



Warrant Committee Report Town of Belmont FY 2020 Budget

May 2019

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2018–2019 Warrant Committee Members

John Alcock

Michael Crowley (resigned April 2019; elected to School Committee)

Elizabeth Dionne

Christine Doyle (Secretary)

Roy J. Epstein (Chair, resigned April 2019; elected to Board of Selectmen)

Jennifer Fallon

Daniel Halston

Anne Helgen

Geoffrey Lubien

Robert McLaughlin

Lynn Peterson Read

Paul Rickter

Ellen Schreiber

Laurie Slap (Vice-Chair)

Jack Weis

Ex officio

Michael Crowley (ex-officio, School Committee)

Thomas Caputo (ex-officio, Board of Selectmen)

Jill Norton, (former School Committee representative)

Adam Dash (former Board of Selectmen representative)

Executive Summary

Report of the Belmont Warrant Committee to Town Meeting May 2019

Authorization: *As prescribed by the Town of Belmont’s By-Laws, it is the duty of the Warrant Committee to consider for all town meetings all articles in the Warrant that involve an appropriation of money and to report thereon to Town Meeting. The Warrant Committee is specifically charged with recommending a budget to Town Meeting and such recommendations are contained herein.*

I. Overview of FY20 Recommended General Fund Budget

The FY20 recommended General Fund budget is \$128.7 million, which represents a 10.7% increase over last year.¹ This increase reflects five main factors: the allowed 2.5% increase in last year’s property taxes, “new growth” from property improvements that lead to higher assessments, increases in Chapter 70 State Aid for the schools, utilization of the remaining General Stabilization Fund reserve, and the introduction of increased property taxes to fund debt service for the new 7-12 school that will break ground in the summer of 2019. The budget process identifies the expected revenues and subtracts out the non-discretionary costs, such as pensions, debt service, Minuteman, and roads override funds. The remainder of the revenue is available for the General Fund budget.

Town Meeting created a General Stabilization Fund (“GSF”) after the 2015 override as a “savings account” for the revenue from the override. The override has been essential to preserve town services and support enrollment growth for the schools. The GSF was originally expected to balance the budget for three years (FY16–FY18). Fortunately, careful management and solid revenue growth has allowed the override to last longer and extend through the coming fiscal year. However, the entirety of the remaining balance in the General Stabilization Fund will be used in FY20. Increased revenue (such as from an operating override) and/or reduced expenditures are therefore likely to be required in FY21 and beyond. The Warrant Committee believes that the work of the second Financial Task Force will be essential to address the longer-term structural deficit that the Town faces in its overall finances.

Table 1 compares the recommended FY20 General Fund budget to corresponding data for FY19. This budget is as of May 9, 2019 and is subject to minor adjustments before the June Town Meeting.

¹ The General Fund budget does not include expenditures budgeted under the Enterprise accounts (i.e., water and sewer), the Belmont Housing Trust, or Belmont Light.

Table 1: Summary of FY20 General Fund Budget vs. FY19 (\$ million)

	FY20	FY19	\$ Change	% Change
Town	\$41.64	\$39.88	\$1.76	4.4%
Schools	\$60.65	\$56.99	\$3.66	6.4%
Capital Budget (Discretionary)*	\$1.60	\$1.40	\$0.20	14.2%
Other Capital Spending	\$0.54			
Non-discretionary Costs**	\$24.23	\$17.96	\$6.28	35.0%
Total General Fund Budget	\$128.67	\$116.23	\$12.44	10.7%

* Recommended by Capital Budget Committee

**Includes legally binding obligations such as pensions, debt replacement, state charges (e.g., MBTA), capital items (roads, sidewalks), Minuteman Vocational School, and Assessor's abatement reserves.

Note: Data do not include expenses budgeted in Enterprise Funds, trust accounts, or Belmont Light.

FY19 data is adjusted budget, not budget as voted by Town Meeting. Calculations reflect rounding.

Table 1 indicates the FY20 General Fund budget is 10.7% higher than the FY19 budget. The town budget grows 4.4%, and the budget for the schools rises 6.4%. The split between town and school in part reflects the stated purpose of the 2015 override to devote the majority of the override revenue to the schools to address increased enrollment. By comparison, Town services have not experienced similar growth in demand. Discretionary capital spending under responsibility of the Capital Budget Committee is up 14.2% from FY19 levels (an increase of 2.5% plus \$163,946 in turnbacks). Table 1 also shows 'Other Capital Spending' that represents funding for police cars, IT requests, library requests and fire department turn-out gear that traditionally are not included in the Capital Budget Committee's purview. The largest increase in FY20 General Fund expenses, \$6.3 million, is in other non-discretionary costs, primarily due to the introduction of long-term debt associated with the new 7-12 school.

Table 2 breaks out the increases in spending by function. The table shows town departments, school spending, and Minuteman costs as discussed later in this report. In addition, the table breaks out insurance expense, capital spending, and other non-discretionary costs.

Table 2: FY20 General Fund Budget vs. FY19 by Department or Function (\$ million)

	FY20	FY19	\$ Change	% Change
General Government	4.58	4.44	0.14	3.2%
Human Services	3.24	3.16	0.08	2.5%
Police	7.47	7.39	0.08	1.2%
Fire	5.99	5.94	0.05	0.8%
Public Works	8.22	8.01	0.20	2.5%
Community Development	1.09	1.07	0.02	2.0%
Facilities	4.69	4.35	0.34	7.9%
Insurance*	6.37	5.53	0.84	15.2%
Belmont Public Schools	60.65	56.99	3.66	6.4%
Capital Budget (Discretionary)	1.60	1.40	0.20	14.2%
Other Capital Spending	.54	-	.54	
Operating Budget	104.43	98.27	6.16	6.3%
Minuteman Vocational	0.98	0.85	0.14	16.3%
Pension Expense**	8.23	7.88	0.35	4.4%
Other Non-discretionary Costs***	15.02	9.23	5.79	62.7%
Total General Fund Budget	128.67	116.23	12.44	10.7%

* Includes health insurance; health insurance is no longer included in department budgets

** Does not include pension expenses budgeted in Enterprise Funds, Belmont Light, or trust accounts. See Pension discussion below.

*** Includes legally binding obligations such as: debt replacement, state charges (e.g., MBTA), capital budget (roads override), and Assessor’s abatement reserves. Note: Data do not include expenses budgeted in enterprise funds or trust accounts. FY19 data is adjusted budget, not budget as voted by Town Meeting. Calculations reflect rounding.

The most material change between the FY19 and FY20 operating budget is in School Department expenses. This increase supports a roll-over of existing operations, rising external costs, and strategic expenditures. On the town side, the largest increase is in the "Insurance" line. In this year’s reports, health insurance for all of the departments is consolidated in the ‘Insurance’ line and has been removed from departmental budgets. Belmont self-insures for healthcare and the FY20 budget reflects the recommendations of the Town’s external health insurance consultant to increase projected health care costs by approximately 8%.

Changes shown in Table 2 are discussed in greater detail below. The recommended FY20 budget maintains roughly level town and school services, addresses higher student enrollments, and provides for capital investments (roads, sidewalks, equipment).

Expected and recommended revenues are summarized in Table 3. As with the expense figures shown above, the largest change from FY19 on the revenue side is due to the introduction of the debt service for the new 7-12 school in FY20 (listed in Table 3 as “Debt Exclusion”). New growth (driven by property improvements) remains relatively strong in FY20 at \$740,000. State Aid is projected to grow 3.0% in FY20.

Local receipts, including other taxes, have been increased by \$1.2 million in the FY20 budget. Roughly 25% of this increase is due to the adoption of the Collins Center recommendation to increase revenue from local receipts in line with recent trends. [Last year, Belmont’s Town Administrator obtained a state Community Compact Grant to have the UMass Collins Center create a financial planning model for the Town.] Likewise, a large part of the increase in “Other Available Funds” is due to the adoption of the Collins Center formula that brings monies from the Enterprise Funds into the operating budget to cover indirect costs. In keeping with prior years, the FY20 budget is supported by Free Cash (\$2.3 million). The balance of funding comes from the remaining balance in the General Stabilization Fund (\$2.6 million).

Table 3: FY20 Expected General Fund Revenues vs. FY19 Actual Revenues (\$ million)

	FY20	FY19	\$ Change	% Change
Total Property Taxes	\$89.26	\$86.09	\$3.16	3.7%
Allowable 2.5% increase	\$2.23	\$2.15	\$0.08	3.7%
New Growth	\$0.74	\$1.00	(\$0.26)	-26.1%
Debt Exclusion	\$8.76	\$3.49	\$5.27	151.0%
Local Receipts	\$8.23	\$7.04	\$1.20	17.0%
State Aid	\$11.78	\$11.44	\$0.34	3.0%
Free Cash	\$2.31	\$2.22	\$0.09	4.1%
General Stabilization Fund	\$2.62	\$1.34	\$1.28	95.5%
Other Available Funds	\$2.73	\$1.46	\$1.27	87.0%
Total General Fund Revenue	\$128.67	\$116.23	\$12.44	10.7%

Note: Subject to adjustment when State Aid is finalized later this fiscal year. Calculations reflect rounding.

II. Enterprise Funds

Belmont maintains separate Water Enterprise and Sewer Enterprise Funds. The Enterprise Funds receive revenue from rates charged for these services which are used to fund expenses incurred in the operation and upkeep of the Town's water and sewer system, including storm water management. The total expenditures for the Enterprise Funds are summarized in Table 4.

Table 4: Enterprise Funds Expenditure Summary (\$ million)

	FY20	FY19	\$ Change	% Change
Water	\$7.10	\$7.09	\$0.01	0.1%
Sewer	\$9.65	\$9.33	\$0.35	3.4%
Total Enterprise Funds	\$16.75	\$16.42	\$0.33	2.0%

Note: Calculations reflect rounding.

III. Risks in the FY20 Budget

By law, Belmont must operate with a balanced budget. If actual spending appears likely to exceed the total budget by year end, either spending must be reduced or reserves such as free cash must be utilized. Over the past year, it has become apparent that Town facilities have not received required maintenance on a timely schedule. The Town has hired a new Facilities Director and has budgeted a 6.2% increase in funds in the FY20 budget to address these needs. However, Facilities remains underfunded. The risk of unanticipated maintenance needs in FY20 is high.

Belmont self-insures for healthcare. The Town's external health insurance consultant recommended a 10% increase in health insurance costs for FY20. The Board of Selectmen decided on an 8% increase to alleviate pressure on the budget, given the higher than recommended balance in the Health Insurance Trust Fund available to cover any overage.

IV. Departmental Highlights:

The Warrant Committee has subcommittees that are responsible for analyzing individual departmental budgets and practices. The key analyses by each subcommittee are summarized below. More detail is provided in the chapters that follow.

Education (*Belmont Public Schools and Minuteman*)

The trend of increasing enrollments throughout the system is expected to continue for the foreseeable future. Enrollment growth of 34 students in FY19 seems unlikely to signal a shift in the longer-term trend. In fact, subsequent to October 1st, when the official enrollment figures are measured and total enrollment stood at 4,568, an additional 33 students have enrolled in the schools. According to a 2018 demographic report by McKibben Associates, enrollment in FY20 is expected to increase to 4,703 students and to climb to a peak of 4,923 students in FY28 before leveling off.

Recent increases in staffing have allowed the School Department to make inroads in addressing the pressures caused by the substantial enrollment growth over the past ten years.

Though special education costs remain a volatile and unpredictable component of the budget, the School Department's management of outside revenue sources such as the State Circuit Breaker has helped insulate the Department and the Town from year-to-year and mid-year volatility in special education expenses such as Out-of-District tuitions.

The shift in covering an increased percentage of student activity expenses through the General Fund has temporarily helped ensure the solvency of those funds. The overall expenses of these activities and the share covered by the General Fund bear continued monitoring in the year ahead. Moreover, at some point, revisiting the user fee levels and schedule may be warranted.

As of October 2018, 28 students from Belmont attend Minuteman High School. With the Town's 2016 decision to leave the Minuteman School District, Belmont will no longer be a member as of July 1, 2020 (the start of FY21). While space is available, Belmont can keep sending students to the school as a non-member town, paying roughly the same capital assessment per-student as it would pay as a member town, but a tuition rate that currently is considerably lower than the per-student operating assessment for member towns. Current enrollment trends suggest the ample availability of space for future Belmont students; however, this is not guaranteed and depends on demand from other towns, both member and non-member.

Public Services (*Community Development, Facilities, Recreation, Department of Public Works*)

While Community Development has made progress over the last decade in addressing the backlog of road projects, the Department estimates that there is currently still an approximate 17-year backlog of required road repairs. Unfortunately, due to the National Grid lock-out in the summer of 2018, scheduled road repairs for FY19 were delayed by a year.

In April of last year, the Town appointed a new Director of the Facilities department. He has been prioritizing the current significant backlog of maintenance issues. The department is committed to addressing routine maintenance issues, but preventive maintenance is a challenge under the current staffing level.

As part of the next phase of the recreation strategic plan, a new Assistant Town Administrator was hired with responsibility for directing the recreation department and establishing cost recovery strategies to create a recreation enterprise fund. However, the loss of high school facilities and the squeeze on town fields will impact both revenue and expense and obscure the expected enterprise performance for several years.

The tree-removal budget is under significant strain. The Town has many trees approaching 100 years old, which generally represents the end of their useful life and makes it prudent to remove them, and the 2016 drought damaged many trees thereby requiring trimming or removal. Although the FY20 budget includes a 4.5% increase in forestry services as well as a request for additional State aid, an additional \$100,000 - \$150,000 is likely necessary to address the current backlog. Currently, the DPW views this as the greatest additional need outside of the FY20 budget.

Public Safety (*Police, Fire, Emergency Management*)

The Town Administrator's planned review of all Town technology assets will help both the Police and Fire Departments maximize the use of recent investments in technology.

The replacement cycle for Public Safety equipment and vehicles should continue to be assessed. The Town should evaluate the cost-effectiveness of replacing these items less frequently.

The Fire Department has experienced high turnover in recent suppression staff hires, which results in costly training and overtime costs. More data is needed to identify factors contributing to this trend and determine what can be done to improve staff retention.

A shortage of crossing guards in the Town has added costs and diverted the resources of the Police Department. In light of the concern about safety, current traffic congestion and future changes due to the new 7-12 school, the Public Safety subcommittee is recommending that the Town, School Department and the Police consider how other towns manage similar shortages and determine if resources can be allocated more effectively.

General Government (*Financial departments: Assessors, Accounting, Treasurer; Administrative departments: Human Resources, Information Technology, Town Administrator, Town Clerk*)

The Board of Selectmen and Town Administrator launched a second Financial Task Force to create a financial plan for the Town. This work will assess the accomplishments since the first Financial Task Force in 2014-15 and identify any new opportunities since that time. The committee will use a financial model created last summer with a grant from the Collins Center at UMass Boston that allows multiple scenarios to be tested and evaluated. FY20 will be the fifth year since the 2015 override, a revenue increase that was expected to address the Town's budget needs for three years. The new Financial Task Force will develop a plan for the next 3-5 years.

