



Warrant Committee Report Town of Belmont FY 2021 Budget

June 2020

Contents

Overview of FY21 Recommended General Fund Budget	4
Free Cash and Stabilization Fund Update.....	11
Departmental Highlights.....	13
EDUCATION	13
Belmont Public Schools.....	13
Vocational Education.....	16
PUBLIC SERVICES (Community Development, Facilities, Recreation, Department of Public Works).....	17
Community Development.....	17
Facilities.....	19
Recreation Department	21
Department of Public Works	23
PUBLIC SAFETY (Police, Fire, Emergency Management).....	25
GENERAL GOVERNMENT (Town Clerk, Town Administration, Human Resources, Information Technology, Town Accountant, Town Treasurer, Assessors' Office)	27
HUMAN SERVICES (Council on Aging, Health, Library).....	29
Longer-Term Issues	32
Structural Deficit.....	32
Compensation Costs.....	33
Enrollment Growth and Mandated School Costs.....	33
Capital Projects	33
Pension, OPEB and Debt Liabilities	34
Appendix.....	40
A. Impact of post-COVID-19 anticipated revenue reductions – FY21 – Town Depts	40
B. Impact of post-COVID-19 anticipated revenue reductions – FY21 -School Dept.....	42
C. Education: The General Fund Budget by Program Category	43
D. Education: Grants and Revolving Funds by Program Category	44
E. Education: Out-of-District Tuition Expenses by Type and Funding Source.....	45
F. Education: Out-of-District Tuition Reserve Balances by Funding Source.....	46

2019–2020 Warrant Committee Members

John Alcock

Michael Cragg

Elizabeth Dionne

Christine Doyle (Vice-Chair)

Jennifer Fallon

Susan Gonzalez (resigned February 2020)

Daniel Halston

Anne Helgen

Andrew Levin (appointed March 2020)

Geoffrey Lubien (Secretary)

Robert McLaughlin

Lynn Peterson Read

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Ellen Schreiber

Laurie Slap (Chair)

Jack Weis

Ex officio

Michael Crowley (ex-officio, School Committee)

Thomas Caputo (ex-officio, Select Board)

Report of the Belmont Warrant Committee to Town Meeting June 2020

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.*

Overview of FY21 Recommended General Fund Budget

The FY21 recommended General Fund budget is \$132.3 million, which represents a 3.1% increase over last year.¹ The 3.1% increase is driven by the second round of borrowing for the Middle and High School in May 2020, which raises both revenues and expenditures. If not for the \$5.1 million increase in debt service in FY21, the General Fund budget would be 0.8% lower than in FY20.

The COVID-19 outbreak disrupted the traditional budget development process this year. In early February, the Town Administrator and School Superintendent presented initial budget proposals that increased the FY21 budget by 6.4%. Even then, after the increase in additional debt service, the budgets did not provide for "level services"; the town operating budget increased by just \$117,000, with reductions across all departments. The proposed budgets tapped one-time sources of revenue to stretch resources one more year, with the expectation that an override vote would likely be put to the Town in November 2020 to supplement revenues for FY22 and beyond if approved.

Then came the COVID-19 outbreak. The revised FY21 budget recommendation now assumes a potential 25% cut to State Aid, along with lower new growth, fewer building permits, and reductions in other local receipts. Town and school departments have further reduced FY21 expenditures, deferred additional capital expenditures, and drawn more heavily on Free Cash to meet the revised revenue forecast.

In addition, the budget has been prepared amidst uncertainty around how COVID-19 will impact the services and financial condition of the town in FY21 and beyond. How severe will be the economic impacts? How long will they last? What impact will social distancing and further remote interactions have on Town services such as schools, library, Council on Aging, recreation? What additional costs will be incurred? What reimbursement may be available from the federal and state governments, and in what time period, for the Town's COVID-19 related expenditures?

