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PHYLLIS L. MARSHALL

February 10, 2014

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

I herewith submit for your consideration the Proposed FY15 Operating Budget for the Town of Belmont. The total Proposed Budget of \$94,868,500 represents an increase of \$3,087,241, or 3.4%, over the FY14 adjusted budget and maintains Town and School services. The budget increases are largely attributable to estimated cost of salary increases and benefits, increases to non-salary items to support operations and capital improvements.

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, in its ability 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. FY15 is no exception for the Town.

While both the Town and School Budgets are in balance and increasing in FY15, each budget reflects the inability to fully address service delivery needs. 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. This budget submission **assumes** that an additional \$555,950 for Belmont in State Aid contained in the Governor's FY15 State Budget will be maintained in the Budgets developed by the House of Representatives and Senate. Based on discussions with our state elected officials and others, there is an opportunity that additional State Aid may be contained in the Legislative Budgets when they are released in the spring, which will allow other priorities to be funded within Town and School Budgets.

Budget Process

The Budget Process begins in November 2013 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.

This preliminary projection produced an estimate of total available revenues of \$94.0 million for the FY15 Budget. From this amount, \$15.5 million in estimated “Fixed Cost” was reserved, leaving \$78.5 million in available funding for Town and School Budgets for FY15, which was an increase of \$1.9 million or 2.5%. This resulted in an increase of \$1.1 million for the School Budget and \$0.8 million for the Town Budget. 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 10, 2014 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 reduction in initial allocation amounts to Town and School Budgets.

Changes to available revenues and “Fixed Costs” estimates have occurred based on receiving actual information, which has resulted in changes to the budget allocations and are reflected in the Proposed Town and School Budgets. Overall, available revenues have been increased by \$857,500 from the original estimate to \$94,868,500 and “Fixed Costs” have been revised. The increase in available revenues is comprised of an increase of \$555,950 in State Aid, \$200,000 in Free Cash to support Capital Sidewalk repairs, \$87,500 in one-time revenues to support a Capital Equipment purchase and \$14,050 in additional new growth.

The major changes to the initial estimates that impact operating budgets, which were provided in November 2013 include the following:

- State Aid – The original estimate reflected no increase in total State Aid to the Town since projected increases are difficult to estimate and over-estimates could result in a reduction in available revenues. The Governor’s Submitted Budget reflected a \$555,950 increase in FY15. Based on discussions with our state elected officials and others, there is an opportunity that additional State Aid may be contained in the Legislative Budgets when they are released in the spring, which will allow other priorities to be funded within Town and School Budgets. The additional \$555,950 in additional State Aid has been allocated to the School Budget.
- The Minuteman Vocational School assessment initially reflected a 5% increase for FY15, for a total assessment of \$895,000. Based on the development of the Minuteman Budget, a reduction in the number of Belmont students attending Minuteman and a reduction of our overall percentage of allocated costs, the estimated cost for FY15 has been reduced to \$749,050. This \$145,950 in expenditure savings has been reallocated to the School Budget in FY15.

The combination the above two items has resulted in an increase to the initial School allocation of \$701,900 for a total increase of \$1.8 million in FY15.

- In addition, \$200,000 in the use of Free Cash and \$87,500 in one-time revenues have been included in the FY15 Proposed Budget for Capital improvements.

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 FY15 Budget requests to the Town Administrator in early January 2014. 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.

Also, during this process, meetings between local and state elected officials, Town and School officials were held to share information. This process allowed information to be shared between the various stakeholders to ensure that accurate and complete information was provided prior to submission of our respective budgets. Information and updates were also provided to the Warrant and Capital Budget Committees.

The following is a summary of the major revenue sources used to fund the FY15 Budget.

Revenues

FY15 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 FY15 Budget estimates that \$76.4 million will be derived from this revenue source, which is 80.5% of total revenues. This amount includes an estimated \$500,000 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.

Without the estimated new growth of \$500,000 in FY15, the Town would only be able to use \$2.0 million in additional property tax revenue to fund its budget based on a 2 1/2 percent increase allowed by law. The amount of property taxes used to finance debt exclusions reflects the debt schedule for the approved projects. The Board of Assessors is reviewing calendar 2013 information to determine if an adjustment to the \$500,000 initial estimate may be made during the current budget process, which will impact the FY15 Budget.

