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## FY2011 TOWN ADMINISTRATOR'S REPORT

### ISSUES & CHALLENGES

FY2011 is shaping up to be one of the most challenging ones of my career. In FY2010 we used one time Federal Stimulus funds to balance a budget that was bare bones. Without those funds the reductions in personnel would have been much greater. The Town cut 11 in FY2009 through attrition in anticipation of the FY2010 projected shortfalls. We are going into a new year with fewer employees than ever before. Revenues continue to drop – state coffers are slimmer than ever, the one time Federal Stimulus Money is not expected to return, and even local receipts from Motor Vehicle Excise taxes and Building permits are falling.

Our town has a **level of expectations that exceeds the ability** of the current tax level to meet. Many of our departments have become reactionary rather than proactive due to this situation.

**The last operating override** that was passed was in the spring of 2002 for FY03 – that was eight budget cycles ago. We have passed debt exclusions during this time to deal with some of our most pressing building issues (Wellington School, Town Hall complex, fire stations, and senior center) but have made do with the available revenues & reserves for operations.

Now we are at a crossroads. In which direction does the Town want to go? Do we try to maintain the same level of services for non essential functions (rink, pool, trash collection, council on aging, and recreation)? Perhaps now is the time to make the difficult decision of which non core services to cut in order to minimize or eliminate the need for an operating override.

**Health Insurance** has been and continues to be a budget buster. The Town's overall cost including all town/school active and retired employees is expected to be over \$10M in FY2011. This cost has reached the same level of spending that we had three years ago. At that time we negotiated several changes to our plan including increased co-payments, doubled the employee percentage of premium being paid, became self insured, and implemented a Health Insurance Trust Fund. The experience this past year however has not been as good as the prior two and we are anticipating a rate increase of 7% overall. As of right now the final percentage has not been finalized.

**Retirement funding is a challenge.** The retirement plan expense has been increasing overall at nearly 5% over the past few years but with the financial problems worldwide over the past two years; we are anticipating larger increases starting in FY12. Although our retirement system has not been as crushed as other systems or the state, the rate of overall growth in assets does not address the liability. The Belmont Retirement System does have some options to mitigate the liability such as extending the funding schedule and they have been in the forefront of asset allocation which has resulted in good returns as compared to counterparts in other public systems.

### FINANCIAL GOALS & POLICIES

The Town has several financial goals/policies that are underlying our decision making. First and foremost is to provide the Town with a balanced budget striving to budget conservatively. Secondly we want to maintain our Moody's AAA bond rating which allows us to borrow at lower rates and keep our interest costs in check. Part of trying to maintain the bond rating was the establishment of a Reserve Policy whereby we would maintain our Reserves at 10%, going no lower than 5%. We have met this goal. The Town also has Investment policies, Fraud policies, travel policies, and personnel policies to protect our interests.

### BUDGETARY GUIDELINES GIVEN TO DEPARTMENT HEADS

Department heads have been directed to prepare their budgets based on "a needs basis". They have not included wage increases (except steps) in their salary budgets because all union contracts are expiring on June 30<sup>th</sup> of 2010. Planning for contract negotiations are just beginning for the town. Meetings with department heads are scheduled for January. In the current year (FY2010) there were no step or COLA increases for any non union employees – this

includes management, professionals not in unions as well as part time employees that would normally be on some kind of step increase schedule.

### **BUDGET PROCESS**

In October of 2009 after several meetings with the WC Subcommittee Budget Working Group a letter was sent to Department Heads explaining the new procedures and requesting budget submission by mid December. All of the submissions as well as this Administrator's budget message will be presented to the Board of Selectmen and Warrant Committee the second Monday/Wednesday of February. This is nearly six weeks later than the submission made in FY10. The Board of Selectmen will be meeting with town departments to discuss their departments and needs during January so that the BOS is more familiar with the particulars of each department's work/challenges. After the February 8<sup>th</sup> budget submission, the BOS and Warrant Committee will be meeting and discussing the budgets along with revenue challenges weekly until a compromise is made that will have the town and school budgets at a sustainable level for the available revenues. The Board of Selectmen is the decision making body for an operating override. If they decide that this is not possible, both the Town and School must revisit their proposed FY2011 budgets and make reductions to meet the available revenues. Usually, a balanced budget is presented to the final decision making body – the Town Meeting sometime between the end of April and the end of June.

### **BUDGET CALENDAR**

The budget process started a bit later than usual this year. This year the town departments were not required to submit their budget documents until December since the presentation to the Board of Selectmen and Warrant Committee will be the first Monday in February. The BOS will be meeting individually with each department in January in order to be more aware of issues facing individual departments.

The Warrant Committee will be reviewing the budget document after Town Administrator submission and work with the BOS on deciding on the major goals for the town to be funded. A decision may need to be made on a possible Operating override if there is a consensus to keep level services.

The BOS & WC make recommendations to the Town Meeting for a balanced budget. The annual town meeting is scheduled for the end of April but the budget portion may be delayed until May or June if an override is being considered.