COVID-19 Impact: Reduced Revenue Projections

FY21 expected revenue is \$5.0 million lower than initial FY21 budget projections presented in February 2020. Although the state legislature is not expected to announce a firm decision about funding for cities and towns until early summer, Belmont's recommended FY21 budget conservatively assumes that State Aid will drop 25% from its FY20 level to \$9.0 million in FY21 (February projections showed State Aid for F21 at \$12.2million). Other revenue projections have also dimmed since February: for example, new growth is now expected to contribute \$0.50M rather than \$0.92M; and building permits, \$0.80M rather

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.

than \$1.04M. Projected excise and meals taxes are also \$0.2M and \$0.12 lower than initially anticipated for FY21.

COVID-19 Impact: Reduced Expenditures

By law, Belmont must operate with a balanced budget. Town and School departments have worked hard to identify expense reductions to meet lower projected revenue in FY21 without reducing employee headcount. The recommended FY21 budget keeps employee FTEs (full-time equivalents) steady, eliminates \$1.02 million in the school budget (from the February proposed increase of \$1.86 million), including 5.8 new FTEs that the School Department planned to hire to address higher enrollment at the middle and high school level, defers \$1.7 million in road improvements, reduces town department salaries and overtime by \$0.5 million, cuts the Recreation budget by \$0.3 million (previously budgeted to operate the Underwood Pool), defers \$0.5 million in discretionary capital projects, and reduces \$0.2 million allocated to health care costs. (See Appendix A for further details.)

Use of One-Time Funds

Even before the COVID-19 outbreak, the recommended FY21 budget drew revenue from one-time sources to preserve Town services. For example, the February budget drew \$1 million more from Free Cash than in FY20 (\$3.4 million compared to \$2.36M), took an additional \$1M from the Light Department for accelerated payment-in-lieu-of taxes (PILOT), and drew down the School Department's Special Education reserves by \$1.7 million. Town Departments deferred overlay expenses (for example, police patrol cruisers, fire suppression turn-out gear, public works fleet equipment and replacement, library computer equipment, and facilities equipment). The revised budget includes an additional \$400,000 in Free Cash, a one-time deferral of \$1.768 million in capital budget road repairs to address revenue shortfalls caused by COVID-19.

As discussed more fully below, the recommended FY21 budget will result in a reduction in town and school services. These service reductions will be much more substantial in FY22 without additional revenue from an operating override. The Financial Task Force II continues its work to analyze Belmont's structural deficit and expects in the next several months to submit its recommendations to the Select Board, including the size an override to put before voters in the coming fiscal year.

General Fund Revenues

Expected and projected revenues are summarized below in Table 1. As with the expenditure figures shown below in Table 2, the largest change from FY20 on the revenue side is the property tax increase related to the second round borrowing for the new Middle-High School (listed in Table 1 as "Debt Exclusion"). COVID-19's impact on projected revenues is dramatic: State Aid is projected to decline 25% in FY21 and new growth (driven by property improvements) revenues are projected to drop by over 50%. Local receipts are projected to fall by \$0.6M.

Table 1 also illustrates how one-time revenue sources support the FY21 budget. In FY20, the Town used a total of \$4.8 million in Free Cash and Stabilization funds to balance the budget. The FY21 budget is the first year since the 2015 override that there will not be stabilization funds used to support the budget as the original three-year override has been stretched to its sixth year. The draw on Free Cash is higher in FY21 (\$3.7M) compared to FY20 (\$2.4M). One time revenue sources such as the \$1 million increase in the Light Department's PILOT payment (included in 'Other Available Funds') and the increase in Free Cash are not expected to be available to address the challenging budgets coming in FY22 and beyond.