State Aid

The amount of State Aid (Local Aid) revenue used in the FY15 Budget from the two major categories of Local Aid (Chapter 70 Education (School) Aid and Unrestricted General Government Aid (UGGA)) reflect the increase reflected in the Governor's Proposed Budget, as noted above. The Town estimates to receive a total of \$8,375,038 from these two major Local Aid categories. Total State Aid including other categories is estimated at \$8,454,008, or 8.9% of total revenues used to fund the FY15 Budget, which is an increase of \$555,950.

In addition, the Town 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. Therefore, in FY16 property tax bills will reflect the reduction in debt service of \$1.1 million for this project.

Other Taxes

In addition to the Property Tax (Real Estate and Personal Property), other taxes including Motor Vehicle Excise (\$2,750,000), Meals Excise (\$195,000), Penalties and Delinquency Interest Payments (\$200,000) and In-Lieu-of Taxes (\$36,000), are a major source of revenue to the Town. These tax revenues total \$3,181,000, which reflects an increase of \$170,000 in the FY15 Budget and represents 3.4% 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 \$6,169,590 as of July 1, 2013, which is an increase from \$5,825,793. This increase was a result of several factors such as, receiving a one-time reimbursement from Federal Emergency Management Agency, actual ambulance receipts being higher than estimated, additional building permit fees, one-time savings in salary accounts as a result of vacancies in various departments and tax title collections.

Non-property revenues have been increased in the FY15 by a total of \$320,000. This has resulted in a corresponding reduction in the amount of Free Cash used, from \$2 million in FY14 to \$1,680,000 in FY15. The FY15 Budget also uses an additional \$200,000 in Free Cash earmarked for sidewalk improvements in the Capital Budget, which brings the total to \$1,880,000. This revenue represents 2.0% of total FY15 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 revenues used to fund the FY15 Budget include: Belmont Municipal Light Department Payment-in-lieu-of-taxes (PILOT) \$650,000, Ambulance fees (\$804,750), Recreation Fees (\$700,000) and Building Permits (\$595,390). The total of these revenue items total \$2,750,140 or 2.9% of total FY15 revenues. It should be noted that Recreation Fee revenue may be adjusted later in the process to reflect a reduction in pool receipts if the Underwood Pool does not open for the 2014 season. Also, \$87,500 in one-time revenue has been allocated to the Capital Budget to cover the purchase of a piece of sidewalk snow removal equipment.

Expenditures

The following is a listing of highlights contained in the FY15 Budget:

Capital Budget

The FY15 Budget contains \$1,245,500 to support capital projects, which will be recommended by the Capital Budget Committee. As noted above, \$200,000 of this amount has been earmarked to support sidewalk repairs and improvements and \$87,500 to purchase a piece of equipment to support and improve the ability of the Department of Public Works to remove snow from sidewalks for town and school properties and other public areas.

Capital Budget-Roads

The FY15 Budget contains \$1,219,000 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. During the budget process, a plan will be finalized to identify funding to implement the Belmont Center Reconstruction Plan so that construction can begin in early 2015. Funding for the project will come from a combination of debt issuance, one-time revenues, pavement management allocations and possibly state funding through the MassWorks program or other state allocations. The Belmont Center Project did not receive State MassWorks grant funding in the latest round of awards but another application will be submitted this fall. However, it is important that this project be completed in the near future and a funding plan be submitted to Town Meeting for approval.

Town Clerk

A reduction in funding of approximately \$36,000 to reflect the reduction of the number of special elections included in the FY14 Budget, which are not required in FY15.

Town Administrator

Increase of \$29,250 for legal fees to reflect anticipated fee increases and possible litigation.

Town Accountant

Addition of a Staff Accountant position, which is partially offset by the reduction of a part-time intern position for a .60 FTE increase.

Police Department

Net increase of \$37,850 in non-salary accounts to cover cost increases for equipment maintenance and supplies, equipment, medical bills and other operating increases. In addition, \$20,000 has been transferred from the Facilities Budget for the cost of maintaining the Emergency Notification System.

Fire Department

Net decrease in non-salary and capital outlay accounts of \$52,760 to reflect the reduction on one-time costs associated with the implementation of ALS program in FY14.

Department of Public Works

Net increase in non-salary account totals \$98,280. This is comprised of the following: Snow Removal - \$35,260 to cover the increased cost of salt/sand and contracted snow removal; Forestry -\$30,975 to cover the increased cost of tree pruning and removal for public safety; Street Maintenance - \$19,485 to cover the cost of sidewalk repair, street line painting and signage, and other operating increases. Increase in Capital Outlay Budget of \$51,705 to cover the cost replacing two dump bodies on existing dump trucks and for the purchase of an asphalt hot box to allow for improved patching of potholes on Town streets.