The 7-12 building project is a major focus for both the Town Treasurer and Town Accountant. The Treasurer's Department accomplished a significant goal by having two rating agencies – Moody's and Standard and Poor's – affirm Belmont's Aaa rating for financial strength in advance of the issuance of new bonds for constructing the new school building. The Town will save approximately \$5.5 million for being a Aaa borrower for the initial bond issued in March of 2019. The Accounting Department has put processes in place to ensure prompt payment and filing of MSBA reimbursement requests for expenses related to the construction of the new school.

The General Government subcommittee would like to see the Town Administrator's office work with the IT department and residents to redesign the Town website. The result could increase the ability of residents to find the information they seek and to track their questions as they are resolved, which would both free up staff time for other projects and increase resident satisfaction.

Human Services (*Council on Aging, Health, Library*)

The Council on Aging (COA) has joined the Massachusetts Age Friendly Network. Last year Belmont was designated as an Age Friendly community.

The Health Department is recommending acquisition of smartphones for at least some Health Department staff, as they are currently using their personal phones to take pictures to document conditions on inspections, records that could be subject to a subpoena.

A Library Building Committee has been appointed and with a project manager and an architect and schematic plans for a new library are expected by this fall. The new Library will be constructed on the site of the existing library.

V. Free Cash and Stabilization Fund Update

Free Cash represents a town's unrestricted funds from operations. Generally, these arise from excess receipts over budgeted revenues and unspent expenses from departmental budgets. By law, the Massachusetts Department of Revenue certifies each city or town's free cash as of July 1.

Several years ago, the Board of Selectmen and Warrant Committee agreed upon a Free Cash Guideline: Belmont will seek to maintain the amount of Free Cash in the range from 3-5% of the current year's General Fund Revenue Budget (with a target of 4%). This is thought to be a prudent level to cushion against unforeseen adverse financial events.

Belmont started FY19 with \$8,406,183 in certified Free Cash, compared with \$5,646,719 as of July 1, 2018. A portion of the increase (\$2.8 million) was due to a higher than average number of taxpayers opting to prepay their total FY18 property taxes in advance of changes to the federal tax law that limited the deduction of state and local taxes. Given the proposed FY20 General Fund Revenue Budget of approximately \$128 million, the guideline indicates a range of approximately \$3.9 million to \$6.4 million in Free Cash is adequate for FY20.

Belmont has been drawing upon Free Cash for use in the operating budget for at least a decade. This practice is sustainable to the extent that the Free Cash used is "replenished" each year. Through careful and conservative budgeting, Belmont has been able to replenish Free Cash used in its budgeting process and, at times, significantly more. The Town has also used Free Cash balances in excess of the guideline to fund unanticipated expenses such as Fire Department building maintenance, as well as capital needs such as the Belmont Center project and modulars for the School Department. As budgeting tightens, the expectation is that Free Cash balances will be lower than in the past.

In addition to Free Cash, Town Meeting has created four stabilization funds in recent years – each effectively "rainy day funds", but all will have a zero balance at the end of FY20. The Major Capital Stabilization Fund is currently empty because its initial funding of \$1.75 million from the sale of the Woodfall Road parcel was transferred to the High School Building Project. The General Stabilization Fund (GSF) balances will be drawn down in entirety to support the FY20 budget. The Special Education Stabilization Fund was established in 2012 to cover extraordinary special education costs but that fund was drawn down to nearly a zero balance in 2015 and has not received additional funding. The Special Education Reserve Fund was created in 2017 but has not been funded.

The recommended FY20 budget will use Free Cash of \$2.3 million and the entire General Stabilization Fund balance of \$2.6 million to fund General Fund operating expenses. The Warrant Committee believes the use of Free Cash and the GSF in the FY20 budget is appropriate. At the same time, the Warrant Committee recognizes that there will need to be an infusion of new revenue in FY21 if level services are to be provided, likely in the form of an operating override.

VI. Longer-Term Issues

Four issues continue to stand out as long-term drivers of increasing costs for the Town: 1) employee compensation costs, 2) school enrollment growth and special education, 3) capital projects, and 4) unfunded pension and healthcare liabilities. As noted above, the Board of Selectmen and Town Administrator launched a second Financial Task Force earlier this year to create a 3-5year financial plan

for the Town. The Financial Task Force is using a financial model created last summer by the Collins Center at UMass Boston to evaluate Town financial needs under multiple scenarios. The model and additional input from the Collins Center was funded by a grant.

1. Compensation Costs

Employee compensation represents over 60% of Belmont’s operating budget. Many municipal and school employees are unionized, with contracts that typically last three years. Negotiations will begin during FY20 for contracts that will begin July 1, 2020. It is difficult to change the trajectory of contract terms, and there is always a tension between controlling compensation growth and attracting and retaining top quality talent. As long as compensation costs rise faster than Belmont’s sustainable revenue growth, pressure will continue to mount for further operating overrides or cuts in service. Belmont’s healthcare costs have increased significantly over the past three years and health insurance is likely to be one item to be addressed in the upcoming negotiations.

2. Enrollment Growth and Mandated School Costs

The primary driver of the increase in the School Department budget over the past decade has been the steady and relentless growth in enrollment across the school system. We have an outstanding system that attracts families from all over the world. Total enrollment during the last decade has increased by 770 students, or 22%, and growth has been pervasive across all three levels of the system – elementary, middle, and high school. According to a 2018 demographic report by McKibben Associates, enrollment in FY20 is expected to total 4,703 students.

Special Education (SPED) and English Language Learners (ELL) enrollment, which require mandated and costly services, are growing faster than overall enrollment. The School Department has been able to insulate the General Fund budget from the largest and most volatile of these expenses, Out-of-District tuitions, through management of reimbursements from the state Circuit Breaker fund and other outside funding sources. Nonetheless, as the percentage of students requiring SPED and ELL services rises, there will be a higher proportional impact on the General Fund budget.

3. Capital Projects

The Capital Budget Committee (“CBC”) identifies and recommends capital projects that can be funded with the operating resources made available to it. This year, operating funds made available to the CBC for discretionary capital spending increased 2.5% from FY19 and also included turnbacks of \$165,000 [Full details of the CBC Budget are included in a separate report distributed to Town Meeting.]

The Department of Community Development is responsible for the pavement management program (including sidewalks). Dedicated funding from two Town overrides has allowed considerable progress in addressing the backlog of road projects that need to be completed; but as noted above, there remains a 17-year backlog.

During the past year, Belmont has approved three significant building projects which will begin in FY20: renovations of the DPW facilities and police station; and the construction of a new grade 7-12 school that will break ground this summer (financed through a Debt Exclusion approved last November and MSBA

funding). In addition, the Board of Selectmen recently approved solar panels and battery storage as the post-closure use for the incinerator site.

The great challenge in planning capital projects is finding solutions that minimize the tax burden. Plans are moving forward for the Community Path, whereby design is funded through the Community Preservation Committee, and construction would be largely reimbursed or paid for by state and/or federal sources. Plans are also in the works to establish a new public/private partnership to develop a new skating rink. A Belmont Library Building Committee was formed in November 2017 and is working on schematic design for a new library on the current library site and a funding strategy that includes private fundraising. The Butler, Burbank and Winn Brook schools will require significant upgrades at some point.

The Warrant Committee supports the Town Administrator's intent to create a capital improvement plan and establish a permanent committee to focus on long-term capital planning and funding. The Warrant Committee would be pleased to work with this new committee, the Capital Budget Committee, the Community Preservation Committee, the Permanent Building Committee, and relevant town and school administrators and elected officials to prioritize projects and create a long-term capital improvement plan.

4. Pension, OPEB and Debt Liabilities

Pension

The pension requirement for the budget comes from the actuarial report of the Belmont Contributory Retirement System ("Retirement System"). The most recent actuarial report is dated January 1, 2018 and was submitted to the Retirement Board in September 2018. The report is updated every two years so the next report will be dated January 1, 2020. For FY20, the pension cost increases 5.7%, or \$554,483, to \$10.1 million for all relevant employees (General Fund, non-teaching School Department, Enterprises, Housing Trust, and Belmont Light). Pension costs will comprise about 7% of the total Town budget in FY20. This compares to \$9.6 million in FY19, which was also about 7% of the total Town budget.

The current total unfunded liability for the Retirement System is \$77 million, meaning the Retirement System is about 58% funded. The annual total pension contribution is expected to increase about 5.75% each year through 2029, based on the actuarial report for the period ending January 1, 2018. It is important to note that the annual contributions are recalculated at the time of each actuarial report, based on the most recent assumptions. Thus, the annual contributions may need to change in the future to meet the currently required full funding date of June 30, 2029.

OPEB

In addition to pensions, Belmont provides its employees healthcare and life insurance benefits upon retirement. Considering the retired Town and School employees' healthcare payments of \$3.4 million and the \$593,020 from Free Cash to be transferred to the OPEB Trust, the Town is allocating about \$4 million toward OPEB in FY20. As of January 1, 2017, the Town's unfunded OPEB liability was \$96.7 million. The unfunded liability is recalculated every two years by the actuary and its assumptions are revisited. Thus the funding level will change in the future.

Debt Service

The Town is budgeting \$11,587,805 for debt service in FY20, up 144% and \$6,850,404 from the FY19 debt service level of \$4,719,259. This does not consider the debt service of the Light, Sewer, and Water enterprises. Debt service will comprise about 7.8% of the Town budget in FY20. This significant

increase is due to the issue of \$100 million in new debt in March 2019 to fund the construction of the new Belmont Middle and High School.

Organization of the report

As in the past, the Warrant Committee takes a programmatic approach to analyzing the budget. Under this approach, we identify the programs provided by each department and then analyze the cost of those programs. An expense analysis follows, detailing and explaining those expense items that have changed by more than \$10,000 and 5%. There is description of proposed additions to programs and services, whether budgeted or not. Where useful, we have included special analyses and observations on issues confronting a department.

As noted earlier, in this year's report, health insurance and Medicare costs are not included in individual Department budgets. Reported FY19 budget numbers have similarly been adjusted to exclude health insurance and Medicare costs to ensure year-to-year comparisons are meaningful. (Please note, therefore, that FY19 totals in this report for individual Departments will not match the FY19 figures cited in last year's Warrant Committee Report.)

This report is a collaborative report that reflects many hours of work by all members of the Warrant Committee with assistance from the Town Administrator, the Town Treasurer, the Town Clerk, the School Committee, School Superintendent and Finance Director, and each of the department heads. The Chair of the Warrant Committee takes responsibility for the content. We welcome all feedback that could help make the report more useful to Town Meeting Members. Please email any comments to warrcommpublic@belmont-ma.gov.

General Government

Article 18A: That under General Government, \$4,183,017 be raised and appropriated.

General Government departments are responsible for the administrative, financial, legal, and management functions of the Town. They are Town Clerk, Town Administration, Human Resources, Information Technology, Town Accountant, Town Treasurer, and Assessors' Office.

Town Clerk

Budget Overview

FY20	\$ change from prior year	% change from prior year	FY20 FTEs
\$469,806	\$1,753	0.4%	4.5

Budget by Program

Most of the cost is distributed between two areas – Elections and Registration and Town Clerk responsibilities.

Program	Budget \$	Budget %
Legislative	\$28,550	6.1%
Town Clerk	\$233,844	49.8%
Elections	\$207,412	44.1%
Total	\$469,806	100.0%

Expense Analysis

The following budget line items changed by more than 5% and by more than \$10,000 from the prior year.

Line Item	FY20	Prior Year	% Change	Explanation
Election Poll Workers/Tabulators	\$43,250	\$78,500	-44.9%	Fewer elections

Election Poll Workers/Tabulators in the FY20 budget is \$43,250, which is a reduction of \$35,250 or 44.9%. This reduction results from the cost of administering three elections last fall not scheduled in the FY20 budget.

Requested Adds (not included in the budget above)

None.

Special Analysis and Observations

Faced with the amended public records law, the Clerk's Office acquired new software that greatly improved the efficiency and reduced the manpower to respond to public records requests. In calendar year 2018, the Town Clerk handled 1,287 public records requests with an average response time of 2.4 days.

To respond to the expanded early voting, the Clerk's Office acquired new software that handled 3,384 early voters over 11 days and which cut the Clerk's Office overtime labor hours approximately in half. Last

year the Clerk's Office processed 450 requests from the School Department for resident's verification. In the fall of 2018, the Clerk's Office flawlessly administered three elections, 11 days of early voting, four caucuses of Town Meeting members and two days of special elections, all in the span of nine weeks, as well as processing 1,163 absentee ballots in the November turnout which hit 73% participation, one of the highest in the state. During 2018, the Clerk's Office fully deployed its online business license capability.

Our Town Clerk, Ellen O'Brien Cushman, was recognized last year by her peers and awarded the Town Clerk of the Year by the Massachusetts Town Clerk's Association.

Town Administration

Budget Overview

FY20	\$ change from prior year	% change from prior year	FY20 FTEs
\$945,886	\$8,003	0.9%	5.0

Budget by Program

The largest amount of time and resources are spent in General Management services, which includes but is not limited to, managing and coordinating the work of department heads, overseeing and procuring insurance, and handling community relations. Legal Services takes the next largest amount of resources.

Program	Budget \$	Budget %
General Management	\$555,396	58.7%
Board of Selectmen	\$85,490	9.0%
Legal Services	\$297,500	31.5%
VFW Lease Agreement	\$7,500	0.8%
Total	\$945,886	100.0%

Expense Analysis

There were no budget line items that changed by more than 5% and by more than \$10,000 from the prior year.

Requested Adds (not included in the budget above)

None.

Special Analysis and Observations

In January 2019, a new Assistant Town Administrator, Jon Marshall, was hired with the primary mission to redefine the role of Recreation Director and create a Recreation Enterprise Fund. The 2014-15 Financial Task Force identified recreation as a significant revenue opportunity and bringing in an Assistant Town Administrator who can guide the growth of the department is an important step in achieving that goal.

The Board of Selectmen and Town Administrator launched a second Financial Task Force to create a financial plan for the town. This work will assess progress since the first Financial Task Force in 2014-15 and identify any new opportunities since that time. The committee will use a financial model created last summer with a grant from the Collins Center at UMass Boston that allows multiple scenarios to be tested and evaluated. FY20 will be the fifth year since the 2015 override, a revenue increase that was expected to address the town's budget needs for three years. The new Financial Task Force will develop a plan for the next 3-5 years.

The Town Administrator expects to launch another project with a Collins Center grant to create a capital improvement plan and establish a permanent committee to focus on long-term capital planning.

The office is taking the lead on evaluating the possibility of creating an RFP for a public private partnership for a new skating rink that could replace the old rink, which is long past its useful life, with a new rink at no cost to taxpayers. The devil is in the details, and great care would need to be given to write an RFP that provides for the needs of the town, schools, recreation department, and youth sports organizations.

The office is beginning work on a town-wide parking policy prompted, in part, by the imminent opening of public parking in Cushing Square. The Board of Selectmen wants to create a set of guidelines to inform decisions when residents and business owners request parking restrictions – either no parking, time-limited parking, loading zones, or any other variations – so that decisions across town can be consistent.