Table 1: FY21 Expected General Fund Revenues vs. FY20 Actual Revenues (\$ million)

	FY21	FY20	\$ Change	% Change
Total Property Taxes	\$92.23	\$89.25	\$2.98	3.3%
Allowable 2.5% increase	\$2.31	\$2.23	\$0.07	3.3%
New Growth	\$0.50	\$1.08	-\$0.58	-53.7%
Debt Exclusion	\$13.81	\$8.75	\$5.07	57.9%
Local Receipts	\$7.34	\$7.92	-\$0.58	-7.3%
State Aid	\$9.00	\$11.99	-\$3.00	-25.0%
Free Cash	\$3.79	\$2.36	\$1.43	60.7%
General Stabilization Fund	\$0.00	\$2.40	-\$2.40	-100.0%
Other Available Funds*	\$3.33	\$2.33	\$1.00	42.7%
TOTAL GENERAL FUND REVENUE	\$132.31	\$128.32	\$3.99	3.1%

*Other Available Funds' include receipts from reserved parking meters, abatement & exempt overlay, transfer from BMLD PILOT, transfers from water and sewer indirect operating cost, transfers from leftover capital items, transfers from perpetual care fund, transfers from endowment fund.

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

Table 2 compares the recommended FY21 General Fund budget expenditures to corresponding data for FY20. This FY21 budget is as of May 18, 2020 and is subject to minor adjustments before the June Town Meeting.

Table 2: Summary of FY21 General Fund Budget vs. FY20 (\$ million)

	FY21	FY20	\$ Change	% Change
Town Operating	\$40.87	\$41.64	-\$0.77	-1.9%
School Operating	\$61.49	\$60.65	\$0.84	1.4%
Capital Budget	\$0.95	\$1.79	-\$0.84	-46.9%
Fixed Costs	\$29.00	\$24.23	\$4.77	19.7%
Total General Fund Budget	\$132.31	\$128.32	\$3.99	3.1%

Note: Data does not include expenses budgeted in Enterprise Funds, trust accounts, or Belmont Light. FY20 data is adjusted budget, not budget as voted by Town Meeting. Calculations reflect rounding.

Table 2 indicates that the FY21 General Fund budget is 3.1% higher than the FY20 budget. The bulk of the increase is due to the second round of borrowing for the Belmont Middle-High School: debt service (included in fixed costs) grows from \$8.7 million in FY20 to \$13.8 million in FY21. The General Fund

operating budget is essentially flat, and the discretionary capital budget is cut by almost half to meet an especially tight budget year.

Table 3 breaks out the increases in spending by service area.

Table 3: FY21 General Fund Budget vs. FY20 by Department or Function (\$ million)

	FY21	FY20	\$ Change	% Change
Belmont Public Schools	61.49	60.65	0.84	1.4%
Public Services	13.58	14.03	-0.45	-3.2%
Community Development	1.10	1.09	0.01	0.6%
Facilities	4.72	4.69	0.03	0.6%
Recreation	0.75	1.08	-0.32	-29.9%
Public Works	7.01	7.18	-0.16	-2.3%
Public Safety	13.23	13.53	-0.30	-2.2%
Police Department	7.28	7.49	-0.21	-2.8%
Fire Department	5.92	6.01	-0.09	-1.5%
BEMA	0.02	0.02	0.00	0.0%
General Government	4.70	4.63	0.08	1.7%
Town Clerk	0.49	0.47	0.02	4.5%
Town Administration	0.98	0.98	0.00	-0.2%
Human Resources	0.28	0.28	0.00	0.0%
Information Technology	1.04	0.97	0.07	7.3%
Town Accountant	0.40	0.40	0.00	-0.2%
Town Treasurer	0.69	0.70	-0.01	-1.5%
Assessors' Office	0.42	0.42	0.00	-0.3%
Human Services	3.21	3.24	-0.02	-0.7%
Council on Aging	0.40	0.39	0.01	1.6%
Library	2.22	2.25	-0.03	-1.4%
Health Department	0.60	0.59	0.00	0.3%
Insurance	6.14	6.22	-0.08	-1.2%
Operating Budget	102.36	102.29	0.06	0.1%
Capital Budget	0.95	1.79	-0.84	-46.9%
Regional School Assessment	1.72	0.98	0.74	74.8%
Pension Expense*	8.73	8.23	0.50	6.1%
Debt & Interest	15.56	10.35	5.21	50.3%
Other**	2.99	4.67	-1.68	-36.0%
Fixed Costs	29.00	24.23	4.77	19.7%
TOTAL GENERAL FUND BUDGET	132.31	128.32	3.99	3.1%

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

** Includes 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. FY20 data is adjusted budget, not budget as voted by Town Meeting. Calculations reflect rounding.

