resources beginning in FY16
- Generally, over the past five years, actual revenues have slightly exceeded budget estimates and actual expenditures have fallen slightly below budget estimates

GROUP E. Financial Projections

Findings

The School budget has been structurally insufficient for the past few years. As evidence, the following was noted;

- The School budget for FY14 was in deficit and required supplemental funding from the Reserve Fund
- The FY15 budget is projected to be in deficit by at least \$500,000. This has resulted in freezes in staff hiring and the purchase of materials in this year (as well as FY14). While the deficit amount is a net amount of \$500,000, it is actually higher since monies are frozen in various accounts to internally reallocate to cover expenditures in excess of budget in other areas, primarily in the Special Education category
- The ability in previous years to use school reserves from revolving funds, Special Education (SPED) State Circuit Breaker funds, and Special Education Collaborative credits has been fully depleted and exhausted

GROUP E. Financial Projections

Findings

- In the last three years, school enrollments have increased by over 300 students. It is projected that enrollments will further increase by 300 students over the next three years. Average elementary class sizes have increased to 24 in the current school year
- State-mandated SPED services, including contracted services, SPED tuitions from increased enrollments, and related transportation services have increased beyond budget estimates
- The number of SPED tuitioned-out students has increased by 14 since June 2013. Also, the enrollment of English Language Learner (ELL) students requiring services has increased by 105 since 2013
- The Financial Modeling Group received information provided by the working groups and analyzed past and current year expenditures and revenues. It developed revenue and expenditure assumptions in order to develop a financial plan for FY16-19
- As a result, it is projected that there will be a total funding shortfall (a “funding gap”) of \$7,743,000 by FY19. There are projected shortfalls of \$2,870,000 in FY16, and \$4,448,000 in FY17 after accounting for available revenues to fund the budgets. Note that these are cumulative shortfalls

GROUP E. Financial Projections

Findings

- Generally, the assumptions are based on a posture of *maintaining* existing programs and service levels in town departments and the schools. New initiatives and programs, except where funded through internal reallocations and efficiencies, are not projected, with the exception of items 1 through 3 below;
 1. **\$500,000** added to the Capital Budget beginning in FY16 to fund an additional \$300,000 for roadway improvements and \$200,000 for sidewalk repairs
 2. **\$120,000** added in the FY16 Budget, and an additional \$120,000 in FY17 to fund debt service costs to issue \$500,000 in municipal bonds each year to support capital projects. The result of these additions will mean \$1,000,000 in capital improvements can be funded, still well short of the annual requests
 3. **\$650,000** added to the FY16 School budget for the addition of 10 teaching positions to address the recommendations of the School working group relative to enrollment increases over the past three years and projected for FY16; \$325,000 is proposed as an addition to the FY17 School budget and an additional \$325,000 in FY18 for 5 additional teaching positions each year. The additional costs of 5 positions is continued in FY18 and FY19

GROUP E. Financial Projections

Findings

In addition, the following items have been added to deal with insufficient funding for specific items in the School budget over the past few years, primarily in Special Education accounts. These amounts are needed to correct this situation and pay the bills.

4. **\$642,000** added to the FY16 School budget to adequately fund the cost of Special Education (SPED) tuitioned-out students based on FY15 estimated costs and an increase in the number of students. This included accounting for one-time funding of \$276,000 from LABBB credits (a special education collaboration of which Belmont is a member), which was used in the FY15 budget but will not be available in FY16
5. **\$205,000** added to the FY16 School budget to adequately fund the cost of Special Education Transportation budget related to the number of SPED Tuitioned-out students based on FY15 estimated costs and an increase in the number of students
6. **\$425,000** added to the FY16 School budget to adequately fund the cost of Special Education Contracted Services to provide required services to students who are on an Individual Education Plan (IEP) based on FY15 estimated costs and an increase in the number of students serviced
7. **\$127,000** added to the FY16 School budget to adequately fund the cost of Temporary Services. The Temporary Services Budget covers the cost of items such as tutoring services, overtime, substitute teachers and staff development

GROUP E. Financial Projections

Findings

- Major Revenue assumptions, in addition to the 2 ½% increases in the property tax levy, include the following and are contained in the financial projections model:
- \$207,000 in additional Motor Vehicle Excise Tax Revenues in FY16, with a 2.5% increase thereafter
- \$205,000 in estimated additional building permit fees in FY16, with a 2.5% increase thereafter
- \$50,000 increase in FY16 meter fees and parking permit fees as a result of the recommendations made by the Revenue working group and approved by the Board of Selectman
- \$221,000 in estimated additional property taxes in FY17 as a result of new projects (Cushing Village and Uplands); in addition, \$328,000 in FY18 and \$430,000 in FY19

GROUP E. Financial Projections

Recommendations:

1. The Financial Working Group recommends that the Board of Selectmen, School Committee, Town Officials, Warrant Committee, Capital Budget Committee, Town Meeting Members, Town Departments, and the Schools Administration utilize the FY15-19 Financial Projections as a framework for future budget planning, subject to annual adjustments and updating of assumptions as future events unfold
2. The recommendations of the Revenue Opportunities Group be considered and implemented after review. Some recommendations may not be implemented until FY18 or beyond but could serve as a source of additional revenues
3. The Financial Working Group is well aware that an override to provide an additional \$7.7 million in operating funds would result in a major increase to property taxes to homeowners. It is estimated that a \$1 million increase to the property tax levy translates into approximately \$150 increase to the average single family home owner. Further, residents will likely be asked in the future to consider funding major capital projects such as the High School, DPW facility, Police Station and Library

GROUP E. Financial Projections

Recommendations:

4. The Financial Working Group recommends that a \$4.5 million operating budget override would provide stability to Town and School budgets for the next two fiscal years, FY16 and FY17, with an opportunity to extend budget stability to FY18 with prudent spending practices, positive changes in estimated revenues and expenditures and the raising of the total \$4.5 million in FY16. A \$4.5 million increase in property taxes is a solution which allows the Town to budget adequately to cover its actual costs for Special Education services, deals with increased enrollments and class sizes in a phased approach, provides additional funding for street and sidewalk reconstruction and capital improvements and the maintenance of Town services, which have been reduced over several years, while being sensitive to the taxpayer
5. Establish an Override Stabilization Fund to enable excess tax levy capacity and other savings to be used in future years
6. Therefore, it is recommended that the Board of Selectmen vote to include a \$4.5 million override on the ballot