This year is the beginning of union contract negotiations, and as part of that process, the town is doing an analysis of health care benefits. As personnel is the largest budget expense, growth in health care costs has a tremendous impact on the budget.

Capital projects will continue to be a priority for the Town Administrators office. With three simultaneous building projects underway – the high school, police station, and DPW – as well as two in the wings – the rink and library – the department will be critical in executing the projects and managing the experience for residents throughout town. The Board of Selectmen have chosen a post-closure use for the incinerator site – solar panels and battery storage – which will allow planning for the remediation of the site to begin. The Community Path Project Committee is beginning work on the path's design. Once the design is complete, Belmont is in a good position to receive state transportation (TIP) funds to pay for construction of the path.

FY20 Recommendations

We would like to see the Town Administrator's office work with the IT department and residents to redesign the website. The result could increase the ability of residents to find the information they seek and to track their questions as they are resolved, which would both free up staff time for other projects and increase resident satisfaction.

The Town Administrator has been very effective in pursuing grants to fulfill needs that cannot be funded through the operating budget. We recommend that the Town expand this work with all of the departments to identify additional support that could expand its ability to leverage grant opportunities.

Human Resources

Budget Overview

FY20	\$ change from prior year	% change from prior year	FY20 FTEs
\$281,212	\$4,804	1.7%	3.25*

Budget by Program

Time and money are divided among Benefits Administration services including health, dental and life insurance and flexible spending and deferred compensation plans; labor relations and negotiations, pay and classification plan matters; and general assistance to employees, agencies and the general public.

Program	Budget \$	Budget %
Benefits Administration	\$70,303	25.0%
Employee/Labor Relations	\$126,545	45.0%
Recruiting/Retention/Pay & Classifications	\$84,364	30.0%
Total	\$281,212	100.0%

* The 3.25 FTEs includes a part-time benefits coordinator whose salary is paid from the Health Insurance Trust Fund and not included in the department budget.

Expense Analysis

There were no budget line items that changed by more than 5% and by more than \$10,000 from the prior year.

Requested Adds (not included in the budget above)

None.

Special Analysis and Observations

The department is continuing to update and implement Town employment policies. Many of these policies were either outdated or non-existent.

The Human Resources department handles negotiations with all non-school unions. The current three-year contracts with these unions expire on June 30, 2020, so negotiation of new three-year contracts will begin this year.

Information Technology

Budget Overview

FY20	\$ change from prior year	% change from prior year	FY20 FTEs
\$966,369	\$87,156	9.9%	5.0

Budget by Program

The department's primary responsibilities include desktop services, Enterprise Resource Planning system administration, Geographic Information System and database administration, file server and communications administration, and technical training.

Program	Budget \$	Budget %
Desktop Services	\$135,292	14.0%
ERP Systems Admin	\$251,256	26.0%
GIS/DB Admin	\$40,587	4.2%
File Server/Communications	\$523,772	54.2%
Technology Training	\$15,462	1.6%
Total	\$966,369	100.0%

Expense Analysis

There were no budget line items that changed by more than 5% and by more than \$10,000 from the prior year.

Requested Adds (not included in the budget above)

The IT department would like to purchase a hard drive shredder. This \$10,000 purchase would save the expense of shredding each hard drive that is being discarded and might provide an income opportunity for the town, as neighboring towns might be interested in paying to have hard drives shredded at a lower cost. The department has also asked for a part-time administrative assistant to help with non-technical tasks and free up staff to focus on their technical work.

Special Analysis and Observations

The Information Technology department is in the middle of a three-year project to phase out the fiber network hub in the Belmont Light building in Belmont Center. Last year, a map of the town's entire fiber network was created and this year they have been creating a new more efficient design for this network. In the coming year, IT will be implementing this design. Belmont High School and Belmont Public Library are also hubs in this network, so the network design needs to take into account forthcoming work on those buildings.

IT handles all computer hardware and software needs in all town departments. All desktop computers have been upgraded to Microsoft Windows 10, and the department has a schedule for replacing all desktop computers on a five-year schedule. Town departments have been increasingly reliant on the network, as more content moves to the cloud. That means the network needs to be thought of a utility, like electricity, that is essential for town operations.

Network security is an important program. Educating town staff about how to avoid email phishing attacks and other fraudulent activity is crucial. An artificial intelligence based network security system helps

detect unusual activity on the network. This area needs to remain a key focus of IT's work, since there is significant risk of financial cost to the town if security is compromised.

F20 Recommendations

We would like to see the town explore the possibility of consolidating IT personnel in some of the town departments. Several additional departments have a single IT person dealing with technology specific to their departments. The departments already work closely together and cover for each other when staff are on vacation or out sick, but there may be advantages – both financial and functional – to combining small IT departments to work as part of a more concentrated center of expertise.

Town Accountant

Budget Overview

FY20	\$ change from	% change from	FY20 FTEs
\$399,144	prior year \$562	prior year 0.1%	3.6

Budget by Program

Program	Budget \$	Budget %
Accounting, Audit, Budgets	\$243,478	61.0%
Accounts Payable & Purchasing	\$155,666	39.0%
Total	\$399,144	100.0%

Expense Analysis

There were no budget line items that changed by more than 5% and by more than \$10,000 from the prior year.

Requested Adds (not included in the budget above)

None.

Special Analysis and Observations

The Town Accounting department has successfully implemented Governmental Accounting Standards Board regulations (GASBs) 64 & 65 (pensions) and GASBs 74 & 75 (OPEB) for all Town of Belmont entities, including Belmont Light and the Retirement Board. Timely audits and GASB implementation were major factors in completing Official Statement requirements for rating agencies Moody's and S&P.

Ongoing use of MUNIS, the Town's accounting technology, has resulted in cloud-based access to necessary information and considerable savings in paper/printing costs.

Pursuant to the restructuring of the accountant department responsibilities, as approved by the Board of Selectmen, accounting staff have engaged in cross-training for various responsibilities. This has led to more efficient distribution of work during peak periods.

Three major challenges are (a) maintaining the Town's Aaa bond rating through the next round of the 7-12 school borrowing in March/April 2020; (b) ensuring prompt payment and filing of MSBA reimbursement requests for expenses related to construction of the new 7-12 school; and (c) providing regular financial and cash flow reports to all three Building Committees (school, police, and DPW). The Assistant Town Accountant is working with the High School Building Committee Project Manager and MSBA to review and process school reimbursement requests.

Town Treasurer

Budget Overview

FY20	\$ change from prior year	% change from prior year	FY20 FTEs
\$704,986	\$30,134	4.5%	7.5

Budget by Program

Program	Budget \$	Budget %
Treasury	\$310,387	44.0%
Collections	\$301,599	42.8%
Parking	\$93,000	13.2%
Total	\$704,986	100.0%

Expense Analysis

The following budget line items changed by more than 5% and by more than \$10,000 from the prior year.

Line Item	FY20	Prior Year	% Change	Explanation
Parking Meters & Devices	\$45,000	\$30,000	50%	Verizon no longer supporting meters; converted to Comcast for credit card processing, more \$

Requested Adds (not included in the budget above)

None.

Special Analysis and Observations

The Treasurer’s Department accomplished a significant goal in April 2018 by having Moody’s reaffirm our Aaa rating for financial strength in advance of the issuance of new bonds for constructing the new 7-12 school building. The bond issuing companies requested Belmont to apply for a financial rating from Standard & Poor’s for a second opinion, and the town was rated as a Aaa borrower by S&P as well. The town will be saving approximately \$5.5 million for being a Aaa borrower rather than having the more common rating of Aa for the initial bond issued in March of 2019.

Due to the current interest rate environment and the town's Aaa rating, the Town Treasurer has negotiated a refunding of the bonds for the Wellington School/ Senior Center bonds that will save the town \$ 2.8 million over the duration of the bond.

The Department, through careful collection policies, continues to have a high collection rate for real estate taxes and makes an effort where it can to assist home owners with payment plans when appropriate.

The Department will need to collaborate with a number of town departments in FY 2020 to start the next round of financing of the school building, work on the Community Path funding and a potential operating override.

Assessors Office

Budget Overview

	\$ change from	% change from	
FY20	prior year	prior year	FY20 FTEs
\$415,614	\$8,682	2.1%	4.2

Budget by Program

Program	Budget \$	Budget %
List & Value	\$132,996	32.0%
New Growth	\$120,528	29.0%
Abatements & Exemptions	\$103,904	25.0%
Excise Taxation	\$58,186	14.0%
Total	\$415,614	100.0%

Expense Analysis

There were no budget line items that changed by more than 5% and by more than \$10,000 from the prior year.

Requested Adds (not included in the budget above)

None.

Special Analysis and Observations

New growth figures for FY20 are expected to be in the range of \$740,000. Ongoing completion of the Royal Belmont accounts for \$70,000 of this number. The Bradford (in Cushing Square) may also contribute to new growth as portions of that project reach completion. Typical new growth figures are in the range of \$600,000 annually and are driven by residential additions or renovations.

The Abatements and Exemptions reserve is now \$840,000 (an increase from \$800,000) which is approximately 1% of the property tax revenue (the Commonwealth would approve a range of 1-5%). Larger new growth valuations require additional reserves in order to allow for the potential for additional abatement requests. The reserve also accounts for property tax work-off programs provided to Belmont seniors (subject to income requirements).

The Department uses appraisal software (CAMA) developed by J.F. Ryan, a company with which the Department has worked for approximately 30 years. CAMA software is both state-of-the-art and user-friendly. However, the company is small and lacks a clear succession plan. The current software contract runs through 2021.

FY20 Recommendations

Business property currently accounts for approximately 5% of annual property tax receipts. Factors that could have a positive impact on the Town's commercial tax base include revisions of the zoning code to clarify business permit requirements, increased transparency of the application process, and a reduction in the need for special permits.

Due to the overwhelmingly residential nature of the Town's tax base, we do not recommend adopting a residential property tax exemption, as Belmont lacks a sufficient commercial tax base to result in a meaningful shift of the tax burden.

We recommend finding ways to better inform seniors of currently available property tax exemptions and the tax deferral program, particularly given the reduction in the interest rate on deferred taxes from 8% to 4.5% (as authorized by Town Meeting in 2018). We appreciate the ongoing efforts of the Board of Assessors to lobby the state to increase current exemption levels.

Human Services

Article 18H: That under Human Services, \$3,237,146 be raised and appropriated.

Council on Aging

Budget Overview

FY20	\$ change from prior year	% change from prior year	FY20 FTEs
390,111	8,489	2.20%	5.6

Department Mission / Description of Services

Mission: Provide services to enrich the ability of seniors to live safe, independent, meaningful and healthy lives.

Services: Also manages the Beech Street Center rental program. The number of different users increased this year by 10% to approximately 2,200.

Budget by Program

Program	Budget \$	Budget %
Transportation	\$108,661	32.3%
Social Services+6400	\$95,735	22.6%
Nutrition	\$11,703	3.1%
Health & Wellness	\$88,860	23.0%
Socialization, Adult Education & Arts	\$52,301	12.4%
Volunteer Services	\$17,738	3.6%
Senior Trips	\$7,215	1.5%
After-Hours Facility Coordination & Rentals	\$7,898	1.5%
Total	\$390,111	100.0%

The transportation services provided by the COA amounts to approximately one-third of their budget.

Expense Analysis

There were no budget line items that changed by more than 5% and by more than \$10,000 from the prior year.

Requested Adds (not included in the budget above)

Additional social work services.

Special Analysis and Observations

Although the Council on Aging's (COA) total budget is only \$390,111, it administers programs with a total expenditure of approximately \$1 million dollars. In addition to its allocated budget, the COA receives

state annual grants, the Springwell funded meals program, donations and contributions, revenues from revolving funds and the value of volunteer services, all of which total \$621,934.

The COA took the initiative and completed an application to join the Mass. Age Friendly Network which was accepted and last year Belmont was designated as an Age Friendly community. The COA, together with the Assessors, spearheaded the effort to improve senior tax benefits and successfully shepherded through the Town Meeting a rise in the limit of what the seniors could earn through the tax work off program from \$1,000 to \$1,500 per annum. Transportation is a vital service provided by the COA to Belmont's seniors which enables seniors to remain independent in daily living with trips for grocery shopping, medication, banking, etc. This year the COA received a new state grant funded vehicle and now has available two vehicles. The COA administers the Beech Street Center rental program which this past year netted after expenses \$20,697, an increase of over \$3,000 from the previous year

Through Springwell, a federally funded program, the COA provides between 40 and 50 lunches a day. The COA continues to work in cooperation with the Police and Fire Departments and the Health Department to deal with the ever-increasing problem of seniors living in unsafe housing. The COA continues to share a social worker with the Health Department and as in past years again requests additional funding to be able to provide more services from the social worker.

Health Department

Budget Overview

FY20	\$ change from prior year	% change from prior year	FY20 FTEs
\$595,325	\$6,361	1.1%	5.5

Budget by Program

The largest share of time and budget is devoted to youth, family, disease, and administration (73%), while animal control and veterans services comprise the rest of the department's activity. Animal control is conducted by an animal control officer, a position which is currently vacant. The youth coordinator position was new last year, but also is currently vacant.

Program	Budget \$	Budget %
Animal Care & Control	\$70,976	11.9%
Veterans Services	\$115,648	19.4%
Environmental Health, Youth, Family, Disease, Admin	\$408,701	68.7%
Total	\$595,325	100.0%

Expense Analysis

No Health Department budget line items changed by more than 5% and by more than \$10,000 from the prior year.

Requested Adds (not included in the budget above)

None.

Special Analysis and Observations

Hoarding, rats, trash, and unsanitary housing conditions are increasing concerns of the department. Rat sightings and complaints decreased last year but are expected to be more of a problem in the coming year because of a mild winter and related population increase. Complicated housing issues and nuisance complaints result in time-consuming investigations and are a growing challenge for the department. For example, renter complaints from such issues as heating, leaks, and utility bills have approximately doubled in the past year. The more such calls received by the department, the fewer resources that can be allocated to disease prevention and public health education.

Substance abuse remains a concern. While the opioid epidemic is not viewed as an increasing problem for Belmont, it requires continued monitoring. In addition, there is growing concern about vaping, especially at the high school. The department participated in a vaping education night at Belmont High School and also participates in meetings of the Belmont Wellness Coalition, which is doing planning work around drug prevention and education through a Drug Free Communities grant obtained by the Wayside Youth and Family Network. The annual Youth Risk Behavior Survey, conducted in schools in the spring, will provide a useful benchmark for improving the drug prevention education and response.

The Health Department has done work to strengthen tobacco regulations. Currently there are 14 tobacco retailers in Belmont. A "cap and ban" policy framework has been undertaken, which would restrict the

issuance of new tobacco licenses if a vendor goes out of business. The Board of Health also has voted to improve regulations to require that any marijuana drug-related paraphernalia not be on open display for sale in retail stores.

The new Youth Coordinator (position now vacant) has organized a number of events for Belmont children, including an ice cream social for the Middle School, an early release day movie at Belmont Studio Cinemas, and a Peeps Diorama Contest.