### **BUDGET FORMAT**

The Warrant Committee has had a great deal of input into the budget format this year with a Subcommittee that spent time reviewing budgets from Arlington, Lexington, and Needham as possible guides. We have attempted to make the budget more programmatic. A good example of this is the health department that deals with programs in Health, Public Safety, Social Services, and Inspectional Services. This gives the townspeople and voters a better idea of how their tax dollars are spent.

We are also asking departments to provide a one page summary showing their performance measures, personnel summary, and budget summaries. This gives a snapshot picture that can be the beginning of discussion. These summaries together are at the beginning of this budget book so that readers can get an overview. Each summary will give the page #s for the narrative so that you can get more in depth information.

At the last section you will see the "line item" budget by department.

## BUDGET FINANCIAL SUMMARIES – NON SCHOOL

|                                       | Actual Expenses   |                   | Budget            | Proposed          | %             |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|---------------|
|                                       | <u>FY08</u>       | <u>FY09</u>       | <u>FY10</u>       | <u>FY11</u>       | <u>Change</u> |
| <b>General Government</b>             | 2,975,987         | 3,274,214         | 3,452,348         | 3,593,046         | 4.1%          |
| <b>Public Safety</b>                  | 10,030,302        | 10,334,970        | 11,103,334        | 11,610,472        | 4.6%          |
| <b>Regional School</b>                | 498,352           | 687,857           | 810,314           | 751,311           | -7.3%         |
| <b>Public Works</b>                   | 7,490,141         | 8,306,763         | 8,322,645         | 8,691,975         | 4.4%          |
| <b>Human Services</b>                 | 851,168           | 846,811           | 825,912           | 816,969           | -1.1%         |
| <b>Culture &amp; Recreation</b>       | 2,327,023         | 2,417,593         | 2,359,679         | 2,435,669         | 3.2%          |
| <b>Retirement &amp; Benefits</b>      | 5,654,264         | 5,879,254         | 6,166,593         | 6,691,632         | 8.5%          |
| <b>Increase for operating budgets</b> |                   |                   |                   |                   | <b>4.7%</b>   |
| <b>Debt Service (w/BMLD)</b>          | 4,687,881         | 4,538,955         | 4,981,312         | 6,137,009         | 23.2%         |
| <b>Capital Budget</b>                 | 2,075,100         | 2,799,000         | 1,758,373         | 2,300,000         | 30.8%         |
| <b>Totals &amp; Overall increase</b>  | <b>36,590,218</b> | <b>39,085,417</b> | <b>39,780,510</b> | <b>43,028,083</b> | <b>8.2%</b>   |

### KEY REVENUE & EXPENDITURE ISSUES

Debt Service is a significant portion of the Town's operating budget. There were several debt related items that should be discussed. The first is that the Chenery Middle School debt was scheduled to be paid off a year after the state reimbursements were to end. This would have upset the curve of maintaining a certain level of funds going to debt service with a much higher one year increase that would have impacted tax rates. In order to level this out and to take advantage of lower rates, the Treasurer refinanced that debt and was able to recognize overall savings for the Town of \$241,000. Up until several months ago all of our projections were that the Wellington would be bonded in FY2011 and we would start paying down principal in FY2012. Because of the historically low interest rates and our continued Moody's AAA bond rating the Treasurer has decided to move ahead now with the borrowings for the Wellington School. In the long run the taxpayers will reap those savings. Both Chenery Middle School and Wellington Elementary are funded by debt exemptions so these savings are not used for other costs but go directly to the taxpayers.

### KEY PROGRAMMATIC ISSUES

There are several program issues that we are addressing in the FY11 budget. The first key issue is the opening of the new Beech Street Center. The building is large and a change in programming will be needed to wisely use this additional space. We currently have a part time Senior Program Coordinator position which we are proposing to increase to full-time.

In addition we are proposing additional custodian presence during the open hours (besides the current use of Town Hall custodians). This is being budgeted within the Building Services department. This position would hopefully free up time for custodian staff to take on more small maintenance projects within town buildings to avoid the use of contract workers for smaller paint and upgrade needs. Recently the Board of Selectmen approved outside rentals of

the large meeting space at the Beech Street Center. Those funds should be used to help maintain that building.

There is a part time budget analyst position being budgeted within the accounting department to provide more ongoing focus on budget preparation and analysis that is being demanded.

There were three positions cut from Public works, two from Police, and two from Fire in FY10. We are asking that all of these positions be restored in the FY11 budget in order to maintain the direct services needed to the public here in Belmont. This brings our police and firefighting positions up to previous staff levels and gives Public Works the needed manpower for their many levels of service.

### **PROPERTY TAXES, LEVY LIMITS, TAX RATE**

**The Town's operating revenue is 85% from tax revenue.** We have very little commercial property, 95% of the property is residential. Proposition 2 ½ limits our tax increases to 2.5% of the total prior year levy plus any taxes from "new growth". In this time of decreasing building permits and a tight economy, the new growth is expected to be significantly less than the prior years.

