



# FY2026 Fiscal Summit I

September 26, 2024



## FY2026 Fiscal Summit I

### Presentation Overview

- FY2025 Successful Override Effort
- Brief Fiscal Update
- Funding Gap - Filled by \$8.4M Override
- Discuss Override Mitigation Fund and Planned Drawdown
- Efforts to Manage/Mitigate Future Overrides
- Policy - Dedicate One-Time Funds for One-Time Expenses
- Timeline for FY2026 Budget Process



## Acknowledge Successful Override Effort for FY2025 - Grateful to Community

- Completely different conversation tonight if override had failed
  - Two-year phased cuts - FY2026 would have been quite difficult
- Override filled operational funding gap + \$250K annual sidewalk/capital investment
- Created Override Mitigation Fund (OMF) with \$930,000 from the override and \$3.1M in Free Cash - \$4M total
  - Goal - extend benefits of override for at least 3 years

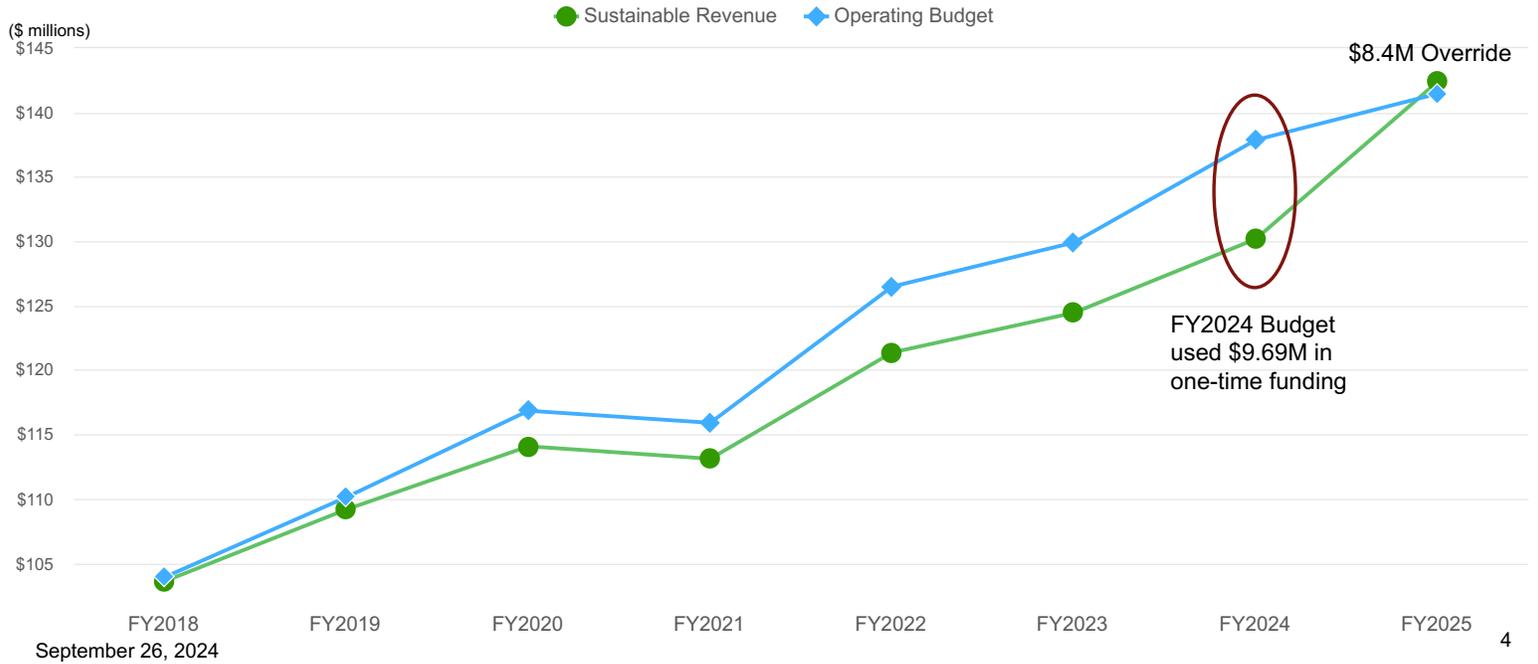


## Brief Fiscal Update

- FY2024 closed with an estimated \$1.2M in excess revenue and an estimated \$2.6M in spending turnbacks. Staff working to wrap up state reports - certified Free Cash expected end of October.
- Moody's bond rating service affirmed the Town's AAA rating for a \$63M debt issuance for the Rink and Library.
  - Cautioned that reduced reserve levels could trigger a downgrade.
  - Strong demand for our debt; resulted in 3.7% rate.
- ARPA Funds need to be fully committed by December 31<sup>st</sup> or returned. Largest amount outstanding is for Schools - using for staff in FY24 and FY25.
- Capital assessment underway for all town buildings. Results will support long-term capital plan and inform planning for future programming decisions.



### Gap Between Revenue and Expenses Filled by \$8.4M Override



### Override Mitigation Fund - Created at 2024 ATM

The stated purpose of the Override Mitigation Fund (OMF) was to set-aside monies intended for use in future years to supplement operating budgets. The figures shown below reflect modeling used when the \$8.4M override was approved, with appropriations to the fund and intended uses in out-years.

	FY2025	FY2026	FY2027	FY2028