FY20 Recommendations

Belmont's health department is small. In the past, some services have been provided in cooperation with neighboring communities. While cross-community services provide challenges for coordination, scheduling, and service delivery, expanding local partnerships could serve as a way to increase the delivery of some services.

Consideration also should be given to updating the Health Department's website. Many of the reports and links are dated or inactive. The website can be a low-cost means of providing access to current public health-related information and educational materials.

The Board of Health has recommended that town-procured mobile phones should be provided to Health Department managers and staff. Currently, staff must use their own phones for work-related calls and photos to document inspections, which complicates matters if phone records and related documentation are subpoenaed. One recent estimate put the cost of town-procured mobile phones at approximately \$2,400—a relatively de minimis cost the town should consider incurring.

Library

Budget Overview

FY20	\$ change from prior year	% change from prior year	FY20 FTEs
\$2,251,710	\$63,430	2.9%	24.4

Budget by Program

The Library provides services in five primary program areas: Circulation Services; Adult/Reference Services; Young Adult Services; Children's Services, and Technical/Processing Services.

The budget calls for an increase of 2.9%, (adjusting for the removal and separate accounting for health insurance and Medicare costs), with no significant changes except for the addition of \$10,000 to cover the cost of opening the Library on Sundays in the summer, allowing it to be open seven days a week year-round.

Public Services include the first four program areas noted above. When combined with Technical/Processing services, these five program areas account for 86.5% of the FTEs and 77% of the total budget.

Program	Budget \$	Budget %
Public Services	\$1,440,540	64.0%
Technical/Processing Services	\$293,190	13.0%
Plant Operations	\$321,676	14.3%
Administration	\$196,304	8.7%
Total	\$2,251,710	100.0%

Expense Analysis

There were no budget line items that changed by more than 5% and by more than \$10,000 from the prior year.

Requested Adds (not included in the budget above)

None.

Special Analysis and Observations

The Library continues to be the 11th highest circulating library in the Commonwealth for the 3rd year in a row, with over 60% of the residents holding library cards. There are particularly big increases in electronic media downloads: e-books, audiobooks, movies, and music selections. This trend is expected to continue, and the Library will look to increase resources in this area.

An ongoing goal for the Library Director and the Trustees is thinking about the library of the future, planning for strategic changes in the staffing model and the new skills that will be needed to support desired programs and services as the needs and tastes of the community change.

People are coming to the Library in greater numbers, with foot traffic counts increasing by about 5% in the past two years over previous years. Programming continues to expand for increasing numbers of patrons. There was a 28% increase in adult program attendance. The Library staff continues to collaborate with other town departments, notably the School Department, the Police Department, and the Council on Aging, to provide training, services and enrichment programs for staff and citizens of all ages.

The Library Building Committee continues its work with an architect and an owner's project manager to produce the schematic design for a new building on the current site. Work on the fundraising campaign to help with the cost of the new building is progressing. A constant challenge for the Library Director and Trustees is maintaining the current building, making prudent investments to ensure it remains a safe, efficient space, while planning for a new library, aware that any improvements may have a limited useful life.

Public Safety

Article 18D: That under Public Safety, \$13,459,730 be raised and appropriated.

The Public Safety departments are the Police Department and the Fire Department. In addition to these two departments, the Public Safety appropriation includes \$24,341 for the Belmont Emergency Management Agency (BEMA), a mandated function responsible for planning, training, compliance and mitigation in relation to disaster planning and Homeland Security.

Police Department

Budget Overview

FY20	\$ change from prior year	% change from prior year	FY20 FTEs
\$7,472,519	\$85,773.00	1.2%	71.63

Budget by Program

Program	Budget \$	Budget %
Patrol Services	\$4,306,380	57.6%
Traffic Management	\$521,982	7.0%
Detectives & Investigations	\$641,321	8.6%
Community Services	\$487,288	6.5%
Joint Public (911)	\$905,868	12.1%
Administration	\$518,429	6.9%
Records	\$91,250	1.1%
Total	\$7,472,518	100%

Note: The Department also utilizes 22 volunteer and per diem staff in addition to the 71.63 FTEs included in the FY20 budget.

The FY20 budget for the Police Department calls for a 1.2% increase over the FY19 Budget. About 58% of the budget is allocated to Patrol Services, which provides 24/7 coverage of the town. The next largest portion of the budget is Communications, 12.1%, which handles emergency calls for both the Police and Fire Departments, including emergency medical services, as well as all after hours calls for the town. Administration expenses, including records, accounts for 7% of the budget.

Expense Analysis

The following budget line items changed by more than 5% and by more than \$10,000 from the prior year.

Line Item	FY20	Prior Year	% Change	Explanation
Police Patrol Night Shift	\$135,353	\$115,876	16.8%	New hires assigned to night shift replacing two retired officers who worked day shift; increase in contract settlements.
Police Traffic Control	\$171,238	\$259,020	-33.9%	Eliminated the floating sergeant position (assigned to traffic) and assigned a sergeant to oversee outside work/details and overtime.
Police Detectives	\$531,535	\$486,023	9.4%	Contract settlements.
Education Incentive	\$0	\$20,500	-100.0%	Eliminated flat rate to a percentage.
Police Community Service	\$420,989	\$328,040	28.3%	Middle School SRO (School Resource Officer) added

Requested Adds (not included in the budget above)

Software Specialist – expect will be addressed in town-wide IT plan to be developed by the Town Administrator.

Special Analysis and Observations

General: The Department is in the process of having its 87-year old police station renovated and will be move to temporary quarters in FY20. The Department's building renovation and temporary relocation may cause some disruption to the Department.

Community policing is an increasingly complex engagement, influenced by the rise in opioid usage, mental health, and domestic abuse issues, and the perception of policing driven by incidents occurring elsewhere. The Belmont Police Department's proactive engagement in these issues and community-based outreach continues to be an important asset to the town. The opioid epidemic remains an area of concern.

Succession Planning: In anticipation of the retirement of Chief McLaughlin in December 2019, the town is engaging in a succession planning process.

Technology and Data Management: In recent years, the Department has been challenged to make the fullest use of technology and data management. The Police Department will participate in the Town's upcoming review of technology assets.

Crossing Guards: The town is experiencing difficulty recruiting crossing guards. As a result, police officers are being required to cover more posts throughout the town. There are 16 crossing posts throughout the town. The Department has been forced to double the amount of crossing posts it covered for the past 2 years, from 164 for the 2016-17 school year to 325 in the 2017-18 school year and then nearly doubling it again to 628 in the current school year to date. For January and February 2019 alone, it covered 288 crossing posts. In some cases, the Department is paying overtime to have an officer from the last half shift to cover a crossing post. These posts are covered by officers at the same time there is an increased demand for traffic enforcement in town and around the schools.

There are four–six officers working each shift. If four officers are covering crossing posts, that can significantly impact the Department’s ability to patrol town-wide thousands of motor vehicles traveling each day through Belmont. The Department has reduced the required hours and increased the pay for crossing guards but is still experiencing difficulty filling the positions.

Additional Demands: In addition to the demands for traffic enforcement mentioned above, the Department is being asked to be involved in a number of places that fall outside of the tasks one would think of as traditional law enforcement work. For example, the Department noted increased demands to assist more complex communities, such as seniors and youth with mental health issues, people in crisis, and individuals and families dealing with substance abuse disorders.

Due to a recent change in the public records law, the Department is processing a large number of public records requests, which can be time consuming.

Staffing: In addition to 49 sworn police officers, the Department oversees 33 additional communications, traffic safety, community service and administrative personnel, as well as 26 auxiliary and special police volunteer personnel for a total of 108 departmental employees. The roster has increased by one from last year’s 107 (FTE is scheduled for 71.63). The Department filled a School Resource Officer (SRO) position for the middle school.

C4RJ Partnership: The Belmont Police Department entered into a partnership with C4RJ. C4RJ is a community-police partnership that offers restorative justice to those affected by crime.

Recommendations

Maximize the use of recent investments in technology. Work with Town Administrator on a review of the Town’s technology assets and needs to make the fullest use of available technology and data management tools.

Consider town-wide outreach for more crossing guards. The Town and the Department should consider studying the ability of comparable towns to maintain/increase the number of crossing guards.

Continue to assess more cost-efficient use and/or the replacement of Department vehicles. The Department added anti-idling technology to its vehicles. Going forward, it is exploring the introduction of hybrid vehicles. The budget includes \$180,000 to replace three police cruisers (\$60,000 per vehicle), a recurring cost each year. A longer replacement schedule (e.g., 4-5 years per vehicle) could save \$60,000 or more per year in vehicle replacement costs.

Fire Department

Budget Overview

FY20	\$ change from prior year	% change from prior year	FY20 FTEs
\$5,963,067	\$50,367	0.90%	55

Budget by Program

Program	Budget \$	Budget %
Fire Administration	\$768,777	12.9%
Fire Suppression	\$4,996,610	83.8%
Rescue Services	\$197,680	3.3%
Total	\$5,963,067	100.0%

Although the Fire Department is divided into five functions, the need to staff Fire Suppression 24/7 drives 84% of the FY20 budget and all of the non-administrative FTEs. These expenditures also cover ambulance, emergency and service calls, minor maintenance, and other tasks performed by the Fire Suppression personnel when not on fire calls. The EMS portion of the budget includes supplies, training and overtime, and other incremental costs required to provide ALS/BLS services. The bulk of EMT and ALS stipends are included in departmental expenses.

The Department's budget will increase by 0.9% in FY20 from FY19, due primarily to contractual increases which drive overtime and EMT stipends, and training.

Expense Analysis

The following budget line items changed by more than 5% and by more than \$10,000 from the prior year:

Line Item	FY20	Prior Year	% Change	Explanation
Software Licenses	\$53,900	\$43,900	23%	License/maintenance cost related to project from FY19
Replace Equipment	\$0	\$32,555	-100%	Now part of license/maintenance cost
ALS Specialty Stipend	\$131,681	\$117,581	12%	Contractual obligation and redistribution of employees
EMS Training	\$13,000	\$1,500	767%	Reallocation of ALS money to EMS
ALS Training	\$0	\$13,000	-100%	Reallocation of ALS money to EMS

Requested Adds (not included in the budget above)

For the past several years, the Fire Department has requested a 0.5 FTE Data Analyst position and dedicated technology support. In FY19, the Department completed an update to its "Telestaff" software that could interface with the Town's MUNIS financial system, but additional support would be needed to make that interface functional.

Special Analysis and Observations

Fire Suppression Staff Retention: The Department continues to experience turnover due in part to unanticipated departures of recent hires - in FY19, two have left and two more will leave in the fourth quarter to go to departments in other communities after Belmont invested in their training and outfitting. The Department's stated minimum shift staffing is 11 on-duty, necessary to respond and ensure that the equipment is fully staffed for most potential emergencies. The Department attributes some loss of staff to the effects of the Civil Service system on hiring, and encourages the Town explore leaving the Civil Service system for future hiring and promotions.

Overtime: If the Fire Department has less than its stated minimum shift of 11 necessary to respond, firefighters are hired on an overtime basis to ensure that the equipment is fully staffed for most potential emergencies. Unanticipated departures drive up the use of overtime to fill the minimum staff for every shift. Overtime is also affected by sick and vacation leaves, injuries, training and other reasons. For FY19, the Department expects higher overtime than budgeted due to the four unanticipated departures as well as delay in training replacement hires caused by waiting for space in the Fire Academy. The current hiring and training process takes almost one year. In addition, the current collective bargaining agreement allows for 5-6 of the 11 to be on personal leave, or vacation during certain periods of the year. In FY18, Department overtime totaled \$585,360, or 11.5% of the FY18 fire suppression compensation.

Station Repairs: Some maintenance was deferred while the Department repaired flaws in the building envelope using \$1.2 million in FY19 capital allocated to the Department. In FY20 and beyond, with the building repairs concluded, the Department will be able to focus more on annual maintenance.

Increased Regional Cooperation: The Fire Department believes there may be some benefit to reopening discussion of Belmont's participation in a regional emergency call or dispatch center. A regional call center would dispatch equipment and staff from stations in other towns if they were nearer to the caller's location than the Belmont equipment, thus reducing response times, and providing a more efficient response. Belmont's 911 system includes Police as well as Fire services, and there may be substantial up-front costs involved in regionalization.

Ambulance Services: The Fire Department provides both Basic Life Support ambulance service (BLS) and, since FY14, Advanced Life Support (ALS) services to the Town. Although demand for ALS is not growing, the costs of training increase annually.

FY20 Recommendations

As with the Police Department, work with Town Administrator on a review of technology assets and needs to maximize the use of recent investments in technology.

Assemble data on departures of fire suppression staff over a multi-year period. Data will assist the Department and the town to isolate known factors, substantiate their effects, identify potential unforeseen factors, and plan efforts to increase staff retention.

Work with Town Counsel and Town Administrator on a detailed review of 1) the impact of Civil Service on recent Department hiring and departures, 2) the process required to withdraw from Civil Service by the Department and 3) impact of potential withdrawal. A detailed Town review of Civil Service and the process

of withdrawal would enable Fire and other departments to document the impact of Civil Service on hiring and retention and obtain information on potential costs of withdrawal.

Collect data related to benefits and costs of 911 regionalization. Data would enable the Department to quantify potential reductions in response times and equipment expense, and other benefits and costs of regionalization.

Public Services

Article 18G: That under Public Services, \$13,996896 be raised and appropriated.

Public Services includes the Departments of Public Works, Recreation, Community Development, and Facilities. These departments are discussed separately below.

Public Works

Budget Overview

FY20	\$ change from prior year	% change from prior year	FY20 FTEs
\$7,142,639	\$144,902	2.10%	42.9

Note: Dollar amounts exclude water and sewer enterprise accounts, which are shown separately below.

Department Mission and Description of Services

In FY19 the DPW implemented a new automated trash and recycling program. The department also coordinated the design, construction and oversight of the renovation of the Pequossette Playground and the tennis courts at Grove Street Park. The department also provided extensive tree services as many of Belmont's trees are nearing their 100-year life expectancies.

DPW duties for FY20 include implementation of the new storm water regulations, smart meter program and backflow prevention, as well as continued support for various CPA projects. For the new storm water regulations, an Illicit Discharge Detection and Elimination Plan was implemented in the fall of 2017 to identify sources of pollution in the storm drain system. This plan addresses the requirement of the EPA (Environmental Protection Agency) to eliminate illicit discharges to the storm water system, which includes identifying the source of pollution and making any necessary repairs.

Budget by Program

The following table separates General Fund DPW activities from Enterprise Fund activities (Water, Sewer, and Stormwater).

Program	Budget \$	Budget %
Administration	\$305,366	4.3%
Street Maintenance	\$768,989	10.8%
Central Fleet Maintenance	\$548,380	7.7%
Forestry	\$329,134	4.6%
Solid Waste Collection & Disposal	\$3,105,735	43.5%
Street Lighting	\$331,070	4.6%
Cemetery Maintenance	\$445,225	6.2%
Parks & Facilities Maintenance	\$544,411	7.6%
Snow Removal	\$764,329	10.7%
General Fund Total	\$7,142,639	100.0%

ENTERPRISE FUNDS (not included in operating budget)

Program	Budget \$	Budget %
Water Administration	\$665,241	3.9%
Water Distribution	\$6,723,058	39.4%
Sewer Maintenance	\$9,202,657	53.9%
Stormwater Maintenance	\$478,761	2.8%
Enterprise Total	\$17,069,717	100.0%

Expense Analysis

The following budget line items changed by more than 5% and by more than \$10,000 from the prior year.