The total FY21 General Fund operating budget, after capital expenditures and fixed costs, increases just \$65,000 or 0.1% above FY20. As shown in Table 2, expenditures in most Town departments decline, and spending in the School Department is up only 1.4%. It is important to note, however, that in addition to the General Fund, the Belmont Public Schools also receive revenue from grants and revolving funds. Table 3A shows that, with grants and revolving funds up 17.5% in FY21, the total School budget rises 3.3% in the coming year.

Table 3A: FY21 Total Belmont Public School Budget (\$ million)

Belmont Public Schools	FY21	FY20	\$ Change	% Change
General Fund	61.49	60.65	0.84	1.4%
Grants & Revolving Accts	9.80	8.34	1.46	17.5%
TOTAL - ALL SOURCES	71.29	68.99	2.30	3.3%

The FY21 budgeted rise in health insurance is lower than FY20 (3% vs. 8%). Belmont self-insures for healthcare. Recent plan design changes are helping to contain costs. The Town hopes to keep budgeted health insurance cost increases relatively steady at 3-4% per year and maintain a healthy balance in the Town’s Health Insurance Trust Fund to weather any volatility.

Enterprise Funds

Belmont maintains separate Water Enterprise and Sewer Enterprise Funds. The Enterprise Funds receive revenue from rates charged for these services that 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)

	FY21	FY20	\$ Change	% Change
Water	\$7.70	\$7.10	\$0.60	8.4%
Sewer	\$9.91	\$9.65	\$0.26	2.7%
Total Enterprise Funds	\$17.61	\$16.76	\$0.86	5.1%

Note: Calculations reflect rounding.

Risks in the FY21 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.

Coronavirus. As of early June 2020, the financial impact of COVID-19 on the delivery of Town services is still unclear for FY21.

Overall economic impact. While revenue estimates are made for FY21 using information available as of June 2020, the economy may suffer a deeper and/or more prolonged decline and revenues may be lower than projected.

Town services. The School Department is currently developing a series of plans to address opening school in September and/or the need for remote learning should additional COVID-19 outbreaks erupt. Other town departments such as the Library, COA, and Recreation are also developing plans for reopening amidst great uncertainty. Expenditures could exceed budgeted expectations as details on safety precautions and social distancing requirements are released by the state.

Employee illness. Given that COVID-19 is highly contagious, any staff who become ill with or exposed to the virus could be quarantined for several weeks, potentially leading to increased overtime costs. This is especially true if multiple employees are exposed at the same time.

Federal/State reimbursement: Although the Town will actively seek state and/or federal reimbursement for COVID-19 expenses, the extent of that relief is, at present, unknown.

Facilities. As reported in recent years, it has become apparent that Town facilities have not received required maintenance on a timely schedule; and this year, the Town is deferring several capital projects to meet lowered revenue projections. The risk of unanticipated maintenance needs in FY21 is high.

Free Cash: In prior years Free Cash has been used to fund unanticipated expenditures (capital equipment, overages in public safety overtime, facilities emergency repairs, etc.). For FY21, the town will begin its fiscal year with Free Cash balances below the recommended guideline, which, in turn will limit flexibility to fund unanticipated needs at a time when budget uncertainty is high. The tight budget in FY21 and financial impact of COVID-19 is likely to affect replenishment of Free Cash from "turnbacks" for future budgets, at a time when the Town is relying more heavily on Free Cash to balance its budgets.

Healthcare costs. Belmont self-insures for healthcare. If health insurance costs rise more than the budgeted 3%, the Town Health Insurance Trust Fund would have to cover any overage.

