
FINANCIAL TASK FORCE MODEL AND RECOMMENDATION UPDATE

JANUARY 15, 2021

More information at www.belmont-ma.gov/fy22-budget-information

FTF2 TIMELINE

- **Dec 9th** – Warrant Committee-led Community Forum on “Understanding Overrides and Making Difficult Budget Decisions”
- **Jan 7th** – Warrant Committee-led Community Forum highlighting impact on Town and School services if failed override
- **Jan 8th** – FTF2 and SB Joint Meeting and Discussion
- **Jan 13th** – FTF2 Meeting and Discussion (model review and recommendation)
- ➔ **Jan 15th** – FTF2 and SB Joint Meeting and Discussion
- **Mid to Late Jan** – Select Board consideration of placement of override on the ballot
- **Late January** – Warrant Committee-led Community Forum
- **February** – Dual FY22 budget scenarios
- **April 6** – Annual Town Election

FTF2 FINANCIAL MODELING PROCESS

- Built off UMass Collin Center Financial Modeling grant-funded work for Belmont in Fall 2018
- Projects multiple years of revenue and expenses for Belmont Town and Schools
- Not a one-year budgeting exercise, but rather a multi-year financial forecasting tool
- Inherent uncertainty when looking five years out
 - Significant iteration required given COVID-19 pandemic and economic uncertainty
 - Lack of clarity from federal or state regarding municipal aid
- Models structural deficit, override scenarios, and options for use of Free Cash
- Incorporates feedback from key stakeholder groups (e.g. SB, SC, WC, CBC) and community members

FY22-FY24 MODEL REVENUE ASSUMPTIONS

Model Driver	Assumption	Context
New Growth	<ul style="list-style-type: none"> \$740K 	<ul style="list-style-type: none"> Assessor's Baseline Assumption increased \$500k over FY21.
Tax Levy	<ul style="list-style-type: none"> 2.5% annual growth 	<ul style="list-style-type: none"> Baseline tax levy growth as allowed by Proposition 2½. Taxing to the full levy capacity each year.
High School Debt Exclusion	<ul style="list-style-type: none"> \$14M for FY22-FY24 	<ul style="list-style-type: none"> Driven by voter-approved high school debt exclusion. Data provided by Treasurers Office.
State Aid	<ul style="list-style-type: none"> FY22 - Level funded from FY21 + Chapter 70 addition FY23- 2% increase FY24- 2% increase 	<ul style="list-style-type: none"> Added \$1.3M in Chapter 70 Funding, to account for school kindergarten enrollment.

FY22-FY24 MODEL REVENUE ASSUMPTIONS

Model Driver	Assumption	Context
Local Receipts	<ul style="list-style-type: none"> 1%-2.5% increase 	<ul style="list-style-type: none"> Conservative estimates given the potential slowdown in the economy due to COVID.
Enterprise Funds	<ul style="list-style-type: none"> 2%-2.5% increase 	<ul style="list-style-type: none"> Incremental 2.5% salaries and 2% in general expenses over FY21.
Other Available Funds	<ul style="list-style-type: none"> \$1.6M Available Funds FY23-FY24 Belmont Light Pilot adjustments <ul style="list-style-type: none"> FY22: \$150k FY23: \$350k FY24: \$450k 	<ul style="list-style-type: none"> Use of reserves to fund Structural Deficit in FY23-FY24. Belmont Light Pilot decreases in FY22-FY24 due to increase in PILOT in FY21.
Free Cash Utilization	<ul style="list-style-type: none"> \$4.7M each year 	<ul style="list-style-type: none"> Free Cash is being used to offset the structural deficit FY22-FY24.

FREE CASH DISTRIBUTION

- Free Cash utilization assumptions guided by:
 - Warrant Committee “3-5% Free Cash Guideline”
 - 10% target for aggregate reserve funds
- Baseline utilization of \$2 M of Free Cash annually based upon historical budgeting approach
- Additional \$8.2 M utilization of Free Cash spread across FY22 to FY24 to reduce size of override
- Additional \$1.6 M utilization in FY23 and FY24 based upon anticipated excess Free Cash from FY21 State Aid

	FY2022	FY2023	FY2024
Revenues			
Property Tax Levy	111,342,074	114,508,674	117,206,845
State Aid	13,453,715	13,728,744	13,995,510
Local Receipts	8,533,805	9,153,716	8,797,827
Enterprise Funds	16,947,848	17,371,544	17,805,833
Other Available Funds	2,204,127	2,419,127	2,519,127
Free Cash	2,000,000	2,000,000	2,000,000
Additional One-time Funds	2,746,392	2,746,392	2,746,392
One time Funds from FY21 State Aid Level Funded	-	1,607,800	1,607,800
Total Revenues	157,227,960	163,535,997	166,679,333