Line Item	FY20	Prior Year	% Change	Explanation
Trash Collection & Disposal	\$1,151,532	\$1,079,710	6.7%	Contractual obligation
Outside Processing - Recycle	\$118,560	\$105,000	12.9%	
Deltas' Full Time Salary	-----	\$47,000	-100%	Deltas are now under Street Maintenance
Street Maintenance FT Salary	\$468,663	\$404,562	15.8%	

Requested Adds (not included in the budget above)

The Department views an additional \$100,000 - \$150,000 to address the current backlog of old and damaged trees that should be removed as the greatest additional need outside of the FY20 budget. The Town has many trees approaching 100 years old, which generally represents the end of their useful life and makes it prudent to remove them. The drought from 2016 caused damage to many trees thereby requiring trimming or removal. As was the case last year, winter storms highlighted the issue that additional funding is needed to provide a more proactive program to take down old and unhealthy trees.

In FY19, an additional \$60,000 was obtained from the State to continue addressing Belmont's aging trees. These funds allowed the Town to take down an additional 15 to 20 larger trees that were determined dangerous by Belmont's Tree Warden. The FY20 budget includes a 4.5% increase in forestry services as well as a request for additional State aid.

The DPW would like to increase its number of seasonal minimum-wage positions. Seasonal help continues to be necessary for consistent highway maintenance, especially to fill voids when employees take their vacations. At present, the DPW has 0.8 FTE seasonal employees.

Special Analysis and Observations

The new automated trash and recycling collection program came online in the summer of 2018 with special challenges and adjustments to how the Town collects trash. There has been a learning curve, as adjustments are being continuously made to improve the program. The program's primary goal was setting limits on trash and increasing recycling, which has proven itself in the first six months. There were 500 tons (20%) less trash this year compared to a year ago and over 300 tons (15%) more recycling. The remaining 200 tons is a combination of less bulky items and declines in illegal dumping.

The sizes of the trash and recycling containers has been a challenge with some households finding themselves without enough capacity, while others have too much capacity. Some residents find the bins too large and difficult to move. To address insufficient capacity concerns, the DPW offers residents the opportunity to purchase additional bins at cost. For those households where bins are too big and difficult to move, the recycling coordinator and DPW administrator have visited and assessed each household situation. Thus far there have been 161 households out of approximately 10,000 that have received smaller bins to mitigate the problem.

Looking ahead to FY20 and beyond, recycling costs continue to increase with the decline in world demand. Currently, the cost is \$60 per ton whereas just a few years ago recycling was free because there was a market to sell recycled material; however, many of those countries in the market are no longer accepting the waste or recyclables. If the market continues to decline costs could rise to as much as \$80 per ton.

Wheelabrator, the Town's trash vendor, takes Waste Management-collected trash and incinerates it, charging \$69 per ton. The Town's contract with Wheelabrator expires at the end of FY20 with a contract extension already in place. The Town faces an initial increase of 12% to \$77 per ton. DPW hopes that continued declines in the Town trash tonnage will help offset the increased trash rate resulting in a net-neutral impact on the budget.

The DPW yard facilities will be addressed in FY20 by the \$1.6 million project proposed by the Major Capital Projects Working Group and approved by Town Meeting. These renovations represent a mid-range solution for the next ten years; thereafter, a larger scale project can be implemented.

The Snow and Ice Budget for FY19 is over budget by about \$160,000 due to the timing and the number of ice events. Through March, 46 inches of snow/ice had fallen over the winter; the budget is based on the median of 44 inches. However, many of this winter's events were mixed precipitation and caused significant ice, which is costlier to treat (for example, a 12-inch snow event is much less costly than a two-inch ice event.) Also, several ice events happened over weekends or overnights, resulting in higher labor costs.

Budgeting for snow and ice removal is extremely difficult. Consequently, it is one of only a few budget items that has and can run annual budget deficits. Most communities, including Belmont, budget consistently from year to year and make-up any short falls from reserve funds and/or free cash. In FY19, \$66,507 in savings was realized elsewhere in the DPW budget and was applied to the Snow and Ice deficit. A transfer from the Warrant Committee Reserve Fund of \$90,000 closed the remaining gap.

Community Development

Budget Overview

FY20	\$ change from prior year	% change from prior year	FY20 FTEs
\$1,087,827	\$21,729	2.0%	10.1

Budget by Program

Program	Budget \$	Budget %
Administration	\$376,645	34.6%
Engineering	\$125,425	11.5%
Inspection/Enforcement	\$325,073	29.9%
Planning	\$260,685	24.0%
Total	\$1,087,827	100.0%

Expense Analysis

There were no budget line items that changed by more than 5% and by more than \$10,000 from the prior year.

Requested Adds (not included in the budget above)

The Office of Community Development requested a full-time traffic engineer for FY20 that was not approved. In addition to overseeing road construction work, the Department envisioned that this person could also more proactively help implement the new traffic calming policy being developed by the Transportation Advisory Committee and evaluate potential areas for traffic calming measures such as signalized intersections and raised crosswalks. However, the construction oversight work is currently being performed by consultants (at an approximate cost of 10% of the associated repaving costs) and the Department is comfortable taking another year to evaluate whether the other demands on a traffic engineer will justify the hiring of a full-time engineer.

Special Analysis and Observations

Overseeing the Town's road reconstruction work is one of the primary roles undertaken by the Office of Community Development. Over the past decade or so, two different overrides have enabled Belmont to make considerable progress in decreasing the backlog of road projects that need to be completed. Specifically, there was a backlog of \$41.3 million in road projects in 2007. As of 2018, the backlog had decreased by 43% to \$23.6 million. The foregoing said, the Department estimates that there is currently still an approximate 17-year backlog of required road repairs. Moreover, given a 20- to 25-year useful life of road paving, there is, and will be, a never-ending cycle of road projects that need to be undertaken.

Unfortunately, due to the National Grid lockout in the summer of 2018, none of the road repaving work budgeted and scheduled for FY19 could be undertaken. Moreover, given the traffic disruptions within Town that are caused by repaving projects and the limitations on any contractor's ability to undertake the repaving work, the Department does not believe that it is possible to simply roll the uncompleted FY19 work into FY20 and double the amount of road repaving work scheduled for FY20. Consequently, while some of the FY19 funds will be spent on other traffic mitigation efforts such as sidewalks and raised tables;

as a practical matter, scheduled road repaving work has been set back a year. For FY20, the Department is planning to resurface the 13 roads originally scheduled for FY19, plus two more. (While that represents a temporary setback in the short term, over the 20- to 25-year cycle of road repaving projects, the long-term impact to the Town is negligible.)

The Office of Community Development is responsible for issuing building and other construction-related permits. During calendar year 2018, the Department issued 950 building permits. The Department is also responsible for enforcing building codes. One of the codes it enforces is the Town's new snow removal by-law. In 2018, the Department issued 23 citations and 116 warnings for violations of the snow removal by-law.

Working with the Planning Board and the Zoning Board of Appeals (ZBA) is a key role of the Office of Community Development. When Town Meeting approved the changes in 2018 to the General Residence District by-law, the change had the intended effect of shifting cases from the Planning Board to the ZBA. The Office of Community Development may have to staff bi-weekly rather than monthly ZBA meetings now that the number of cases brought before the ZBA has almost doubled.

Looking ahead to FY20, the Department expects to be closely involved in: A) the Town's efforts to cap the incinerator site and to re-purpose the site; B) the planning for the Community Path; and, C) the Planning Board's efforts to address both the potential development on the McLean Hospital site and the regulation of properties being used for short-term rentals through web sites such as Airbnb.

Facilities

Budget Overview

FY20	\$ change from prior year	% change from prior year	FY20 FTEs
\$4,691,288	\$271,823	6.2%	31.0

Budget by Program

The combined budget for both Town and School buildings broken down by function in dollar amount and percentage is as follows:

Program	Budget \$	Budget %
Personnel & Admin	\$570,963	12.2%
Town Expenses	\$1,036,801	22.1%
School Operating	\$3,058,524	65.2%
Major Building Repairs	\$25,000	0.5%
Total	\$4,691,288	100.0%

Requested Adds (not included in the budget above)

The department requested the addition of a second Facilities Coordinator (1.0 FTE) to allow the Department Director more flexibility to manage other building issues.

Special Analysis and Observations

In April of last year, the Town appointed a new Director of the Facilities department. He has been getting up to speed with the current backlog of maintenance issues, which is considerable, and trying to accomplish as much as possible with a limited staff. The Town budget is tight and it is currently not possible to employ the staff needed to address all facilities issues. The department is committed to addressing routine maintenance issues, but preventive maintenance is a challenge under the current staffing level.

Despite a limited staff, the department last year completed several important facilities projects, including opening the Burbank School modulars on time and under budget, completing the DPW garage ventilation improvement project, and completing the Fire Department headquarters envelope repairs. An in-house HVAC technician was added to the staff and that change has helped solve heating and cooling issues in Town facilities at a reasonable cost. Still, the lack of a centralized building management system means the department has to deal with all building issues on site, reducing department efficiency.

With the addition of the Facilities Coordinator, the facilities staff will consist of eight full-time town maintenance staff plus five full-time school maintenance staff and 18 full-time school custodians.

This year's budget includes a shift in how evening custodial services are performed. Previously four part-time evening custodians (2 FTEs) were employed at a cost of \$61,185. These 2 FTEs are being replaced in this budget with a custodial services contract at a cost of \$137,200. This shift to the use of an outside vendor could result in overall higher costs depending on the competitiveness of outside bids and impact the ability to develop institutional memory within the department. That said, this model will provide for better supervision of custodial staff and reduce long-term costs to the Town for benefits and retirement. In general, when considering whether to outsource or use in-house staff, balance is needed. Sometimes

the town benefits from hiring skilled workers, such as with the HVAC technician, and sometimes using contractors is a better choice.

The department continues to look at ways to improve school security. It has a plan to make camera upgrades, improvements to communication equipment, and more secure doors at several schools. It has assembled a small task force of subject matter experts to better understand any remaining school security issues.

Recommendation

Although the Facilities Department has done an admirable job of dealing with maintenance issues with a limited staff, the understaffing of the department is a serious long-term concern. The Public Services subcommittee believes it may be penny-wise and pound-foolish to ask the department to try to maintain about a million square feet of town buildings (soon to increase with the new 7-12 school) with its current staffing level.

**Recreation
Budget Overview**

	FY20	\$ change from prior year	% change from prior year	FY20FTEs
	\$1,075,141	\$59,363	5.8%	15.3

Budget by Program

Program	Budget \$	Budget %
School Year Programs	\$183,183	17.0%
Summer Programs	\$199,883	18.6%
SPORT Programs	\$74,258	6.9%
Underwood Pool	\$334,171	31.1%
Rink	\$244,463	22.7%
Fields	\$39,183	3.6%
Total	\$1,075,141	100.0%

Expense Analysis

The following budget line items changed by more than 5% and by more than \$10,000 from the prior year.

Line Item	FY20	\$ Prior Year	% Change	Explanation
P/T Salaries - Summer Program	\$192,000	\$176,017	9.10%	Increase in minimum wage; plus additional week 12 th week of programming this summer
P/T Salaries – Schoolyear Program	\$73,000	\$122,923	-40.60%	Impact of pool & field house closure
Pool Supplies	\$60,000	\$32,322	85.60%	Underestimated in FY19. FY18 actuals \$64,542.
Facility Rentals	\$36,575	New		External pool rental for rec programs

Requested Adds (not included in the budget above)

None

Special Analysis and Observations

During the construction of the new middle/high school, the indoor pool, field house, and athletic fields will be unavailable for 2-5 years. The department will rent pool space for some programs and eliminate others, resulting in added expense and reduced revenue. The department has included \$36,575 in the budget for renting pool time, and they anticipate a loss of \$66,361 in revenue from pool-related programs and memberships. The loss of three indoor courts at the high school will put a squeeze on the five gyms at the other schools and other town fields, which are already heavily used by school and youth programs, and will likely result in reduced recreation programming and revenue. The loss of the high school fields during construction will require high school teams to move practices to the remaining fields in town,

reducing hours that are available for the youth groups. The recreation department will work with groups to best mitigate this impact.

The Town is embarking on the next phase of the recreation strategic plan with the hiring of a new Assistant Town Administrator with responsibility for directing the recreation department and establishing cost recovery strategies to create a recreation enterprise fund. The fund will be created to show the true cost to run recreation services, including indirect costs; however, the loss of high school facilities and the squeeze on town fields will impact both revenue and expense and obscure the expected enterprise performance for several years.

As noted in the past, the Skip Vigliolo Skating Rink is past its useful life, and maintenance and upkeep is becoming more difficult and more expensive every year. A catastrophic rink failure would impact recreation, high school, and youth programs, resulting in a need to rent ice time at other rinks outside of our normal programming times. This contingency plan has not been budgeted.

FY20 Recommendations

Develop creative approaches to programming. Work with all town departments/facilities to identify spaces that could be programmed. Look for new programming opportunities that are offsite or fit into alternative spaces.

Minuteman

Article 18F: That under Minuteman Regional School, \$984,887 be raised and appropriated.

Budget Overview

FY20	\$ change from prior year	% change from prior year	10/18 Belmont Enrollment
\$984,887	\$138,116	16.3%	28

Belmont's Minuteman High School ("Minuteman") assessment for FY20 is proposed to be \$984,887. It consists of an operating portion of \$933,686 and a capital portion of \$51,201. (This capital assessment is *not* for new high school debt service, but for other ongoing capital improvements.) The total increase of \$138,116 in Belmont's assessment has two main components: i) an increase of \$153,157 in the operating assessment, primarily due to Belmont's increased enrollment from 22 to 28 students in fall 2018, and ii) a decrease of \$15,041 in Belmont's share of capital costs for the existing building (Belmont does not pay debt service from the new building project.).

Overall District Budget – Revenues. As has been the case for the last few years, the District's tuition revenue has fallen as compared to the prior year. For FY20, the reduction is about \$400,000. The decline in non-member tuition revenue is directly related to a 2015 regulatory change that limited Minuteman's ability to enroll ninth-grade students from Boston, Medford, Woburn and other communities that are part of or support other public vocational schools. In addition, the District will receive about \$40,000 less in state aid for transportation than in the prior year. The reduction in these two revenue sources in FY20 is not expected to be made up by increased enrollment from member communities and therefore must be made up by higher tuition assessments for members – 16% higher in the case of Belmont.

