



Office of the Board of Selectmen
Town of Belmont
Massachusetts

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February 12, 2018

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

Overview

I herewith submit for your consideration the Proposed FY19 Operating Budget for the Town of Belmont. I want to thank the team that helped pull this together; Glen Castro, Phyllis Marshall, Susan Murphy, Matt Haskell, Cassandra Cleary (intern), and all Department Heads. The total Proposed Budget of \$116,239,214 represents an increase of \$6,164,502, or 5.6%, over the FY18 adjusted budget.

The Proposed Budget reflects the additional resources provided as a result of the successful Proposition 2 ½ Override approved by the voters in April 2015. The FY19 School Budget reflects the addition of nine teaching positions (FTEs) to support increased enrollment. In addition, funds have been provided to cover the cost of an additional bus to transport students, which is required due to the continued increase in enrollment. Also, increased funds have been provided in the FY19 School Budget to adequately cover the costs in Special Education Services.

The FY19 Budget continues the additional capital funds provided in FY16 to support sidewalk repairs (\$215,250) and additional funds for the Pavement Management Program (\$323,068). The Proposed Town Budget provides funding to support priorities—such as the additional support of a position in the Health Department, a Youth Services Coordinator, public safety equipment, and technology replacement—while continuing to maintain level services.

A net increase in State Aid of \$1,189,752 contained in the Governor's Proposed Budget for distribution to Belmont has been included in the Proposed FY19 Budget, which has been used to reduce the amount initially estimated from the General Stabilization Fund. However, this additional State Aid amount is not final and is subject to revision when Legislative Budget Proposals are submitted as part of the State Budget Process. It is anticipated that any additional state aid funds will be used to further reduce the amount used to fund the FY19 Budget from the General Stabilization Fund.

Belmont is not unlike other municipalities, which budget revenue 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. However, because of the increased property taxes as a result of increased new growth over the expected increase due to the Uplands development, increased state aid, the override of 2015 and the planned use of the General Stabilization Fund, the FY19 Budget allows Town and School Budgets to be maintained and to accommodate increases as a result of increased student enrollment.

Budget Process

The Budget Process began in December 2017 with the development of estimated 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 and Sidewalk 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 and was consistent with the Financial Model developed by the Financial Task Force.

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 12, 2018 budget submission date. The "Fixed Costs" are mandated by statutory and financial regulations. 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 \$116,239,214 for the FY19 Budget, which is an increase of \$6,164,502 or 5.6% over FY18. Estimated "Fixed Costs" total \$17,973,021, which is an increase of \$786,436, or 4.6% from FY18, leaving \$98,266,193 in available funding for Town, School and Capital Budgets. This resulted in a \$56,985,592 FY19 School Budget, which is a \$4,016,107 increase or 7.6%, \$39,879,836 FY19 Town Budget, an increase of \$1,327,794 or 3.4% and \$1,400,765 FY19 Capital Budget, which is an increase of \$34,165, or 2.5%. The sidewalk repair budget is part of the Fixed Cost category.

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 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. Energy budgets were budgeted to reflect cost increase, if required.

Salary and Benefit budgets were allowed to increase to reflect negotiated salary increases, increments, health insurance at 11%, and Medicare increases or changes. Vacancies were reviewed during the process.

Department Heads submitted their FY19 Budget requests to the Town Administrator in early January 2017. Department Heads met with the Town Administrator, Assistant Town Administrator, Town Treasurer, and Town Accountant 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 FY19 Budget.

Revenues

FY19 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 FY19 Budget estimates that \$92,636,171 will be derived from this revenue source, which is 80% of total revenues. This amount includes an estimated \$900,000 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 new growth estimate is \$900,000. This total amount includes a new growth estimate of \$400,000 for the Uplands Development. Additional new growth taxes may be used to further reduce the amount used from the General Stabilization Fund in FY19.

The total property tax levy includes property taxes used to finance debt exclusions based on the debt schedule for the approved projects.

State Aid

Total State Aid (Local Aid) is estimated at \$11,290,993, or 9.7% of total revenues used to fund the FY19 Budget and reflects a net increase of \$1,189,752, which reflects the amount included in the Governor’s FY19 Proposed Budget. The two major categories of State Aid (Chapter 70 Education (School) Aid and Unrestricted General Government Aid (UGGA)) totals \$11,225,820. It should be noted that in addition to the Local Aid distributed to the Town, there are assessed charges from the State to pay for services (MBTA, etc.) totaling an estimated \$1,810,936, which brings the net State Aid revenue amount to \$9,414,884.

Other Taxes

In addition to the Property Tax (Real Estate and Personal Property), other taxes including Motor Vehicle Excise (\$3,435,000), Meals Excise (\$220,375), Penalties and Delinquency Interest Payments (\$230,000) and Payment In-Lieu-of Taxes (\$36,000), are a major source of revenue to the Town. These tax revenues total \$3,921,375, which reflects an increase of \$105,375, or 2.7% in the FY19 Budget and represents 3.4% of total revenues.