Because the "levy limit" is capped at a certain level, the tax rate is merely a function of what the total values are in the Town. If there were no changes in value to any property and all sales of property were consistent with previous years, everyone's taxes would only increase at 2.5% each year. In reality different properties and sections of town appreciate at different rates. Some years two family homes appreciate faster than single families. In other years, a certain section of town may be viewed as more affordable, thereby driving up the prices or more prestigious also driving up the prices.

Of course, the debt exclusions have been spread in the same manner. Not everyone has "an average value" house. There is a continuum on the spectrum whereby debt exclusion may have a very small effect to a much larger effect on the annual taxes.

Property taxes fall into the category of being regressive. Unlike income tax which is based on what a person has for income or cash flow, property taxes are based on the assessed value of the property. This is a subject that is not often discussed in Massachusetts where we are so dependent upon property taxes to meet our needs but is in fact set by the legislature as something that we must work within. We have made some allowances for our more vulnerable elderly living on fixed income but are limited to what we can do under the current laws in Massachusetts.

### **STATE AID ISSUES**

In FY2010 our state aid was cut by 13%. It is important to keep in mind that the cuts were somewhat mitigated by a large infusion of Federal Stimulus money that was used in it's entirety for the school operating budget - \$1.3M was to reimburse the town for Chapter 70 increases which were due because of the Town's ongoing level of "school maintenance of effort". This formula is updated and the state had made a commitment sometime ago to meet their obligation to fund "Foundation aid" through Chapter 70. At the end of January the Governor released House Bill 2 which presents an increase of \$1.3M in our Chapter 70 funded through the state budget process, not the Stimulus funds. This is most unexpected and we are cautiously optimistic that our state legislators will be able to agree with this budget. We have also been notified of a \$547K continuation of a school grant from Stimulus funds in FY11. Our future projections for state aid are level now that our Chapter 70 reimbursements have been made whole. There were 13 communities in the state that were in the same position for this Foundation Aid.

### **SIGNIFICANT ACCOUNTING MATTERS ( GASB 45)**

The Town has been discussing the implementation of the latest Governmental Accounting Standards Board (GASB) requirement for recognition Other Post Employment Benefit (OPEB) liability which is mandated within our accounting statements beginning if FY2009 – the year just ended 6/30/09. This is a huge liability, much larger than the Retirement obligation that

was recognized during the Dukakis administration. The reason this is larger than our retirement obligation is that the town only pays for the non teaching retirees. Teachers retire through the Teachers Retirement system that is funded by the state. Teacher retiree health insurance coverage however is funded by the town. Since the teachers under new state legislation are now allowed to retire with full benefits well before their eligibility for Medicare, this cost has become significant. Recognition of the liability is not only for those that are covered by our insurance but also retirees and their spouse that may choose to come into our health insurance should they lose coverage elsewhere. The recognition is of the "potential" liability. This entire obligation was last measured at \$163M, or \$13M annually net of our current payments to retirees over the next thirty years. We have tried to mitigate this by accepting Section 18 of Chapter 32B which mandates that all eligible retirees and their spouses go into a Medicare based policy. Further, we increased employee and retirees co-pays and the percentage of the total annual premiums. There are currently 473 active school employees eligible for health insurance and 310 retired school employees or surviving spouses eligible for health insurance. For the town there are 276 eligible actives and 280 eligible retirees or surviving spouses.

There are cities, towns and states all over the country that have been faced with similar circumstances but have not had to deal with union contracts or outdated laws that force communities to maintain the status quo. There has been no strong will to push for change from the legislature.

The problem with the status quo is that our financial statements are a representation of the community and are used as a basis for the bonding community to compare us to other communities across the country. Our fear is that the impact of other states ability to change and our not (being able to change) will be detrimental to our bond rating and financial market access to funds at low interest rates.

## **CAPITAL PLANNING**

Having been involved in the Capital Budget Committee since my arrival I have found that there are always more requests/needs than there are funds. Up until 2001, the only buildings that had been replaced or had major renovations for many many years were due to fires, consent decrees for handicapped accessibility, or sale of privately used space. There are currently three buildings that are crying out for replacement. The first two are due to possible health & safety concerns: Public Works facility and the Police facility. The third is that the building no longer meets the program needs of the community: the Memorial Library. Major building projects are actually outside of the scope of the CBC.

On the other hand there are facility issues that are teetering on the edge of disaster (from a program perspective) that are well known to the community: a hundred year old swimming pool, an ice rink that does not meet many of the standards of area rinks, the High School field house that has no public access to the second level, and a High School that is over thirty years old that needs updating to meet the new science standards.