Risks in the FY 22 Budget

Belmont faces an even steeper path to a balanced budget in FY22 than it does in FY21. On the revenue side, the COVID-19 pandemic will likely continue to affect economic activity to an unknown extent, leading to challenges for local receipt revenues and all forms of state aid. The compromised new revenue picture will be exacerbated by the budget gaps created by the use of one-time funding sources in FY 20 and FY21 (Free Cash of \$2.4 and \$3.7M respectively and \$1M PILOT from the Belmont Light Department in FY21, for example). On the expenditure side, all of the Town's union contracts expire in June 2020. Negotiations are underway and cannot be discussed publicly, but compensation represents the bulk of the operating

budget, and the result of negotiations will impact the FY22 budget and beyond. In addition, the Town does not know the “new normal” cost of delivering services (town and education) in a post-pandemic atmosphere.

The two-sided budget pressures drive toward an FY22 budget with significant service cuts in all areas, in the absence of an increase in property taxes via voter approval of an operating override. The size and timing of such an override demands careful consideration and scrutiny. The Financial Task Force II is conducting some of this scrutiny, but the Warrant Committee believes that such an override will be inevitable if quality Town and education services are to be maintained. If a town-wide vote for an override fails, further significant reductions in departmental budgets will likely include cuts in services and FTE cuts.

Free Cash and Stabilization Fund Update

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

As shown below, Belmont started FY20 with \$8,106,817 in certified Free Cash as of July 1, 2019, compared with \$8,406,183 as of July 1, 2018. The FY21 Budget includes \$3,792,665 in Free Cash to balance the budget. During FY20, Free Cash has also been appropriated to fund OPEB contributions in the FY21 budget (\$50,000), to contribute \$1.5 million to the general stabilization fund, and to make a portion of the final payment on the new fire pumper (\$347,700.)

Free Cash (FC) Usage (\$ million)

Fiscal Year	2017	2018	2019	2020	2021
Certified Free Cash (CFC) as of July 1	\$ 7.14	\$ 5.65	\$ 8.41	\$ 8.11	
CFC Available for FY Appropriation	\$ 7.60	\$ 7.14	\$ 5.65	\$ 8.41	\$ 8.11
Less Amount Appropriated:					
Operating Budget	\$ (1.71)	\$ (2.32)	\$ (1.61)	\$ (2.36)	\$ (3.79)
General Stabilization Fund	\$ (1.10)	\$ (1.00)	\$ -	\$ -	\$ (1.50)
OPEB	\$ (0.32)	\$ (0.35)	\$ (0.47)	\$ (0.55)	\$ (0.05)
Fire Station	\$ -	\$ -	\$ (0.60)	\$ -	\$ -
Fire Pumper	\$ -	\$ -	\$ -	\$ -	\$ (0.35)
Chenery Middle School Modules	\$ -	\$ (1.45)	\$ -	\$ -	\$ -
Net Free Cash after Appropriations	\$ 4.48	\$ 2.01	\$ 2.96	\$ 5.49	\$ 2.42

Note: Free Cash is certified by the state in the fall after fiscal year end. Once certified, town meeting can appropriate funds from FC for the following year. Net Free Cash represents the amount of Certified Free Cash available to appropriate for that FY less TM appropriations for that FY's budget.

The \$3.8 million of Free Cash used to support the FY21 General Fund budget is significantly higher than in prior years, and \$1.4 million more than used in FY20, as shown in the table below. FY21 represents the first year since the 2015 override in which stabilization funds are not used to support growth in expenditures. Even before the pandemic, \$3.4 million of Free Cash was earmarked for the FY21 budget. An additional \$0.4 million of Free Cash reserves was added in the revised FY21 budget in anticipation of a loss of state revenues caused by COVID-19. The table below shows the increased reliance on Free Cash to support the budget, as well as the decline in reserves available without stabilization or other outside funds.