Overall District Budget – Operating Expenses. Minuteman's FY20 operating budget (total budget less debt service and asset acquisition) of \$18,948,997 is increasing 4.61%, or \$835,380, over the FY19 operating budget of \$18,113,617, primarily due to salary and benefits increases. Student - Teacher ratios at Minuteman have remained lower than at other regional vocational districts (7.3 student/teacher ratio in FY18 compared to a ratio range from 10.1 at Assabet and 12.2 at Southeastern Regional). Health insurance costs are proposed to increase 6.2% for FY20; Minuteman has benefitted from joining a regional healthcare purchasing group with three other vocational schools. Minuteman has elected to use contract custodial services in the new building, rather than staff custodians.

Overall District Budget – Capital Expenses. Minuteman's total FY20 capital budget is \$3,819,833 and consists of debt service and asset acquisition and improvement. The capital budget increased 25.4% from FY19. The portion for capital expenditures and leases (excluding the new building project) is \$711,333, which is \$191,784 less than FY19 due to a lower allocation to the District's stabilization fund. The total debt service for the new building project will be \$3,108,500 in FY20, a 45.0% increase over the FY19 amount of \$2,143,406. Since Belmont voted against the new school debt, none of this \$3.1 million in debt service is being assessed against Belmont.

Budget by Program

Minuteman's major program areas are shown in the chart below. Instructional support includes services such as special education, technology support, guidance, the library, and health.

Program	Budget \$	Budget %
Administration	\$1,446,330	6.4%
Student Instructional Services	\$10,352,764	45.5%
Student Services	\$2,020,897	8.9%
Operation & Maintenance	\$1,793,498	7.9%
Insurance, Retirement, Leases	\$3,215,506	14.1%
Community Services	\$100,000	0.4%
Asset Acquisition & Improvements	\$205,000	0.9%
Debt Service (old and new)	\$3,614,834	15.9%
Tuition Payments	\$20,000	0.1%
Total	\$22,768,830	100.0%

The decrease for Asset Acquisition & Improvements is due primarily reduced allocation to the Stabilization Fund, which provides for furniture and capital equipment. The increase in Debt Service owes to the new high school building.

Special Analysis and Observations

Belmont's Membership: Belmont's Town Meeting voted to leave the Minuteman Regional Vocational District on October 19, 2016. The vote triggered an exit process that will end Belmont's membership in the District on July 1, 2020. Under the terms of its departure, Belmont is not assessed for a share of the debt service related to the new building project (which was approved in a District-wide special election on September 20, 2016). No debt related to the new building project sits on the Town of Belmont's balance sheet. Belmont students who enrolled in Minuteman prior to termination of Belmont's membership will be permitted to continue in their programs and graduate from Minuteman (i.e. through graduation year of 2023). As a non-member Town, new Belmont enrollments (starting in fall 2020) will be possible if space permits and Belmont will pay operating and capital tuition charges on a per student basis, as approved by the state's Department of Elementary and Secondary Education (DESE) Commissioner.

As a member town, Belmont pays an annual assessment that divides Minuteman's operating costs based on a formula which includes a 4-year rolling average of enrollment and relative community wealth. The DESE operating tuition charge of \$17,266 (FY19) for non-members is based on state-wide cost data. In Minuteman's case, the DESE tuition rate is about \$8,000 per student below Minuteman's average costs, after adjusting for differences in membership versus non-membership responsibilities. Minuteman attributes several factors to its higher per student costs: its lower student-teacher ratios, its higher proportion of students with IEPs, the relatively higher cost of attracting teachers in the greater Boston area, as well as other non-discretionary costs of providing vocational programs. This gap between Minuteman's average cost and the DESE capped rate, which is closer to a "marginal cost," has been a point of contention among members, non-members, and DESE because it leads to member districts subsidizing the enrollment of non-member districts. Minuteman is seeking to engage DESE in a dialogue about adjusting the DESE tuition rate for Minuteman to be set at Minuteman's "average cost per student" to bring the member and nonmember tuitions into alignment. Minuteman may ask DESE to phase in such an adjustment over three years. The outcome of discussions between DESE and Minuteman is unlikely to be known for several months.

Non-Member Charges: Non-member towns are subject to three types of charges as set by DESE: (1) a per-student “base” tuition charge, which for FY19 is \$17,266; (2) an incremental charge of \$6,200 for each student with an IEP (about 50% of all students); and (3) starting in FY20, a capital charge of \$6,201 for each student from towns without a vocational school, and \$4,650 for each student from a town that is part of another vocational district or provides its own vocational programming. The rate for towns that do not otherwise provide vocational education, such as Belmont, is based on the average per student debt service paid by the member towns. As a non-member, Belmont will start paying such a per student capital charge in FY21.

Capital Assessments. For FY20 the total capital assessment for Belmont is \$51,201, as opposed to \$66,246 in FY19. If Belmont had approved the debt exclusion for a new Minuteman building, Belmont’s share of the debt service in FY20 would have been \$256,000. Starting in FY21, the members’ assessments for the debt service will be offset partially by the capital charges collected the prior year from non-member towns. Those capital charges for non-members towns will be set to approximately equal the average per student debt service cost. Thus, as a non-member town, in years FY21 and beyond, Belmont’s capital charges will be comparable to capital assessments paid by members.

Enrollment Trends: The current total high school enrollment at Minuteman is 516 students as of October 2018, down by 27 students from October 2017. The decrease in overall high school enrollment is primarily related to the multi-year impact of the 2016 decision by the state Department of Elementary and Secondary Education (DESE) to mandate an exploratory first year for 9th graders in their home school districts for districts offering five or more state-approved vocational education programs. This policy decision by DESE meant that cities such as Boston, Medford and Waltham could no longer send freshmen to Minuteman. From FY17 to FY19 Minuteman enrollment from such communities (historically the largest student-sending non-member towns) has dropped from 122 to 56. Over the same three years enrollment from member towns increased by just seven students; enrollment from withdrawing member towns decreased by 15 students. With a target capacity of 628 students for the new high school building, the October 2018 freshmen class size of 122 is 23% below the new building target of 157 per class. Recent enrollment trends suggest the ample availability of space for future Belmont students; however, this is not guaranteed and depends on demand from other towns, both member and non-member.

Belmont expects to open its new high school in fall 2021. The new Belmont High School (“BHS”) is expected to include some space for “vocational exploratory programming,” although these programs will not be considered “Chapter 74 vocational education programs.” It is unclear how the new BHS and its expected programming will impact Belmont demand for Minuteman seats, if at all.

Belmont and the District’s Future

For the past several years, the Minuteman Regional Vocational District has been under pressure from: (i) declining enrollment from member towns; (ii) a governance structure that Belmont and other member towns found unsatisfactory; (iii) an aging building in need of repair or replacement; (iv) a State mandated funding environment financially favorable to non-member towns; and (v) the adoption of DESE regulatory changes (in 2016) that limit 9th grade enrollment from non-member towns with approved vocational educational exploratory programs.

Of these five challenges, two have been addressed by Minuteman and DESE. The District-wide vote by residents of member towns on September 20, 2016 authorized the District to construct a new building. The total \$144.9 million capital cost for the project is being offset by a \$44.6 million state grant from the

Massachusetts School Building Authority. In addition, DESE has addressed the inequity in the allocation of costs, which will result in substantially the same capital charges for non-member and member towns.

Following Belmont's decision in the fall 2016 to withdraw from Minuteman, the Belmont School Superintendent formed a working group to review alternatives and make recommendations about how to meet Belmont's future vocational education needs. That working group completed its work in June 2018. After examining a variety of options, the working group recommended to the Superintendent that Minuteman offered Belmont students the best option for vocational education. The working group also noted that membership in the Minuteman District would secure long-term access to Minuteman's programs. The School Committee has not yet taken up the working group's report.

It should be noted that when Belmont withdraws from the Minuteman District, the Town's cost will be based on "actual" enrollment each year and the assessment will not be "smoothed" over 4 years of enrollment, as is the case for member communities (and was described above). This change would likely lead to some volatility in the budget allocation in Minuteman. Belmont may want to consider using some of its cost savings from its switch to non-member status to fund a "mini-Minuteman reserve" to aid in smoothing the cost of Minuteman tuitions among years and to avoid spikes in budget impacts.

Belmont Public Schools

Article 18E: That under Belmont Public Schools, \$60,649,451 be raised and appropriated.

Budget Overview

FY20	\$ change from prior year	% change from prior year	FY20 FTEs
\$60,649,451	\$3,663,859	6.4%	506.41

Expense Analysis

A. The General Fund Budget

Town Meeting will vote a General Fund appropriation for the School Department of \$60,649,451. The School Department’s expenditures are organized under six major categories of expenses. The following table shows the FY20 budget and budgeted Full Time Equivalent (“FTE”) staff positions that will be funded by the General Fund in comparison to the FY19 budget.

The General Fund Budget by Program Category

Program Category	Budget \$			FTEs	
	FY19	FY20	% chg.	FY19	FY20
Regular Instruction ¹	22,285,736	23,519,343	5.5%	255.52	259.31
Special Instruction ²	15,111,445	15,917,237	5.3%	123.30	130.48
Student & Instructional Services ³	6,486,039	7,162,913	10.4%	51.64	53.75
Operations ⁴	1,116,992	1,156,850	3.6%	19.30	19.30
Leadership & Administration ⁵	3,546,693	3,752,157	5.8%	42.32	43.57
Allowances & Benefits ⁶	8,438,687	9,140,951	8.3%	0.0	0.0
TOTAL	56,985,592	60,649,451	6.4%	492.09	506.41

1. Core academic education for Grades K-12. Includes physical education, fine arts, music, etc.
2. Special Education (including some pre-K) and English Language Learning.
3. Guidance/Health/Psychological Services, Library/Technology, Curriculum/Staff Development, Food Services, Transportation, Athletics & Student Activities, METCO.
4. Custodial Services, Buildings & Grounds.
5. District-Wide Administration, Individual School Administration, Legal.
6. Primarily health insurance and Medicare.

The proposed FY20 General Fund budget represents an increase of \$3,663,859 (6.4%) over the FY19 budget. Per the School Department’s breakdown, a little more than one-half of this increase (3.5%) represents rolling forward existing operations that were funded in the FY19 budget, assuming the same staffing level that was in place when the budget was prepared. Another 20% (1.4%) of the increase represents external cost drivers, such as health insurance and special education. The remaining quarter of the budget increase (1.6%) represents strategic budgetary increases, including 3.6 new FTEs, texts and supplies to accommodate higher enrollment, relocation expenses for athletics during construction, an additional bus route and an increase in the level of General Fund support for student activities and athletics.

The 3.6 new FTE positions in the FY20 budget include:

- **Regular Instruction (0.8 FTE) – 0.4 middle school foreign language teacher, 0.4 high school teachers**

- **Special Instruction (1.0 FTE) – District-wide ELL program director**
- **Student & Instructional Services (1.4 FTE) – Elementary school guidance counselors**
- **Leadership & Administration (0.4 FTE) – High school assistant principal**

This 3.6 FTE increase in FY20 is considerably less than the 14.32 increase in FTEs between FY19 and FY20 shown in the previous Budget by Program Category table. In FY 19, the School Department added a number of unbudgeted FTEs, all of whom were funded within the approved FY19 budget. About two-thirds of the unbudgeted increase represents additional special education teachers and aides throughout all levels of the school system. However, most of that increase represents an anticipated decline in special education FTEs in FY19 that did not occur. Said differently, although FTEs in the K-12 Special Education line of the budget are up 7.18 in FY20 from FY19, they are up only 1.88 from the FTEs included in the FY18 budget. Most of the remaining unbudgeted FTE additions in FY19 represent fractional increases in hours for part-time staff or an increase in the number of sections of a class taught due to increased enrollment or higher-than-anticipated course selections by students in the middle school or high school.

A summary-level synopsis by program category of the proposed 6.4% increase to the General Fund budget is as follows:

- Overall, the Regular Instruction and Special Instruction budget categories represent about 65% of the total FY20 General Fund budget. Collectively, those two categories are increasing by \$2,039,399 (5.5%) from FY19, accounting for about 56% of the FY20 budget increase. The increases in these two budget categories include customary step and lane salary increases for teachers and aides, a 1.8 FTE staff increase in FY20, plus an additional \$74,877 for texts, materials, and supplies.
- Allowances & Benefits represents about 15% of the budget and accounts for 19% (\$702,264) of the FY20 budget increase. The 8.3% year-over-year increase in this account in FY20 is primarily attributable to a projected 8% increase in Town-wide health insurance costs, as well as the benefits provided to the 3.6 new FTEs added in FY20.
- Student & Instructional Services represents just under 12% of the FY20 budget, but accounts for a disproportionate 18% of the budget increase. Some of the 10.4% (\$674,874) year-over-year increase in this budget category is attributable to the addition of the 1.4 elementary school guidance counselors. Another 20% or so of the increase is due to the addition of a new bus route (for a total of nine routes) and the need to budget additional funds to cover the anticipated costs related to relocating athletics and other student activities during the construction of the new Grade 7-12 school. However, the largest portion (over 40%) of the increase in this budget category represents a reallocation of revolving fund expenses to the FY20 General Fund budget. As discussed more fully in the “Special Analysis and Observations” section below, that reallocation reflects the actual level of General Fund support that has been provided to those programs over the past few years and helps ensure that the associated revolving funds maintain their solvency.

B. The Total Budget

Included in the School Department’s General Fund appropriation of \$60,649,451 is \$9,304,779 of projected dedicated Chapter 70 State aid. That projected Chapter 70 State aid therefore covers 15.3% of the FY20 General Fund budget. In FY20, Belmont’s allocation of Chapter 70 aid is projected to increase by \$268,066, or 3.0%, or about half of the 6.4% rate of increase in the General Fund budget.

In addition to the General Fund appropriation, the School Department relies on various outside funding sources such as grants and revolving accounts to cover its overall operations. As shown in the table below, in FY20, these additional sources of revenue represent \$8,339,777, or 12%, of the Department’s overall FY20 budget of \$68,989,228. And, while those amounts are not part of the budget being voted on by Town Meeting, those additional sources of revenue fund essential departmental expenses – particularly special education and student activities – and are therefore important for Town Meeting members to understand.

Grants and Revolving Funds

Program Category	Budget \$			Change from FY19	
	Total FY20 Budget	Other Funds	% Other Funds	\$	%
Regular Instruction	24,876,215	1,356,872	5.5%	(152,648)	(10.1%)
Special Instruction	19,898,722	3,981,485	20.0%	721,153	22.1%
Student & Instructional Services Operations	9,995,776	2,832,863	28.3%	144,167	5.4%
Leadership & Administration	1,296,850	140,000	10.8%	(20,000)	(12.5%)
Allowances & Benefits	3,780,714	28,557	0.8%	(343)	(1.2%)
TOTAL	9,140,951	--	--	--	--
TOTAL	68,989,228	8,339,777	12.1%	692,329	9.1%

Overall, the percentage of other funding sources being used to cover the School Department’s total budget is projected to increase by 9.1% in FY20.