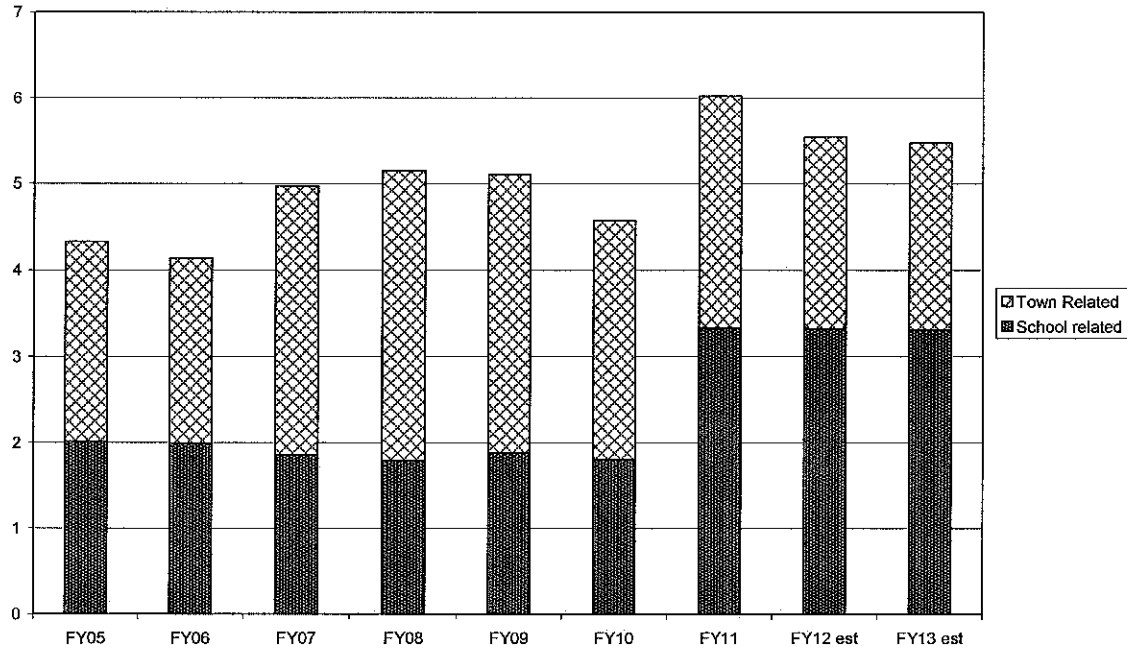
The new buildings in town are all being overseen by volunteer Building Committees made up of citizenry mostly interested in the program aspects of the buildings being replaced. I would recommend that in the future the Town consider hiring a permanent professional individual full time to oversee these projects.

We are fortunate to have a very active Capital Budget Committee that is instrumental in ensuring that our infrastructure needs for streets, water mains, sewer, and storm drains are being addressed. In addition to infrastructure needs they weight the most needed building improvement and equipment needs for the community. The current year requests for General Fund Capital budgets total \$2,902,194. Of this amount, \$1.1M pertains to the pavement management program that must be funded before any other considerations. Optimally, the CBC feels that at least \$3.09M (with a 3% annual growth) should be budgeted annual for capital. Although making cuts to capital is sometimes viewed as harmless by citizens that wish to maintain the operating budget and services, letting our buildings deteriorate or having our equipment fail is not an alternative that is prudent.

A good background is to look at the Town's current debt service which is our financing portion of large capital projects. We have attempted to fund the non major projects from operating budgets rather than borrowing. Below shows the most recent General Fund debt

service along with projections over the next several years reflecting the Wellington School replacement:

