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**TOWN ADMINISTRATOR**

DAVID J. KALE

**ASSISTANT TOWN ADMINISTRATOR**

PHYLLIS L. MARSHALL

February 9, 2015

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

I herewith submit for your consideration the Proposed FY16 Operating Budget for the Town of Belmont. The total Proposed Budget of \$96,981,000 represents an increase of \$1,724,665, or 1.8%, over the FY15 adjusted budget. The budget increases are largely attributable to estimated cost of salary increases and benefits, increases to non-salary items to support operations, including fixed costs.

Belmont is not unlike other municipalities, which are 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. FY16 is no exception for the Town.

While both the Town and School Budgets are in balance to available revenues and increasing in FY16, each budget reflects the inability to fully address service delivery needs. The FY16 School Budget is impacted by increased enrollments and special education costs. The development of the Proposed Budget is a starting point in the process. There may be additional increases to available revenues from State Aid and new property tax growth. However, it is unlikely that State Aid will increase significantly in FY16 based on a projected \$768 million mid-year FY15 State Budget deficit. The new Governor's FY16 will be released in early March 2015, which will contain State Aid amounts for municipalities. The Belmont Board of Assessors may revise their initial "new growth" projection for property taxes later in the budget process after additional information is analysed.

## **Budget Process**

The Budget Process began in December 2014 with the development of a schedule of estimated available total 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.

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 9, 2015 budget submission date. 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 \$97.0 million for the FY16 Budget, which is an increase of \$1.7 million or 1.8% from FY15. Estimated “Fixed Costs” as noted above total \$15.6 million, which is a decrease of \$0.1 million from FY15, leaving \$81.4 million in available funding for Town, School and Capital Budgets. This resulted in a \$47.5 million FY16 School Budget, \$32.9 million FY16 Town Budget and \$1.0 million FY16 Capital Budget.

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.

In developing a “present level of service” Budget, Town Department Heads were asked to carefully 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 and not knowingly under budgeted. Energy budgets were to be 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 FY16 Budget requests to the Town Administrator in early January 2015. 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 FY16 Budget.

## Revenues

FY16 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 FY16 Budget estimates that \$78,374,029 will be derived from this revenue source, which is 80.8% of total revenues. This amount includes an estimated \$475,000 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 is reviewing calendar 2014 information to determine if an adjustment to the \$475,000 initial new growth estimate may be made during the current budget process, which will impact FY16 Budget available revenues.

The total property tax levy includes property taxes used to finance debt exclusions based on the debt schedule for the approved projects. It should be noted that the debt exclusion amount has decreased as a result of the final debt payments being made for the Chenery School construction project in FY15.

### State Aid

Total State Aid (Local Aid) is estimated at \$8,520,929, or 8.8% of total revenues used to fund the FY16 Budget and reflects the same amount in FY15 pending the Governor's FY16 Proposed Budget, as noted above. The two major categories of State Aid (Chapter 70 Education (School) Aid and Unrestricted General Government Aid (UGGA)) totals \$8,429,252. It should be noted that the Town is assessed charges from the State totaling an estimated \$1,768,749, which brings the net State Aid revenue amount to \$6,752,180.

In addition, the Town currently receives a \$382,498 reimbursement from the Massachusetts School Building Authority (MSBA) for the construction costs for the Chenery Middle School. In FY15, the final principal and interest payment of \$1,133,000 for this project will be made, which will also mean this offsetting revenue will no longer be available.

### Other Taxes

In addition to the Property Tax (Real Estate and Personal Property), other taxes including Motor Vehicle Excise (\$3,000,000), Meals Excise (\$205,000), Penalties and Delinquency Interest Payments (\$220,000) and In-Lieu-of Taxes (\$36,000), are a major source of revenue to the Town. These tax revenues total \$3,461,000, which reflects an increase of \$237,240, or 7.4% in the FY16 Budget and represents 3.6% of total revenues.

### Free Cash

Free Cash is the 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 \$7,465,047 as of July 1, 2014, which is an increase from \$6,169,590. This increase was a result of several factors such as, receiving a one-time reimbursement from Federal Emergency Management Agency, Bond Premiums, additional building permit fees, one-time savings in salary accounts as a result of vacancies in various departments and tax title collections.

Overall, Local Receipts have been increased in the FY16 by a total of \$430,096. This has resulted in a small reduction in the amount of Free Cash used, from \$1,880,000 in FY15 to \$1,750,000 in FY16. This revenue source represents 1.8% of total FY16 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 FY16 Budget include: Belmont Municipal Light Department Payment-in-lieu-of-taxes (PILOT) \$650,000, Ambulance fees (\$804,750), Recreation Fees (\$725,000) and Building Permits (\$800,000), which has been increased by \$204,610 from FY16. The total of these revenue items total \$2,979,750 or 3.1% of total FY16 revenues. Also, \$87,500 in one-time revenue received in FY15, which was used to purchase capital equipment has been reduced in FY16.