An overview of the School Department’s utilization of these other sources of revenue is as follows:

- Almost half of the outside sources of revenue fund special education services. As discussed more fully in the “Special Analysis and Observations” section below, the School Department receives State and Federal monies to cover about 20% of the Department’s total special education expenses (primarily Out-of-District tuitions). And, as further noted in the “Special Analysis and Observations” section, a slightly higher percentage of tuitions will be funded from outside sources in FY20.
- Another one-third of the outside sources of revenue go towards funding expenses in the Student & Instructional Services budget category. The \$2.8 million of revenue in this category consists of approximately \$2.1 million from the various revolving accounts associated with these activities and about \$700,000 in grants (of which \$603,000 represents grant revenue covering the full cost of the METCO program). A breakdown of the projected \$2.1 million utilization of revolving account funds and the percentage of total budgeted expenses those revolving funds are projected to cover in FY20 are as follows:
 - Food Services – \$1,228,218 (100%)
 - Transportation – \$265,000 (39%)
 - Athletics – \$505,000 (47%)
 - Student Activities – \$114,505 (41%)
 - Adult Education – \$15,564 (100%)

Although, in aggregate, the use of revolving funds to cover expenses in the Student & Instructional Services budget category is increasing by \$144,167 (5.4%), this aggregate increase doesn’t tell the whole story. Total expenses covered by the Food Service revolving fund is forecasted to increase by \$253,027 (25.9%), while the amount of FY20 expenses in the Athletics and Student Activities accounts covered by revolving funds is expected to decline by \$91,083 (15.3%) and \$52,702 (31.5%), respectively.

- Approximately 16% of the outside sources of revenue are associated with the Regular Instruction category of the budget. And, while a small percentage of those outside revenues represents Title I grant money, \$1,061,881 (78%) represents expenses covered by the full-day kindergarten revolving fund and another \$172,715 (13%) represents expenses covered by several music and fine arts revolving funds. One-third of the decrease in the anticipated expenditures from the revolving funds in this budget category is attributable to the conversion of the Saturday morning music program from an activity sponsored by the School Department to one run by an independent vendor.

Special Analysis and Observations

A. Continuing Pressure from Increasing Enrollment

The primary driver of the increase in the School Department budget over the past decade has been the steady and relentless growth in enrollment across the school system. As the table below shows, total K-12 enrollment has grown in nine of the last ten years. Total enrollment during that period has increased by 770 students, or 22%, and growth has been pervasive across all three levels of the system – elementary, middle, and high school.

Enrollment growth of 34 students in FY19 is below recent trends, but seems unlikely to signal a shift in the longer-term trend. In fact, subsequent to October 1st, when the official enrollment figures are measured, an additional 33 students have enrolled in the schools. According to a 2018 demographic report by McKibben Associates, enrollment in FY20 is expected to increase to 4,703 students.

10-Year Enrollment Growth By Grade Cohort				
Year	Grade K-4	Grade 5-8	Grade 9-12	Total K-12
FY19	1,825	1,428	1,308	4,561
FY18	1,812	1,421	1,294	4,527
FY17	1,784	1,357	1,264	4,405
FY16	1,733	1,323	1,245	4,301
FY15	1,699	1,285	1,236	4,220
FY14	1,686	1,268	1,183	4,137
FY13	1,634	1,240	1,120	3,994
FY12	1,601	1,211	1,083	3,895
FY11	1,558	1,204	1,104	3,866
FY10	1,600	1,184	1,119	3,903
FY09	1,489	1,140	1,162	3,791
5-Yr. Growth Rate				
#	139	160	125	424
%	8%	13%	11%	10%
10-Yr. Growth Rate				
#	336	288	146	770
%	23%	25%	13%	20%

Enrollment is measured as of October 1st of each Fiscal Year.

Source: MA DESE Enrollment by Grade Reports

To help put the enrollment increases in perspective, at an average class size of 25 students, the School Department has added the equivalent of over 31 classes of students during the last ten years. Said differently, over that period, the Belmont school system has grown by about the equivalent of the combined enrollment of the Butler and Burbank schools.

According to the McKibben Associates report, student enrollment is expected to continue to climb to a peak of 4,923 students in FY28, and is expected to level off after that. However, that demographic report was completed prior to the Town's approval of a new Grade 7-12 school. It is not known what impact, if any, the new school could have on future enrollment.

The 2015 override has allowed the School Department to fund a variety of staff positions and services that have enabled the Department to generally keep pace with the rapid growth rate in student enrollment over the past several years and the changing profile of that enrollment. From FY16 through FY20, the School Department will have added 35.42 FTEs, an average of 8.94 FTEs per year. Those staff increases allowed the Department to reduce class sizes at all levels of the system (elementary, middle, and high school), increased the number of substitutes at the high school and middle school to reduce the number of unstructured free periods and study halls, and helped address the increasing demand for Special Education and English Language Learner programming.

It is also worth noting that the increase in enrollment has had a space impact as well as a budget impact. To meet the growing enrollment, the School Department has had to repurpose space that was not designed for classroom use to serve as classroom space, as well as having to deploy a total of 14 modular classrooms across the Belmont High School, Chenery Middle School and Burbank. The expectation is that the recently-approved new Grade 7-12 School will help alleviate those space pressures.

B. English Language Learners and Special Education Students

The School Department budget is significantly impacted by two particular subgroups of students – English Language Learners (ELL) (defined as students whose first language is not English and who are unable to perform ordinary classroom work in English) and Special Education students (defined as students who have some type of disability that affects their ability to make effective educational progress and requires special education services through an Individualized Education Program, or IEP). Under both State and Federal educational and civil rights laws, school districts are required to provide these students with language and academic support that will foster their ability to become proficient in English and to meet academic standards. In FY20, ELL and Special Education (SPED) expenditures represent over 25% of the total School Department General Fund budget.

Statewide, almost one in five students received special education services and one in ten were enrolled in ELL classes. In Belmont, these two subgroups have grown faster than total enrollment.

While ELL is a relatively small portion of the total school budget compared to Special Education services, the table below shows that the ELL population is increasing at a significantly faster rate. Over the past five years, the total number of ELL students has more than doubled (by 188) and the percentage of students system-wide has increased from 4.1% in FY14 to 7.8% in FY19. In FY20, the School Department will add a full time ELL director (net .77 additional FTE) to help coordinate and evaluate ELL services.

Over the past ten years, the number of Special Education students in the Belmont school system actually declined for about a five-year period before starting to trend upward. While the percentage of SPED students to total students has only increased from 9.3% to 10.6% over the past five years, Special Education enrollment has increased by 104 students, or 26%, a rate more than double that of total enrollment. Over half of that increase has come in the past three years. As previously noted, in FY19, the School Department added or retained a number of SPED teachers and aides to address the growth in this segment of the school population.

A subset of SPED students are those who enrolled in facilities outside of Belmont (Out-of-District, or OOD). If the district cannot meet a student’s needs internally, Belmont is required to find a placement that can meet those needs. This is the most costly segment of the Special Education population because needs and services can vary significantly by individual and district costs are therefore highly unpredictable and variable.

The table below also shows the number of OOD Special Education students. In FY19, there was a significant drop in OOD students from 107 to 93 (below the five-year average of 99), primarily due to the graduation and aging out of a larger-than-usual cohort.

Special Education and ELL Enrollment

	English Language Learners		Special Education Students		Out-of-District SPED Students	
	#	%	#	%	#	%
FY19	361	7.8%	498	10.6%	93	18.7%
FY18	336	7.3%	486	10.4%	107	22.0%
FY17	279	6.2%	458	10.0%	104	22.7%
FY16	257	5.9%	444	10.0%	98	22.0%
FY15	225	5.3%	405	9.3%	93	22.1%
FY14	173	4.1%	394	9.2%	83	23.0%
FY13	105	2.6%	391	9.5%	80	20.5%
FY12	106	2.7%	397	9.9%	N/A	N/A
FY11	107	2.7%	398	10.0%	N/A	N/A
FY10	92	2.3%	436	10.8%	N/A	N/A
FY09	113	2.9%	470	11.9%	N/A	N/A
5-Yr. Growth Rate						
#	188		104		10	
%	109%		26%		12%	
10-Yr. Growth Rate						
#	248		28		N/A	
%	219%		6%		-	

Enrollment is measured as of October 1st of each Fiscal Year.

Source: MA DESE Enrollment by Selected Populations Reports, Belmont Public Schools

Special Education Out-of-District Tuitions

Out-of-District tuitions have an outsized and disruptive impact on the budget because of their unpredictability (both in amount and timing), the rate of growth, and the timing lag in State OOD tuition reimbursements. In the past, budgeted OOD tuitions have grown at a faster rate than the General Fund budget has increased, and actual expenses have often exceeded budgeted amounts. OOD tuitions represent approximately 37% of General Fund SPED expenditures in the FY20 budget.

The budgetary pressures created by OOD tuitions are partially offset by State and Federal funding sources, the largest of which is the State Circuit Breaker funds. The Circuit Breaker account represents State funds that partially reimburse school districts for large OOD tuition expenses that might otherwise overwhelm a school district’s budget. The reimbursement level varies year to year based on the amount of total statewide district “claims” as well as the absolute dollar amount appropriated by the State to the Circuit Breaker account. The amount a school district receives is based on the prior year’s actual expenses and is paid in the subsequent year. This lag in reimbursement timing can result in a funding gap when tuition expenses increase year over year or, conversely, generate excess funds in a year when OOD costs are lower than the prior year.

In FY20, total OOD tuitions are budgeted to increase by \$795,681, or 9.8%, above FY19 budgeted amounts. Of that increase, \$153,393 will be funded through the FY20 General Fund budget, a 3% year-over-year increase. The remainder will be funded by prior and current year Circuit Breaker account balances (\$410,705), LABBB credits (\$189,186), and a modest increase in IDEA grants (\$42,397). These three outside sources of funding for OOD tuitions are discussed below.

Out-of-District Tuitions and Funding Sources

	Actual FY16	Actual FY17	Actual FY18	Budget FY19	Budget FY20
<u>OOD Tuitions:</u>					
LABBB and other Collaboratives	\$3,369,959	\$3,535,822	\$3,636,963	\$3,900,863	\$4,114,556
Private Tuitions	\$3,146,521	\$3,339,005	\$3,802,590	\$4,084,478	\$4,568,336
Out of State Tuitions	-	-	\$135,817	\$160,500	\$258,630
Total OOD Tuitions	\$ 6,516,480	\$6,874,827	\$7,575,370	\$8,145,841	\$8,941,522
<u>Funding Sources:</u>					
General Fund Budget	\$4,444,471	\$5,016,176	\$4,778,593	\$5,113,095	\$5,266,488
Circuit Breaker	\$1,156,283	\$ 905,051	\$1,663,453	\$1,919,111	\$2,329,816
IDEA	\$915,727	\$953,601	\$979,320	\$973,635	\$1,016,032
LABBB tuition credits	-	-	\$154,004	\$140,000	\$329,186
Total Funding Sources	\$6,516,481	\$6,874,828	\$7,575,370	\$ 8,145,841	\$8,941,522

The Department of Elementary and Secondary Education (DESE) allows school districts to carry forward some or all of the Circuit Breaker grant for one additional year, as a buffer against unexpected tuition expenses. Since the FY15 override, the District has been proactively using a rolling three-year projection

of OOD funding sources and uses to systematically build a Circuit Breaker carry-forward amount. This approach has allowed the District to preserve adequate funding and to avoid unbudgeted and unanticipated increases in costs that could adversely impact regular instruction General Fund expenditures. The table below shows that, in FY17-FY19, the Circuit Breaker carry-over balances increased by funding a higher percentage of the eligible tuitions through the General Fund and reserving a higher portion of the available carry-over funds for future use. The larger carry-forward balances, along with fewer OOD students in FY19, allow the District to reduce the General Fund impact of OOD tuitions to a 3% growth rate in the FY20 budget (below the 9.8% projected FY20 increase in OOD tuitions), while maintaining over \$1,000,000 in the Circuit Breaker carry-forward account as a funding source for future increases in OOD expenses within any one budget year.

	Actual FY16	Actual FY17	Actual FY18	Estimated FY19	Estimated FY20
State Circuit Breaker					
Prior Year Carry-Forward	\$29,234	\$324,629	\$1,107,242	\$1,134,055	\$1,251,741
Plus Current Amount Received	\$1,451,678	\$1,687,664	\$1,690,266	\$1,953,772	\$2,119,843
Available Circuit Breaker	\$1,480,912	\$2,012,293	\$2,797,508	\$3,087,827	\$3,371,584
Less Amount Expended	\$1,156,049	\$905,051	\$1,663,453	\$1,836,086	\$2,329,816
Carry-Forward Amount	\$324,629	\$1,107,242	\$1,134,055	\$1,251,741	\$1,041,768
% Expended	78.1%	45.0%	59.5%	59.5%	69.1%

As a member of the LABBB collaborative, along with Lexington, Arlington, Bedford, and Burlington, Belmont pays tuition to LABBB for each student and earns tuition credits when the collaborative's revenues exceed its expenditures. In the past, these credits have been paid out to district members on an ad hoc basis determined by the LABBB board. Consequently, LABBB credits historically were not a part of the annual budgeting process. Recently, DESE decreed that collaborative members should distribute current cash on hand and tuition credits to member districts as they are accumulated. As a result, LABBB credits of \$329,000 that accrued in FY19 will be used in the FY20 budget to pay collaborative tuitions. There are no LABBB credits being shown as earned in FY20 because the FY19 LABBB surplus and the resulting distribution for FY20 is not yet known. It is anticipated that this source of funding will vary from year to year.

LABBB Credit Usage	Actual FY16	Actual FY17	Actual FY18	Estimated FY19	Estimated FY20
Beginning Balance	\$648	\$152,535	\$435,823	\$281,819	\$329,186
Plus: New Credits Earned	\$151,887	\$283,288	-	\$329,186	-
Less: Use Of Prior Year Credits	-	-	\$154,004	\$281,819	\$329,186
Ending LABBB Credit Balance	\$152,535	\$435,823	\$281,819	\$329,186	-

Finally, IDEA grants are Federal funds allocated to states for the education of students with disabilities. Each state then distributes the grants to school districts based on a formula. Belmont's share of IDEA grants has been relatively stable, with modest increases in some years, and is expected to increase slightly in FY20.

C. Revolving Funds Analysis – A Shift from Revolving Funds to the General Fund for Music, Athletics and Student Activities

Funding for extracurricular activities and certain in-school programs (music, athletics, student activities, and full-day kindergarten) is provided primarily through a combination of the school’s General Fund and revolving funds. In addition, certain other services offered by the School Department – such as food service and adult education – are funded entirely from revolving funds.

A revolving fund is an account that is established to collect fee-based revenue, which is then earmarked to support the specific activity, program, or service for which the funds were raised. A revolving fund can only expend funds to the extent that there are available and unencumbered balances in the account. Each revolving fund is a standalone account. Balances in one revolving fund cannot be used to cover the expenses of another revolving fund. The School Department currently has 17 revolving funds established to cover some or all of the costs associated with the types of activities and services listed above. As briefly noted earlier in the “Total Budget” section, different revolving funds cover varying percentages of the total cost of the associated programs.