**DEBT SERVICE - GENERAL FUND ONLY - (millions)**

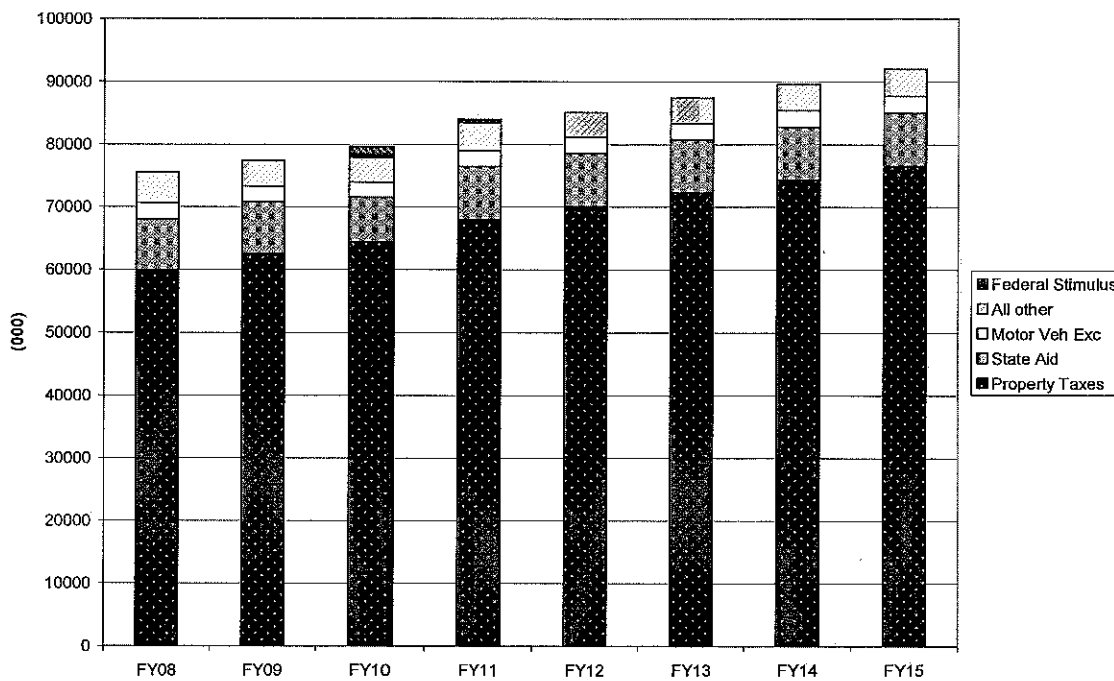


## **5 YEAR REVENUE & EXPENDITURE FORECAST**

Forecasting is a sure way of causing grief. If there is a tendency to be optimistic or pessimistic it always shows through on the projection. With this in mind we have worked on five year projections giving everyone an idea of what has occurred in the past along with some simple mathematical assumptions. Even FY11 as presented here is based on projections since the data at this time is in flux. The assumptions going forward are the most conservative possible to show that even if all goes according to the best of plans we are facing a deficit. FY11 town operating budget is presented without any wage increases but still reflects a 4.7% overall increase because of step increases for existing employees, replacing positions that were unfunded in FY10, and several new positions that are discussed under Program Issues. Health insurance is estimated at a 7% increase in FY11 and 5% each year going forward, Retirement is 4.1% in FY11 (actual) but 6% in FY12 and thereafter (based on new legislation which will allow our funding to extend to as far as 2040), and 3% for most "Other expenses". Capital budgets were cut in FY10 so we have increased that budget to \$2.3M which is still insufficient to maintain the town's capital needs. We have broken out the "use of Reserves" which has been used in the past to balance the budget so that it is obvious how we have been able to avoid operating overrides in the past.

What does the revenue look like?

### REVENUE SOURCES

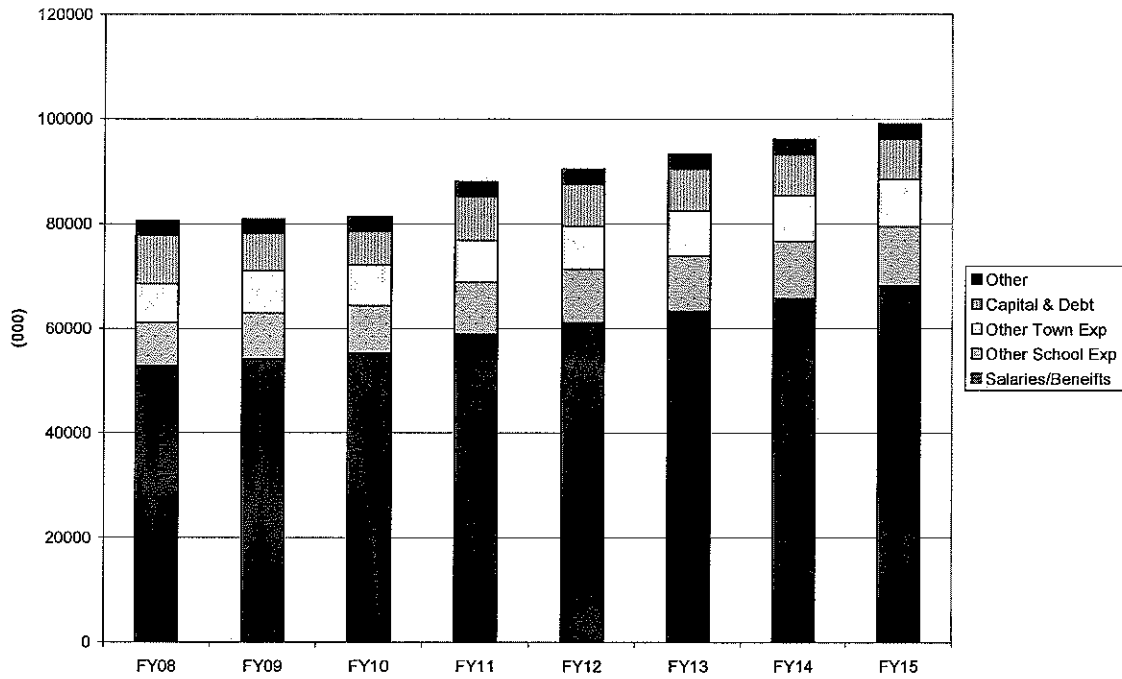


No secret here – property taxes are our main source of revenue but it is important to look at the FY10 column – There were Federal Stimulus funds used to offset school expenses in FY10 in order to avoid budget cuts and a bit of that (\$547K) into FY11.

Well, how do we spend money?