Local Receipts

Local Receipts, including Other Taxes, have been increased in the FY19 Budget by a total of \$134,930 to \$7,742,930 or 1.7% of total revenues. Changes in FY19 Local Receipts include decrease to Ambulance receipts (\$23,000), an increase to Recreation (\$25,000), and an increase to Building Permits (\$21,525).

Free Cash

Free Cash is the amount of 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 \$5,646,715 as of July 1, 2017, which is a decrease from \$7,135,275.

With an increase in the use of local receipts as noted above, a corresponding reduction in the amount of Free Cash used in FY19, from \$2,322,850 in FY18 to \$1,613,913 in FY19 has been made. Free Cash represents 1.3% of total FY19 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.

General Stabilization Fund

In 2015, Town Meeting approved the appropriation of \$1.7 million to the General Stabilization Fund from property taxes as a result of the successful operating override. The amount was supplemented by an additional \$1.3 million with Town Meeting approval of a transfer of \$1.1 million from Free Cash and \$0.2 million from available property taxes. The seeding of the General Stabilization Fund is intended to allow the \$4.5 million operating override approved in 2015 to be leveraged in future years to postpone the need for another override for along as possible. The General Stabilization Fund balance is approximately \$4.0 million. Initial estimates at the beginning of the FY19 Budget Process indicated that \$1.5 million would be required from the General Stabilization Fund to balance the FY19 Budget.

Caution:

The use of General Stabilization Fund or one-time money to fund recurring expenses year over year would be unfavorable as we project reserves would be exhausted and an operating override would be needed in FY21. The available stabilization fund balance will be used in FY20 to balance the operating budget.

Expenditures

The following is a listing of highlights contained in the FY19 Budget:

Capital Budget

The FY19 Budget contains \$1,400,765 to support capital projects, recommended by the Capital Budget Committee.

Budget Message

Capital Budget-Roads and Sidewalks

The FY19 Budget contains \$1,898,300 to support the on-going Pavement Management Program to support improvements to Belmont Streets. This amount is in addition to approximately \$535,000, which is received annually by the town from State Chapter 90 Highway Funds to support our Pavement Management Program. The FY19 Budget contains \$215,250 to support sidewalk repair. This funding was made available as a result of the successful operating override approved by the voters in 2015.

Debt Service

The FY19 budget for Debt Service has increased by a net amount of \$222,638 to a total of \$4,737,401 to reflect the Burbank modular in debt service.

Pension, Health and Other Insurance

Pension costs are projected to increase by \$533,165 or 7.3% based on the latest funding schedule approved by the Belmont Retirement Board and the Public Employee Retirement Administration Commission (PERAC). Estimated cost increase for health insurance is projected to be 11.0% 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 \$42,164.

Charges and Assessments

State Charges and Assessments are estimated to increase by \$41,476 or 2.3% to \$1,810,936. The largest assessment is for the MBTA, which is estimated at \$1,691,403 for FY19. These State Assessments may change based on FY19 Legislative Budget proposals. The FY19 Minuteman Vocational High School assessment is estimated at \$846,771, which reflects (\$63,414) decrease or -6.9%.

Departmental Budgets

Listed are major changes to departmental budgets, which include reallocations from existing resources: The Treasurer's Budget for Parking reflects an increase of \$30,000 required for Meters and Devices in FY19. The Assessors Budget includes an additional \$20,000 in revaluation services. The Health Budget reflects the net addition of 0.5 FTE for Youth Services Coordinator position. The Fire Budget reflects a \$24,000 increase in the Software Licenses account due to the licensing and cloud services for the prior Zoll and Tele staff implementation.

Budget Highlights

Overlay and Other Expenses

The ongoing fiscal challenges will continue to evolve year over year. To confront these fiscal challenges sooner than later, Department Heads reviewed Capital Outlay and Other Expenses for any cost savings. This exercise resulted in \$211,429 cost containment.

Youth Services Coordinator

The Health Director, Council on Aging Director, and a member of the Board of Health continued to work collaboratively during the budget process for the additional part-time (0.5 FTE) position in the Health Department. Funding this position was made possible in accordance that there were no increases to the budget.

Budget Message

Supplemental Requests

Department Heads submitted supplemental requests with the combined total of \$198,448. These requests included extended hours and increases in minimum wage for the Library, the assessment center and Advanced Life Support (ALS) Coordinator for the Fire, Social Worker for the Council on Aging, and an increase in Veterans Service Hours for the Health.

Health Insurance

Health insurance increased at 11%. The cost driver for increasing rates derives from claims.

Caution:

The use of General Stabilization Fund or one-time money to fund recurring expenses year over year would be unfavorable as we project reserves would be exhausted and an operating override would be needed in FY21. The available stabilization fund balance will be used in FY20 to balance the operating budget.

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.

The Town Administrator's Office looks 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 FY19 Budget. Individuals can e-mail comments to Selectmen@belmont-ma.gov or to pgarvin@belmont-ma.gov or pmarshall@belmont-ma.gov

Regards,

Patrice Garvin
Town Administrator
Budget Message