Facilities Department

Increase of \$25,000 to the Major Repairs Budget to support maintenance and preservation of Town and School Buildings.

Library

Net increase in non-salary account of \$28,525 to cover estimated cost increases for building maintenance repairs, Minuteman Library Network, technology and books and periodicals purchases.

Debt Service

The FY15 budget for Debt Service has been increased by a net amount of \$52,360 to reflect the borrowing costs of the Fire Ladder Truck and Engine and School Department vehicle, which were approved in the FY14 Capital Budget.

Pension, Health and Other Insurance

Pension costs are projected to increase by \$389,260 or 6.9% based on the latest funding schedule approved by the Belmont Retirement Board. Estimated cost increase for health insurance is projected to be 0% based on current year claims experience and estimated costs increases. Property and Liability Insurance premium costs are estimated to increase by \$35,251.

State Charges and Assessments

State Charges and Assessments contained in the Governor's Proposed Budget are estimated to increase by \$50,107 or 3% to \$1,706,590. The largest assessment is for the MBTA, which is estimated at \$1,609,100 for FY15.

Program Priorities

The FY15 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.

- Police Department - Reinstate School Resource Office position
- Capital Budget - Additional funding for Town and School Capital Projects to support unfunded requests, Pavement Management Program for street repair and reconstruction and sidewalk repairs and reconstruction
- Facilities - Funding to provide additional resources to the Department of Public Facilities for maintenance projects for Town and School buildings
- School Department – Funding for additional staffing
- Debt Service– Funding to support the financing of non-debt exclusion projects
- Human Resources – Addition of a professional position to support administrative requirements of the Human Resources functions
- Health Department - Implement full-time hours for current Youth and Family coordinator position to provide for community health education and family outreach services
- Council on Aging - Provide summer hours for social worker services
- Library – Increased hours for Children’s Department Programming and additional resources for technology and materials
- Fire Department - Reinstate 2 Firefighter positions to bring all fire group totals to 13 members each in anticipation of staff turnovers; Create ALS Coordinator position; Part-time Data Analyst and; Public Safety Information Support
- Public Works -Restore 2 positions in Public Works Divisions, which have been reduced in prior budgets

Ongoing Challenges

The development of the FY15 Budget and future Town and School Budgets will continue to be challenging.

As a result, the Board of Selectman 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 are currently working on the topics of:

Group A – Education:

The School Group will review both financial and programmatic topics related to providing quality education and will provide information to the Task Force in the development of the overall plan. Topics under review include the following:

- Salary and Compensation
- Enrollments
- Revenue Sources
- Instructional Modeling
- Special Education
- Operations & Maintenance
- Student Services
- Instructional Technology and Innovation

Group B - Revenue Opportunities:

This Group will investigate opportunities for the Town to maximize non-property tax revenues. It will also analyze current fee structures for revenues which fund the budget and make recommendations for changes, as well as validate our current fees in relation to other municipalities.

This Group will also generate estimates of the impact of potential future development on the “new growth” component of the property tax levy, for inclusion in the Financial Projections of Group E below.

Group C – Capital Projects:

The Capital Group will prioritize major capital projects and analyze debt service costs & cost estimates on major capital projects and the impact on the property tax levy. It will review allocations for pavement management, non-debt exclusion projects and other pay-as-you-go projects.

Group D – Town Government (Programmatic Requirements & Opportunities for Structural Changes):

This Group will explore a variety of issues regarding service delivery for Town services. Examples of some of the areas to be discussed include: Regionalization, Consolidation, Alternative Service Delivery models, Establishing enterprise funds model for certain activities, Review of services not currently provided, Developing cost estimates for maintenance of possible building projects and Staffing planning.

Group E – Financial Projections:

This Group will develop a working model to provide revenue and expenditure projections, including data collected by working groups. The model will be created and presented in a format that is easy to understand and can be revised in response to various budget assumptions and variables.

It is anticipated that a preliminary report will be available later this spring.

In addition to operating budget issues, there are a number of pending capital projects, which will require funding if they are to move forward. These include the following:

Underwood Pool/Playground

The Underwood Pool Building Committee will present their recommendations to the Board of Selectman. It is anticipated that voters will have the opportunity to vote on a debt exclusion to fund a new Underwood Pool.