Free Cash - FY2025	\$ 3,129,439			
Tax Levy - Seed \$	\$ 930,000			
Interest Earnings (est.)	\$ 162,378	\$ 115,739	\$ 18,077	\$ —
Total Revenue	\$ 4,221,817	\$ 115,739	\$ 18,077	\$ —
Budget Drawdown	\$ —	\$ 915,000	\$ 2,820,000	\$ 620,633
Fund Balance	\$ 4,221,817	\$ 3,422,556	\$ 620,633	\$ —



# Adding Use of OMF to Revenue in FY26 and FY27

Box 1	Revenue Budget (\$M) - as of Aug. 2024		FY25 Budget	FY26 Projected	FY27 Projected	FY28 Projected
	Total Available Revenue		142.39	146.41	150.55	154.78
	Change % Growth			4.02 2.82%	4.14 2.83%	4.23 2.81%
Box 2	Use of Override Mitigation Fund (OMF)			0.92	2.82	0.60
	Revised Available Revenue			147.33	153.37	155.38
	Revised Change			4.94	6.04	2.01
	Revised % Growth			3.47%	4.10%	1.31%
	Balance of OMF		4.06	3.30	0.60	

Belmont relies heavily on property taxes for ongoing revenue growth. However, that growth is constrained to 2.5% per year by Proposition 2½ plus New Growth. As a result, reliable future revenue growth is projected at 2.8%. (Box 1)

Box 2 shows the impact on revenue growth with the inclusion of the OMF funds.



# Proposal - Offset Use of OMF with New Revenues

Box 1	Revenue Budget (\$M) - as of Aug. 2024		FY25 Budget	FY26 Projected	FY27 Projected	FY28 Projected
	Total Available Revenue		142.39	146.41	150.55	154.78
Box 2	Original Use of OMF			0.92	2.82	0.60
	Revised Available Revenue			147.33	153.37	155.38
Box 3	Anticipated Recurring Revenue Updates			0.52	0.53	0.53
	Revised OMF if Reduce Draw			0.4	2.29	1.66
	Revised OMF Balance		4.06	3.82	1.66	
	Revised Available Revenue			147.33	153.37	156.97
	Revised Change Revised % Growth			4.94 3.47%	6.04 4.10%	3.60 2.35%

Since the FY2025 budget was approved in early June, approximately \$0.52M in new recurring revenue has been identified from net State Aid and McLean Zone 3. In Box 3, that revenue offsets the amount needed from the OMF in FY26 and FY27. This would help stretch the override to 4 years or more, and reduce a later override request. Future new revenue sources could be used in the same manner.

This is a policy call, and feedback from Summit attendees is requested.