FY22-FY24 MODEL EXPENSE ASSUMPTIONS

Model Driver	Assumption	Context
School Staffing	<ul style="list-style-type: none"> Roll forward of all existing staff 	<ul style="list-style-type: none"> Continue to provide level services to residents. Assumes 4% growth compensation rate for school rollover, informed by five-year actuals.
Department- Adds	<p>Additional staffing:</p> <ul style="list-style-type: none"> COA Social Worker Systems Manager Procurement Manager DPW Laborers (2) Increase contractual Services School staffing additions: <ul style="list-style-type: none"> FY22: \$687k FY23: \$650k FY24: \$830k 	<ul style="list-style-type: none"> With the new high school coming on-line in FY22 and growing demands on specific core town services, the town proposes additional staff positions and extra funding to maintain buildings and grounds. The school department proposes additional headcount to address increasing enrollment, new grade configurations, and the vision for teaching and learning.
Town Staffing	<ul style="list-style-type: none"> Roll forward of all existing staff 	<ul style="list-style-type: none"> Continue to provide level service to residents. Assumes 2.5% growth compensation for town rollover.

FY22-FY24 MODEL EXPENSE ASSUMPTIONS

Model Driver	Assumption	Context
Capital	<ul style="list-style-type: none"> \$500k additional discretionary capital annually 	<ul style="list-style-type: none"> Add back in Capital and Road funds deferred in FY21. Provide sufficient capital to properly maintain building and infrastructure to avoid future costs.
School expenses	<ul style="list-style-type: none"> 2.5% annual increase 	<ul style="list-style-type: none"> Indexed growth of supplies, materials, equipment expense.
SPED	<ul style="list-style-type: none"> 5% increase for SPED services 7% increase for Transportation SPED Reserves replenishment 	<ul style="list-style-type: none"> Estimated increase based on five-year actuals.
Health Insurance	<ul style="list-style-type: none"> 5% annual increase 	<ul style="list-style-type: none"> In-line with historical averages and refined with guidance from health care financial consultant Informed by recent plan changes, anticipated claims reductions, and potential future movement to group plans.

FINANCIAL PROJECTION DEFICITS

	FY22	FY23	FY24
Revenues	\$157,227,960	\$163,535,997	\$166,679,333
% Year-over Year	4.5%	4.0%	1.9%
Expenditures	\$162,915,719	\$169,258,702	\$175,007,327
% Year-over Year	8.2%	3.9%	3.4%
Annual Surplus/Deficit	(\$5,687,759)	(\$5,722,705)	(\$8,327,995)
Year-over-Year Surplus Deficit	(\$5,687,759)	(\$34,946)	(\$2,605,290)

Anticipated Override required to provide 3-years of financial stability: **\$6.4 M**

IMPACT ON TAXES

Home Value	Override Amount	Tax Impact
Average tax impact for \$1,250,000 of assessed value	\$6,400,000	\$896

FINANCIAL TASK FORCE II RECOMMENDATIONS

- The Select Board vote to present a Proposition 2½ operating override for \$6.4 million to Belmont voters in advance of the FY22 budget process.
- If successful, the Select Board and School Committee use the increase in the tax levy in such a way as to provide at least three years of financial stability to the Town and Schools.
- The override vote occurs in April during the Towns annual local election.
- Following this override vote, the FTF2 believes that Belmont should consider a pattern of more frequent and smaller overrides to match the structural imbalance that exists between growth in revenue and costs.
- The Select Board further examine opportunities to maximize revenue and streamline costs, including ideas to deliver Town and School services differently.
- The Select Board promote and facilitate the work of the recently formed Structural Impact Group and Long-term Capital Budget Planning Committee.

The FTF2 and Select Board are aware that this is a challenging time to ask Belmont residents for a tax increase, but we believe that the need for prudent financial discipline and the scope of potential service impact requires that we give voters the opportunity to decide.

SUMMARY RECOMMENDATION OF FINANCIAL TASK FORCE II

- Override targeted to provide financial stability to the Town for THREE YEARS
- A vote should be held at the Towns Annual Election on APRIL 6, 2021
- The total OVERRIDE AMOUNT recommended is \$6.4 MILLION