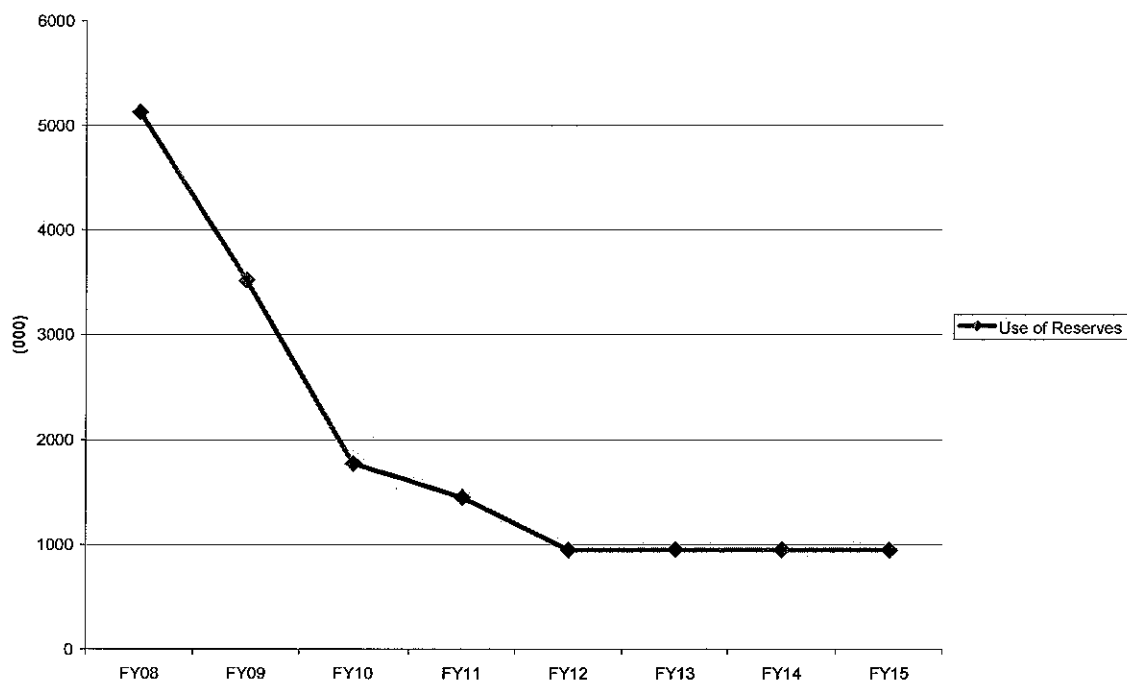
### TOTAL EXPENSES



A good question follows from the chart – why is the capital budget and debt service put together? We fund our capital needs in two ways: cash and borrowing. This reflects a healthy percentage of our total budget.

We have been using reserves to balance the budget. Below is a good representation of this. Going forward however we have been very conservative as to the possible availability of Reserves (free cash/overlay) or our intention to spend them down as we have in the past. Our rating agency informs us that it is necessary to continue to maintain reserves to keep our top AAA Moody's ratings into the future.

### Use of Reserves



There will be those that want to look at the raw data used for these charts. These are below. Please keep in mind that it is not our intent to use salary projections for the purpose of negotiations – this is more an intent to show the smallest possible percentage increases and what even that percentage does to the overall. The FY11 budget is big picture including both the town and an “assumption” on the school budget. We do not have figures for the school as of now broken out into categories so historical breakouts and increases were used. Both the FY10 and FY11 school budgets are inclusive of federal stimulus grant receipts so that this will be a fair presentation to citizenry. Total salaries in FY11 for town side (which you will not see broken out overall) reflects the restoration of positions cut last year as well as needed time help for the new Beech Street Center and several other areas.