## **Expenditures**

The following is a listing of highlights contained in the FY16 Budget:

#### Capital Budget

The FY16 Budget contains \$1,012,000 to support capital projects, which will be recommended by the Capital Budget Committee.

#### Capital Budget-Roads

The FY15 Budget contains \$1,249,000 to support the on-going Pavement Management Program to support improvements to Belmont Streets. This amount is in addition to approximately \$533,000, which is received annually by the town from State Chapter 90 Highway Funds to support our Pavement Management Program.

#### Debt Service

The FY16 budget for Debt Service has been decreased by a net amount of \$687,468. This net decrease is a result of the retirement of debt (\$1,133,000) for the Chenery Middle School Project offset by the new debt service costs for the Underwood Pool and Belmont Center.

#### Pension, Health and Other Insurance

Pension costs are projected to increase by \$479,090 or 7.95% 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 \$44,283.

### Charges and Assessments

State Charges and Assessments are estimated to increase by \$43,140 or 2.5% to \$1,768,749. The largest assessment is for the MBTA, which is estimated at \$1,649,328 for FY16. These State Assessments may change based on the Governor's FY16 submission. The FY16 Minuteman Vocational High School assessment is estimated at \$832,850, which reflects an \$81,800 increase.

### **Program Priorities**

The FY16 Town and School budgets were developed using a "present level of service" approach. However, if additional revenues become available, the following is a list of program priorities that reflect the needs of Town and School Departments in providing services. This listing is not in any priority order and will be modified to match additional resources that may become available later in the process.

- Capital Budget - Additional funding for Town and School Capital Projects to support unfunded requests, Pavement Management Program for street repair and reconstruction, as well as sidewalk repairs and reconstruction
- School Department – Funding for additional teacher staffing based on enrollment increases
- Debt Service– Funding to support the financing of non-debt exclusion capital projects

### **Ongoing Challenges**

The development of the FY16 Budget and future Town and School Budgets will continue to be challenging.

As a result, the Board of Selectman (BOS) created a Financial Task Force to develop a long-range financial and capital improvement plan. The working group of 13 members include: Board of Selectmen (1), School Committee (2), Warrant Committee (1), Capital Budget Committee (1), Planning Board (1), Assessors (1), Town Administrator, Town Treasurer, Superintendent of Schools, School Financial Director and Residents (2).

Working groups were comprised of: Group A – Education, Group B - Revenue Opportunities, Group C – Capital Projects, Group D – Town Government and Group E – Financial Projections. Each of the working groups produced a report with recommendations. To review the report, please go to: <http://www.belmont-ma.gov/home/news/financial-task-force-documents-are-now-online>

## Conclusion

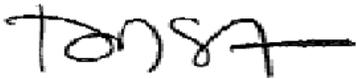
I encourage readers to review each department's budget narrative in detail, which provides information on operations, accomplishments and performance measures. We have made improvements to our budget process and document as part of the FY16 budget development. We will continue to work on making improvements in the future. In FY15, many accomplishments have been achieved, which are described in individual department narratives. Some of these major accomplishments include:

1. Town Meeting approved funding for the reconstruction of Belmont Center in November 2014. The total project cost is \$2.75 million and is funded from bond proceeds (\$1.45 million) and reserves (\$1.3 million). The project will provide new pavement, sidewalks, ornamental lighting, curb extensions, new crosswalk systems, additional parking and bicycle lanes. Construction is expected to be completed by late fall, 2015.
2. In April 2014, the voters of Belmont approved a debt exclusion, which allowed a bond authorization to be voted by Town Meeting in May, 2014 for the construction of a new Underwood Pool on Concord Avenue. The total project cost is \$5.6 million and is funded from bond proceeds, Community Preservation Act Funds and private donations. The Pool is expected to be completed for use by this summer.
3. In August 2014, the Town completed renovations to the Harris Field Complex next to Belmont High School. Renovations included the installation of a new synthetic turf field to accommodate football, soccer and lacrosse, resurfacing of the running track, and new fencing.
4. Moody's Investor Services assigned a triple A rating in April 2014 for the Town's \$28.96 million General Obligation Municipal Bonds to finance several projects.
5. The Community Path Advisory Committee appointed by the Board of Selectmen presented their final report. The BOS has appointed a Community Path Implementation Committee to complete the process of identifying specific routes and possible funding sources.
6. A formal Community Preservation Act (CPA) allocation process developed by the Community Preservation Act Committee, resulted in the recommendation of \$1,021,723 in CPA Funds for 6 projects. Town Meeting will consider these projects in May 2015.
7. The Town received "Green Community" designation by the Massachusetts Department of Energy Resources in December 2014.
8. The process of completing the conveyance of the former incinerator site from the State to the Town is underway, which includes the identification of post-closure uses.
9. The Grove Street Park Master Plan process is underway involving all stakeholders.

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 FY16 Budget. Individuals can e-mail comments to [Selectman@belmont-ma.gov](mailto:Selectman@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



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