As shown in the table below, the total FY20 budget increase for athletics, student activities – such as clubs – and various fine and performing arts programs is a very modest 1.5% (\$43,217). (Note, this increase includes the net impact of the reduction of \$50,000 in expenses associated with the previously-mentioned conversion of the Saturday morning music program to a privately-run program. Those costs had been covered out of a revolving fund.) However, for the reasons explained below, the School Department is budgeting a shift in the funding allocation for those three programs in FY20 from the revolving funds to the General Fund. Cumulatively, there is a \$280,547 net shift in expenses being covered by the General Fund in the FY20 budget over and above the \$43,217 total projected increase in program expenses for those three activities. The resulting \$323,765 increase to the General Fund budget represents about 8.8% of the entire proposed \$3.66 million increase in the School Department’s FY20 General Fund budget.

Program/Budget Category	FY20 Impact to the General Fund				Net Shift from Revolving Funds to General Fund
	Total Budget Increase		General Fund Budget Increase		
	Dollar	Percent	Dollar	Percent	
Athletics - Grades 5-12	\$34,595	3.3%	\$125,648	28.2%	\$91,053
Student Activities - Grades 5-12	\$38,130	15.7%	\$90,832	120.3%	\$52,702
Music, Theatre, Fine Arts – Grades K-12	(\$29,508)	(1.9%)	\$107,284	8.9%	\$136,792
Total	\$43,217	1.5%	\$323,764	18.8%	\$280,547

As shown in the table below, for the past few fiscal years, the relative percentage of funding for these three programs that have come from the General Fund and the revolving accounts has been relatively stable. However, with the reallocation of FY20 expenses from the revolving funds to the General Fund for these activities, the percentage of the total expenses that is covered by those two funding sources will change in FY20, with the General Fund now covering 70.8% of the total costs, a 10% increase versus FY19.

Historical Funding Allocation - General Fund and Revolving Funds

	Actual FY16	Actual FY17	Actual FY18	Budget FY19	Budget FY20
General Fund	64.9%	64.4%	62.6%	60.8%	70.8%
Revolving Funds	35.1%	35.6%	37.4%	39.2%	29.2%

There are two primary reasons for the shift in covering the budgeted expenses for these three programs out of the General Fund in FY20. First, for the past few years, the spending levels being covered by the revolving funds have exceeded the pace at which revenues are being raised through user fees. During that period, at year-end, the School Department has often had to charge back a number of expenses to the General Fund in order to maintain positive balances in the revolving funds. During FY16-FY18, those unbudgeted year-end expense transfers averaged about \$104,000 per year. With this shift in funding in FY20, the School Department is correcting an increasing imbalance in the amount of expenses the revolving funds can support.

Second, as shown in the table below, the overall expenses for these programs have increased. In fact, the growth in expenses of these programs has recently accelerated with increases in enrollment and, most recently, with the increase in coaching stipends that took effect in FY19 as result of the new labor contracts. There will be additional pressure in FY20 with increased transportation costs and facility rental fees that will be required as a result of the construction on the new Grade 7-12 school. Additionally, the FY20 budget covers an increased share of transportation costs through the program budget rather than expecting the various student activities to cover those costs themselves through fundraising or charging participants directly for transportation costs. In contrast to this growth in expenses, user fees for those programs have not increased in the nine years since they were first implemented. That dynamic of increasing expenses and stagnant revenues has continued to put pressure on the revolving funds, threatening to exhaust the revolving fund balances.

Historical Year-over-Year Growth in Total Funding - General Fund and Revolving Funds

	Actual FY16	Actual FY17	Actual FY18	Budget FY19	Budget FY20
Total Funding	3.2%	5.5%	8.0%	11.4%	3.3%

In summary, the shift in expenses to the General Fund in FY20 is designed to both account for the increase in current and future program expenses, while also keeping user fees unchanged and breaking the historic pattern of transferring expenses at year-end to the General Fund in order to maintain minimal year-end revolving fund balances.

Conclusions and Recommendations

The trend of increasing enrollments throughout the system is expected to continue for the foreseeable future. While enrollment growth in FY19 was down from that experienced in recent years, the overall trend is on track with what was projected by McKibben Associates. This continued enrollment growth is likely to continue to impose above-inflationary cost pressures on the School Department for the foreseeable future.

Recent increases in staffing have allowed the School Department to make inroads in addressing the pressures caused by the substantial enrollment growth over the past ten years. The 2015 override has provided resources to keep pace with growing enrollment and to even relieve pressures that had built up in prior years. However, with the depletion of the override funds in FY20, managing future enrollment growth may bring new pressures absent additional revenues.

The School Department's management of outside revenue sources such as the State Circuit Breaker has helped insulate the Department and the Town from year-to-year and mid-year volatility in special education expenses such as Out-of-District tuitions. The foregoing said, the favorable experience that Belmont had with Out-of-District enrollments in FY19 cannot be counted on to continue. Consequently, increases in SPED enrollment and the pace of growth in overall SPED expenditures remain a volatile and unpredictable component of the budget.

The shift in covering an increased percentage of student activity expenses through the General Fund has temporarily helped ensure the solvency of those funds. However, given the projection for continued increases in enrollment and the uncertainties around disruption from the construction on the new Grade 7-12 School, the overall expenses of these activities and the share covered by the General Fund bear continued monitoring in the year ahead. Moreover, at some point, revisiting the user fee levels and schedule may be warranted.

Pension, OPEB, and Debt Liabilities

Pension contributions, OPEB contributions, and debt service together are budgeted at over \$22 million in FY20 and together comprise 15% of the FY20 Town budget. These three items are non-discretionary, fixed budget expenditures. The pension and OPEB components are non-discretionary, but the precise funding requirements shift year-to-year based on changes in actuarial assumptions, demographics, and investment performance.

Pension

The Belmont Retirement System was created in 1938 to provide retirement benefits to Town of Belmont employees and their beneficiaries under the provisions of Massachusetts General Laws Chapter 32. The System is an independent governmental unit which is overseen by a five-member board and subject to rules and regulations promulgated by the State's Public Employee Retirement Administration Commission (PERAC).

The pension requirement for the budget comes from the actuarial report of the Belmont Contributory Retirement System ("Retirement System"). The most recent actuarial report is dated January 1, 2018 and was submitted to the Retirement Board in September 2018. The report is updated every two years so the next report will be dated January 1, 2020. For FY20, the pension cost increases 5.7%, or \$554,483, to \$10.1 million for all (General Fund, non-teaching School Department, Enterprises, Housing Trust, Belmont Light). Pension costs will comprise about 7% of the total Town budget in FY20. This compares to \$9.6 million in FY19, which was also about 7% of the total Town budget. The chart below presents the total pension contribution in FY19 and FY20, along with detail about some components of the pension funding requirement. For example, about \$1.96 million of the FY20 \$10.1 million requirement is calculated to cover the Town's projected pension costs for the current employees (the so-called "Employer Normal Cost"); the balance of about \$8.2 million is the required contribution for the amortization of pension obligations earned by prior employees.

The current total unfunded liability for the Retirement System is \$77 million, meaning the Retirement System is about 58% funded. The annual total pension contribution is expected to increase about 5.75% each year through 2029, based on the actuarial report for the period ending January 1, 2018. It is important to note that the annual contributions are recalculated at the time of each actuarial report, based on the most recent assumptions. Thus, the annual contributions may need to change in the future to meet the currently required full funding date of June 30, 2029.

The chart also presents the projected pension funding schedule through 2029, based on current actuarial assumptions. Myriad assumptions drive this funding schedule. Some of the more important assumptions are:

- Market investment rate of return
- Longevity of participants
- Salary increases
- Demographic changes (timing of retirements, disability experience, turnover, etc.)

Pension contributions in \$ millions

June30	Employer Normal Cost	Amort of ERI & Unfunded Liability	Total Actuarial Contribution	% Change from Prior Year
FY19	\$1.875	\$7.766	\$9.641	
FY20	\$1.958	\$8.239	\$10.197	5.8%
FY21	\$2.024	\$8.760	\$10.784	5.8%
FY22	\$2.091	\$9.312	\$11.403	5.7%
FY23	\$2.161	\$9.898	\$12.059	5.8%
FY24	\$2.233	\$10.520	\$12.753	5.8%
FY25	\$2.307	\$11.179	\$13.486	5.7%
FY26	\$2.385	\$11.877	\$14.262	5.8%
FY27	\$2.464	\$12.618	\$15.082	5.7%
FY28	\$2.547	\$13.403	\$15.950	5.8%
FY29	\$2.631	\$13.868	\$16.499	3.4%

The assumed rate of return is a significant input in the determination of the required funding schedule. The “assumed rate of return on the actuarial value of assets” should represent the expected long-term rate of return based on the Retirement System’s investment policy. Variations between this assumed rate of return and the actual rate of return leads to actuarial gains and losses in the funding calculation. The “rate of return on the market value of the assets” is calculated annually on a net of fee basis, based on actual investment returns for the year on the Retirement System’s assets (about \$100 million as of December 31, 2018). The “actual rate of return on an actuarial basis” represents the five-year weighted average of actual investment returns. The chart below presents these three types of rates, to the extent they have been determined as of May 1, 2019. It should be noted that the Retirement Board operates on a calendar fiscal year.

	Assumed Return for Actuarial Asset Valuation	Actual Return for Actuarial Valuation	Market Rate of Return for Market Asset Valuation
2016	7.50%	7.76%	7.91%
2017	7.50%	8.42%	13.79%
2018	7.40%	N/A	-3.20%

As of December 31, 2017, the Retirement System served 354 retirees and their related beneficiaries. At that time, there were 467 active participants (employees) in the System. There were 254 inactive participants. (These inactive participants consist mainly of participants entitled to a return of their employee contributions (242) and also of 12 participants with a vested right to a deferred or immediate benefit.) The ratio of “non-active” participants (retirees + inactive participants) to “active” participants has been rising steadily and stands at 1.30X as of December 31, 2017.

In 2016, the Town and the Retirement System agreed to amortize the pension unfunded liability through 2029 (rather than the prior amortization period which ended in 2027). The schedule was reviewed and approved by PERAC. The policy approach behind the schedule is that after the unfunded liability has been fully funded, the Town will only need to fund the “normal cost” each year – the actuarially determined amount necessary to cover that year’s projected pension benefit earned by current employees. In theory, this schedule creates “space” or “capacity” to accelerate funding of the Town’s unfunded OPEB obligation after the pension has been fully funded in 2029.

In 2018, the Town approved an increase from \$12,000 to \$13,000 in the retirement base eligible for the maximum cost of living adjustment. This became effective on July 1, 2018 and the impact was incorporated into the actuarial report dated January 1, 2018.

Other Post-Employment Benefits (“OPEB”)

In addition to pensions, Belmont provides its employees healthcare and life insurance benefits upon retirement. These OPEB benefits are managed and overseen by the Town and not by the Retirement Board. There is not a state oversight agency such as PERAC monitoring the status of compliance with OPEB funding.

The Town pays these OPEB benefits for retirees on a “pay-as-you-go” basis, meaning the Town makes payments out of the current budget to cover retiree health costs; the Town does not have meaningful reserves upon which to draw for this purpose.

In FY20, the Town estimates that it will fund Town-only retiree healthcare costs of \$1,646,109 million. The Town has separated these costs from employee healthcare costs starting in FY19, which provides better visibility on this budget item. This number does not include the Light, Water and Sewer enterprises. The School Department retiree healthcare costs for FY20 are \$1,796,650

Although the costs of current retirees’ OPEB benefits have been fully and adequately covered over the years on a pay-as-you-go basis, the projected OPEB benefits earned by Town employees are not adequately reserved for, as determined by an actuarial analysis.

The most recent Belmont OPEB actuarial report is dated as of January 1, 2017 and was presented to the Town on November 17, 2017. The next actuarial report will be dated as of January 1, 2019 and will be presented to the Town in the fall of 2019.

As of January 1, 2017, the Town’s unfunded OPEB liability was \$96.7 million. This unfunded liability is lower than the \$186 million unfunded liability as of January 1, 2016. The reasons for this decrease are: a) adjustments to assumptions to better reflect Belmont’s healthcare experience, b) changes in demographic assumptions, and c) some adjustment to make more effective use of Medicare coverage when appropriate. When the actuarial report is updated in 2019, the assumptions will be reviewed and adjusted for the Town’s most recent experience.

The Town created an “OPEB Trust Fund” in early 2000s to initiate a process of saving for the future OPEB obligations owed by the Town to retirees. The OPEB Trust has a balance of approximately \$3 million. (The Town Treasurer manages these funds.) OPEB is valued every two years by an actuary and provides the

Town with disclosure information needed for the audited financial statements in accordance with GASB accounting Statements 74 and 75.

In FY20 the Town proposes to allocate \$552,695 from Free Cash into the OPEB Trust to contribute toward the Town's portion of the unfunded OPEB liability. Another \$40,325 from Free Cash is planned for the OPEB Trust related to the Light, Sewer and Water enterprises. This contribution is calculated using a formula established in the early 2000s that considers both the Town's reserves and the level of the unfunded liability.

Considering the retired Town and School employees' healthcare payments of 3,442,759 and the \$593,020 from Free Cash to be transferred to the OPEB Trust, the Town is allocating about \$4 million toward OPEB in FY20. As mentioned earlier, this does not consider the enterprise retiree healthcare costs.

At a larger policy level, the Town is currently operating on a long term plan that assumes the contributions to the OPEB Trust will continue in the current range. The contributions would then increase dramatically (to approximately \$12 million annually) in 2030, after the point at which the pension fund is currently projected to have reached a 100% funding level.

The Warrant Committee believes our current strategy for managing the OPEB liability is feasible at this current time. We support the active collection, monitoring, and isolating of the retirees' healthcare costs in the annual budget and over the course of the year so as to build a more reliable database on anonymized OPEB costs. We also support the full loading of proportional OPEB costs onto the enterprise funds. The Warrant Committee will continue to communicate with the Town administration as it undertakes periodic OPEB actuarial reports.

Debt Service

The Town is budgeting \$11,587,805 for debt service in FY20, up 144% and \$6,850,404 from the FY19 debt service level of \$4,719,259. This does not consider the debt service of the Light, Sewer, and Water enterprises. Debt service will comprise about 7.8% of the Town budget in FY20. This significant increase is due to the issue of \$100 million in new debt in March 2019 to fund the construction of the new Belmont Middle and High School. About 85% of the Town's debt service stems from a debt exclusion vote; thus, such debt is "serviced" by a dedicated piece of the property tax. About 15% of the Town's debt service is not related to a debt exclusion vote; thus, this debt service is covered by general revenues of the Town.

In April 2019, the Town refinanced debt related to the Wellington School for debt service savings, based on a drop in interest rates. This will lead to a modest tax reduction for home owners. In FY20, the Town is expected to issue an additional \$100 million (March 2020) to fund the balance of the new school project that was approved through a debt exclusion vote. In the same timeframe, the Town will also issue about \$3.5 million in debt to fund the renovation of the Police Station and the Department of Public Works facilities; this debt service will be covered by general revenues.

In FY19, the Town's Aaa rating from Moody's was reaffirmed and the Town obtained an additional bond rating from Standard & Poor's for the first time; S&P also returned an equivalent rating of AAA.