Incinerator Site

The Board of Selectmen voted to request that legislation be filed by our state delegation to transfer the Incinerator Site located on Concord Avenue to the Town for Recreation, Public Works or other Municipal uses. This legislation has been signed into law. The Massachusetts Division of Capital Asset Management and Maintenance (DCAMM) will conduct an appraisal of this property and determine a value, which the Town may be required to pay. However, the legislation that has been approved contains language, which allows the Town to receive a credit to net against the appraised value for costs it will incur to remediate the site of ash. The Town is required by the Department of Environmental Protection to provide mediation for this site due to its use as a Town Incinerator. The Town will be working with DCAMM to complete the process.

High School Project

The Massachusetts School Building Authority (MSBA) did not approve the Town's latest "Statement of Interest" (SOI) for funding renovation to Belmont High School. A new application process is underway and the School Department is preparing a new SOI, due in the spring 2014. MSBA will review newly submitted SOIs and is anticipating that it will notify districts in the fall if they are eligible to move forward in the process.

If approved for MSBA funding, the High School project will require a significant financial investment from the community. If approved, the total cost will be offset by a MSBA reimbursement of approximately 30-40%, depending upon funding criteria.

Minuteman

Another Capital Project that may potentially affect Town finances will be the renovation or new construction of the Minuteman facility. Belmont is one of the 16 Towns, which comprises the Minuteman District, which provides vocational education. As a member district, the Town is responsible for the cost of any school building renovations based on the enrollment of Belmont students attending Minuteman.

Minuteman has received a Grant from the MSBA to conduct a feasibility study to determine the size of a new facility based on projected enrollment and cost. In addition to students who attend Minuteman from member districts, Minuteman accepts students from other communities, which are not part of the district (non-member districts). Non-member districts pay tuition to Minuteman for the students it sends from their community. Non-member districts are not currently required to contribute to any major capital improvements, such as the renovation project currently being considered.

It has been the position of the BOS, Warrant Committee, Capital Budget Committee and the Belmont Minuteman School Committee representative, that member districts should not bear the full cost of renovations or new construction without some financial support of non-member districts. Otherwise, the scope of the project should only accommodate the enrollment of member districts.

Since last year, an inter-governmental agreement has been developed for non-member districts, which will require them to contribute to capital costs of a new facility. Failure to sign this inter-governmental agreement will prevent non-member students from attending Minuteman. The final execution of this agreement is still pending. In addition, a new district agreement has been developed, which will require unanimous approval from all 16-district members. It is anticipated that a vote on this new agreement will take place by Town meeting this spring.

Community Path Process

The Board of Selectman and the Community Path Advisory Committee recently held a community forum to provide information to residents and to receive feedback. The process of defining community path routes will continue with the goal of defining specific options so a preliminary design process can begin, which is required in order to solicit Federal and State funding.

Belmont Center Reconstruction

As noted earlier, a recommendation will be provided to secure financing to allow the Belmont Center Reconstruction Project to move forward.

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 FY15 budget process. We will continue to work on making improvements in the future. In FY14, many accomplishments have been achieved, which are described in individual department narratives. Some of these accomplishments include:

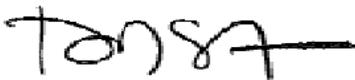
- The Fire Department implemented Advanced Life Support services in September 2013.
- The Police Department entered into a mutual aid agreement with Middlesex County cities and towns, which will allow for the sharing of resources.
- The Trapelo Road/Belmont Street roadway reconstruction project was launched in October 2013.

- Town Departments worked with the Friends of Joey's Park Committee to successfully remove and replace the existing Park.
- Received funds to make improvements to the Harris Field Complex, which is expected to be completed in August 2014.
- The Town of Belmont entered into an agreement with the Town of Watertown to provide joint wiring inspector services in September 2013.
- Replacement of water mains in Belmont Center, which in some cases were over a hundred years old, was completed as part of a multi-year plan to improve our utility infrastructure.
- A formal Community Preservation Act (CPA) allocation process developed by the Community Preservation Act Committee, resulted in the recommendation of \$2.7 million in CPA Funds for 7 projects. Town Meeting will consider these projects in May.

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 as highlighted above, 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 FY15 Budget. Individuals can e-mail comments to Selectman@belmont-ma.gov or to dkale@belmont-ma.gov

Very truly yours,



David J. Kale
Town Administrator



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