**BUDGET PROJECTIONS (in thousands)****General Fund Only**

|                             | <u>FY08</u>           | <u>FY09</u>        | <u>FY10</u>        | <u>FY11</u>        | <u>FY12</u>       | <u>FY13</u>       | <u>FY14</u>       | <u>FY15</u>       |
|-----------------------------|-----------------------|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Revenues</b>             | <b>Actual Budgets</b> |                    |                    | <b>Projections</b> |                   |                   |                   |                   |
| Property Tax                | 54478                 | 56711              | 58878              | 61002              | 63127             | 65305             | 67538             | 69826             |
| Plus 2.5% increase          | 1362                  | 1418               | 1472               | 1525               | 1578              | 1633              | 1688              | 1746              |
| Plus New Growth             | 833                   | 714                | 652                | 600                | 600               | 600               | 600               | 600               |
| Plus Debt Exclusion         | <u>3278</u>           | <u>3670</u>        | <u>3366</u>        | <u>4855</u>        | <u>4795</u>       | <u>4728</u>       | <u>4463</u>       | <u>4358</u>       |
| <b>Total Property Taxes</b> | <b>59951</b>          | <b>62513</b>       | <b>64368</b>       | <b>67982</b>       | <b>70100</b>      | <b>72266</b>      | <b>74289</b>      | <b>76530</b>      |
| Motor Vehicle Excise        | 2600                  | 2499               | 2400               | 2448               | 2497              | 2547              | 2598              | 2650              |
| Meals Tax                   |                       |                    |                    | 100                | 100               | 100               | 100               | 100               |
| Added Interest & Costs      | 110                   | 175                | 153                | 160                | 160               | 160               | 160               | 160               |
| Payment in Lieu Taxes       | <u>99</u>             | <u>10</u>          | <u>14</u>          | <u>14</u>          | <u>10</u>         | <u>10</u>         | <u>10</u>         | <u>10</u>         |
| <b>Total Taxes/Costs</b>    | <b>62760</b>          | <b>65197</b>       | <b>66935</b>       | <b>70704</b>       | <b>72867</b>      | <b>75083</b>      | <b>77157</b>      | <b>79450</b>      |
| Fees & Fines                | 468                   | 337                | 337                | 340                | 340               | 340               | 340               | 340               |
| Licenses & Permits          | 550                   | 650                | 400                | 420                | 420               | 420               | 450               | 500               |
| Departmental                | 1259                  | 1240               | 1368               | 1395               | 1434              | 1475              | 1518              | 1563              |
| Earnings on Investments     | 1200                  | 500                | 400                | 350                | 350               | 400               | 450               | 500               |
| State Aid                   | 8079                  | 8278               | 7191               | 8516               | 8516              | 8516              | 8516              | 8516              |
| Federal Stimulus Aid        | 0                     | 0                  | <del>1721</del>    | <del>547</del>     | 0                 | 0                 | 0                 | 0                 |
| Transfers In                | 1206                  | 1182               | 1277               | 1176               | 1176              | 1176              | 1176              | 1176              |
| <b>Total Revenues</b>       | <b>75522</b>          | <b>77384</b>       | <b>79629</b>       | <b>83448</b>       | <b>85103</b>      | <b>87410</b>      | <b>89607</b>      | <b>92045</b>      |
| <b>Expense Line Items</b>   |                       |                    |                    |                    |                   |                   |                   |                   |
| Salaries & Wages            | 38832                 | 41045              | 42378              | 45159              | 46514             | 47910             | 49347             | 50827             |
| Health Insurance            | 9599                  | 8859               | 8521               | 9177               | 9728              | 10311             | 10930             | 11586             |
| Retirement                  | 3929                  | 4109               | 4366               | 4567               | 4841              | 5131              | 5439              | 5766              |
| OPEB Trust                  | 500                   | 150                | 0                  | 0                  | 0                 | 0                 | 0                 | 0                 |
| School Non Salaries         | 5073                  | 5113               | 4644               | 4969               | 5118              | 5272              | 5430              | 5593              |
| SPED Out of District        | 2733                  | 2961               | 3682               | 4234               | 4361              | 4492              | 4626              | 4765              |
| Minuteman Voc School        | 502                   | 688                | 810                | 751                | 789               | 828               | 870               | 913               |
| Town Non Salary             | 5061                  | 5749               | 5452               | 5616               | 5784              | 5958              | 6137              | 6321              |
| Solid Waste Collection      | 2318                  | 2387               | 2325               | 2395               | 2467              | 2541              | 2617              | 2696              |
| Reserve Fund                | 400                   | 400                | 400                | 400                | 400               | 400               | 400               | 400               |
| State Assessments           | 1505                  | 1518               | 1554               | 1593               | 1633              | 1674              | 1716              | 1759              |
| Abatement/Exemptions        | 827                   | 815                | 800                | 800                | 800               | 800               | 800               | 800               |
| Capital Budget              | 4235                  | 2174               | 1759               | 2300               | 2376              | 2454              | 2534              | 2618              |
| Debt Service                | 5137                  | 4934               | 4711               | 6087               | 5612              | 5539              | 5270              | 5029              |
| <b>Total Expense Budget</b> | <b>80651</b>          | <b>80902</b>       | <b>81402</b>       | <b>88048</b>       | <b>90423</b>      | <b>93310</b>      | <b>96116</b>      | <b>99073</b>      |
| <b>Net operations</b>       | <b>-5129</b>          | <b>-3518</b>       | <b>-1773</b>       | <b>-4600</b>       | <b>-5320</b>      | <b>-5900</b>      | <b>-6509</b>      | <b>-7028</b>      |
| <b>Use of Reserves</b>      | <b><u>5129</u></b>    | <b><u>3518</u></b> | <b><u>1773</u></b> | <b><u>1450</u></b> | <b><u>950</u></b> | <b><u>950</u></b> | <b><u>950</u></b> | <b><u>950</u></b> |
| Over (under)                | 0                     | 0                  | 0                  | -3150              | -4370             | -4950             | -5559             | -6078             |

## **EMPLOYEE & RETIREMENT BENEFITS – Overview**

**Retirement** - The Town of Belmont Retirement Board oversees assets of approximately \$54M for current employees, retirees, and survivors. The appropriation which is reflected in the General Fund budget does not include Water, Sewer, or Light department employees. Those enterprise funds are self-sufficient and pay their benefits directly. There is current legislation which would allow the Retirement Board to extend the funding schedule out as far as 2040. The economic downturn over the past 18 months has affected both public and private retirement funds. The appropriation for FY11 was set several years ago based on an actuarial study done on January 1, 2008, before this latest downturn. The FY12 and forward assessments will be based on the new study. Estimates in our projections are hopefully for an increase in the funding schedule.