## Efforts to Manage/Mitigate Future Overrides

- Financial Task Force II (2020) made 15 recommendations, 12 completed
- Structural Change Impact Group (SCIG, 2022) reviewed 400+ suggestions and highlighted many for follow-up; the Structural Change Implementation Committee (SCIC) is recommending next steps to Select Board.
- Collins Center Report (June 2022) recommended hiring Finance Director, revenue-first budget process, and transition to appointed Treasurer; more underway.
- Revenue-First Budget Process builds on level-setting from override to set funding expectations for departments and limit growth to available revenue.
- Override Mitigation Fund (June 2024) will help stretch the override benefits for a minimum of 3-4 years.



## Policy - Dedicate One-Time Funds to One-Time Expenses

- Comprehensive Capital Budget Committee (CCBC) has been focused on identifying outstanding capital needs in Town, and supporting efforts to identify funding for them -
  - Created Capital Stabilization Fund (Capital Stab.), and dedicated revenue subset
  - Transferred one-time funds to Capital Stab. in FY2024 and delayed some FY2025 capital requests to transfer to Capital Stab. instead
  - Dedicated one-time funds from Free Cash (\$1.5M) and Investment Income (\$550K) for Chenery Boiler project and Rink Supplemental budget request
- Ongoing, it is the Town's intent to continue to dedicate one-time revenues to one-time purposes. The primary recipient would be capital, but other non-capital investments may be needed to support reduced operating expenses.



## FY2026 Budget Process

Sept. 2024 -	Oct. 2024 -	Nov. 2024 -	Dec. 2024 -
26 - Budget Summit #1	23 - Budget Summit #2, - revenue forecasts/ allocations, - town and school budget drivers	5 - National Election 7 - League Night 18 - Special Town Meeting	<i>Budget work with Boards/Committees</i>
Jan. 2025 -	Feb. 2025 -	March 2025 -	April 2025 -
17 - Preliminary Budgets posted 22 - Governor's Budget 23 - Budget Summit #3 - review preliminary budgets	<i>Budget review with Boards/Committees</i>	21 - Final Budgets posted 27 - Budget Summit #4 - review final budgets	17 - League Night; reports due prior to Town Meeting
			May 2025 -
			5 - Start Annual Town Meeting



## FY2026 Budget Process

2024																												
September							October							November							December							
S	M	T	W	R	F	S	S	M	T	W	R	F	S	S	M	T	W	R	F	S	S	M	T	W	R	F	S	
1	2	3	4	5	6	7			1	2	3	4	5							1	2	1	2	3	4	5	6	7
8	9	10	11	12	13	14	6	7	8	9	10	11	12	3	4	5	6	7	8	9	8	9	10	11	12	13	14	
15	16	17	18	19	20	21	13	14	15	16	17	18	19	10	11	12	13	14	15	16	15	16	17	18	19	20	21	
22	23	24	25	26	27	28	20	21	22	23	24	25	26	17	18	19	20	21	22	23	22	23	24	25	26	27	28	
29	30						27	28	29	30	31			24	25	26	27	28	29	30	29	30	31					
2025																												
January							February							March							April							
S	M	T	W	R	F	S	S	M	T	W	R	F	S	S	M	T	W	R	F	S	S	M	T	W	R	F	S	
			1	2	3	4							1							1			1	2	3	4	5	
5	6	7	8	9	10	11	2	3	4	5	6	7	8	2	3	4	5	6	7	8	6	7	8	9	10	11	12	
12	13	14	15	16	17	18	9	10	11	12	13	14	15	9	10	11	12	13	14	15	13	14	15	16	17	18	19	
19	20	21	22	23	24	25	16	17	18	19	20	21	22	16	17	18	19	20	21	22	20	21	22	23	24	25	26	
26	27	28	29	30	31		23	24	25	26	27	28		23	24	25	26	27	28	29	27	28	29	30	1	2	3	
														30	31						4	5	6	7	8	9	10	

**Legend:**

- Holidays/School Vaca
- Election Days
- Policy Summits
- Town Meeting
- Governor's Budget
- Reporting Deadline