**Unemployment** – Although the Town is not at this time expecting layoffs (since we have provided a level services budget), we are budgeting a higher amount than last year. The reason for this is twofold. Since we are self-insured for this, all federal mandates for extensions of unemployment fall onto the town. Added to this is a "reach-back" provision which allows prior employees that may have had an intermittent position that has been lost to look to the Town of Belmont's unemployment coverage. We have an outside consultant that reviews all our claims and attends hearings on our behalf to mitigate the liability.

**Social Security** – Up until now the Town of Belmont has enforced the federal mandate of OBRA withholdings (in lieu of Social Security) from employees that are not eligible for either the Town's Retirement system or the Mass Teachers Retirement. This pertains to all part time, intermittent, temporary, or seasonal employees. These employees are not receiving any Social Security quarters nor are they provided with disability coverage access because OBRA is equivalent to a 401(k) plan in the private sector. This withholding is put into an individual retirement account that earns interest. The vast majority of employees leaving our employ withdraw the funds and pay taxes on it for the year of withdrawal. They are in effect not saving for retirement, have no Social Security Disability net to fall back on, and are not earning any quarters for their future retirement. This is an ongoing problem. There are a number of cities and towns that have adopted Social Security for only those employees not in a Retirement system. This provides those employees with some level of future retirement stability and current disability claim access. This first year funding has been estimated at \$130K and includes both town and school employees.

**Medicare** - Medicare withholding is budgeted within each department. In 1986 this became a mandated withholding (and match by the town) for 1.045% for all new hires. This year we have made our estimates based on actual total anticipated payroll expenses rather than individual employees. The vast majority of our staffing has turned over within the past twenty three years.

**Health Insurance** – the budget for each department reflects the health insurance for employees in that department. As we go to press we are estimating an increase of 7% overall for this item. We have budgeted separately for reinstated full time positions that are eligible for health insurance. Our Health Insurance Trust has helped to stabilize the increases over the past few years and we are hopeful that the trend continues. A health insurance cost for both the public and private sectors has become burdensome. The costs have been mitigated also by the doubling of the employee match, higher doctor and prescription cost deductibles, and self insurance (we do carry co-insurance policies).





|      |                                      |               |               |               |            |            |
|------|--------------------------------------|---------------|---------------|---------------|------------|------------|
| 5100 | HEALTH SERVICES                      | 3.66          | 3.66          | 3.66          | 3          |            |
| 2920 | ANIMAL CONTROL                       | 1.00          | 1.00          | 1.00          |            |            |
| 5410 | COUNCIL ON AGING                     | 7.31          | 6.85          | 7.41          | 3          |            |
|      | <b>TOTAL HUMAN SERVICES</b>          | <b>11.97</b>  | <b>11.51</b>  | <b>12.07</b>  | <b>6</b>   | <b>9</b>   |
| 6110 | LIBRARY ADMINISTRATION               | 3.30          | 3.27          | 3.22          | 2          |            |
| 6120 | LIBRARY PUBLIC SERVICES              | 14.04         | 12.48         | 16.57         | 10         |            |
| 6130 | LIBRARY TECHNICAL SERVICES           | 3.74          | 3.71          | 3.71          | 3          |            |
| 6310 | RECREATION ADMINISTRATION            | 3.00          | 3.00          | 3.00          | 3          |            |
| 6320 | RECREATION PROGRAMS                  | 13.04         | 13.06         | 13.06         | 1          |            |
|      | <b>TOTAL CULTURE &amp; RECREATIO</b> | <b>37.12</b>  | <b>35.52</b>  | <b>39.56</b>  | <b>19</b>  | <b>17</b>  |
|      | <b>TOTAL OPERATING BUDGET</b>        | <b>251.83</b> | <b>240.10</b> | <b>254.44</b> | <b>579</b> | <b>565</b> |

### ENTERPRISE FUNDS

|  |                          |       |       |       |   |    |
|--|--------------------------|-------|-------|-------|---|----|
|  | SEWER - STORMWATER       | 4.00  | 4.00  | 4.00  |   |    |
|  | SEWER SANITARY MAINTENAN | 8.00  | 8.00  | 8.00  | 9 | 6  |
|  | WATER ADMINISTRATION     | 2.00  | 2.00  | 2.00  | 1 |    |
|  | WATER MAINTENANCE        | 10.00 | 10.00 | 10.00 | 9 | 18 |

Please note that "Retired" health policies often refer to 2 policies for one retiree. Each person on Enhanced Medicare is a separate policy. Both retiree & spouse would have separate policies