Free Cash (FC) and Reserves as % of General Fund Budget (million)

Fiscal Year	2017	2018	2019	2020	2021
FY General Fund Revenue Budget	\$ 106.33	\$ 110.81	\$ 166.23	\$ 128.32	\$ 132.31
FC Support of FY Budget	\$ 1.71	\$ 2.32	\$ 1.61	\$ 2.36	\$ 3.79
Free Cash Use as % of Budget	1.6%	2.1%	1.0%	1.8%	2.9%
Gen. Stabilization Fund Draw	\$ -	\$ -	\$ 34	\$ 2.62	\$ -
Total Stabilization and FC Usage	\$ 1.71	\$ 2.32	\$ 2.95	\$ 4.98	\$ 3.79
Stabilization and FC as % of Budget	1.6%	2.1%	1.8%	3.9%	2.9%

Note: Town Meeting appropriated \$1.5 million to the General Stabilization Fund at Fall Town Meeting. The Stabilization balance of \$1.8 million is available to be appropriated to the FY22 budget.

As shown below, the net balance of Free Cash after current year appropriations will be \$2.4 million, or 1.8% of General Fund revenues. This falls short of the recommended guideline of maintaining Free Cash balances of 3-5% of general fund revenues. This level of Free Cash provides little cushion for unanticipated expenditures at a time in which uncertainty around future needs is high.

Free Cash (FC) Guideline Calculation (\$million)

	FY17	FY18	FY19	FY20	FY21
General Fund Budget Revenues	\$ 106.33	\$ 110.81	\$ 116.23	\$ 128.32	\$ 132.31
Town Free Cash Minimum Guideline*	3%	3%	3%	3%	3%
Minimum Guideline Amount	\$ 3.19	\$ 3.32	\$ 3.49	\$ 3.85	\$ 3.97
Net Free Cash After Appropriations	\$ 4.48	\$ 2.01	\$ 2.96	\$ 5.49	\$ 2.42
\$ Net FC Surplus (Deficit) to Guideline	\$ 1.29	\$ (1.32)	\$ (0.53)	\$ 1.64	\$ (1.55)
% Net FC Guideline Calculation	4.2%	1.8%	2.5%	4.3%	1.8%

**The Town's Free Cash Guideline recommends a Free Cash balance of 3-5% of General Fund Revenues.*

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 to fund critical capital needs, such as the Fire Department Pumper and school modules, as well as unanticipated expenses. The current approach, that uses Free Cash to balance the budget and leaves its level below guidelines, is not sustainable beyond FY21. The July 1, 2020 Free Cash balance available to use in the FY22 budget is expected to be affected by lower-than-budgeted expenditures (such as substitutes, crossing guards, etc.) offset by COVID-19 expenses and lower 3rd and 4th quarter local receipts. Aside from Free Cash, other one-time funds available for the FY22 budget include the remaining stabilization balance of \$1.8 million and possible state and federal reimbursements for some of the COVID-19 outlays. However, these sources cannot be expected to fund the deficit created by school enrollment increases, contractual rate increases and deferred expenditures. While some of the COVID-19 outlays may be reimbursable by state and federal funds, the amount available to Belmont and the lag in receipt of these funds is unknown at this time.

Departmental Highlights

The Warrant Committee has subcommittees that are responsible for analyzing individual departmental budgets and practices. Key highlights for FY21 are outlined below.

EDUCATION

Belmont Public Schools

FY 21 Budget Changes from FY 20

	FY21	change from FY20	% change	FY 21 FTEs
General Fund Budget	\$61,485,641	\$ 836,190	1.4%	509.69
Total Budget (All Sources)	\$71,285,434	\$2,296,206	3.3%	565.17

- The School Department General Fund budget for FY 21 is \$61,485,641, an increase of \$836,190, or 1.4% from FY 20. Factoring in all revenue sources, including revolving funds and federal and state aid, the FY 21 budget is \$71,285,434, which represents an increase of \$2,296,206, or 3.3%.
- The School Department budget has no budgeted increase in employees (FTEs).
 - The department had originally hoped to add 5.8 FTEs to manage increasing enrollment – consisting of four teachers at the middle school (a half of a teaching team for both Grade 6 and Grade 7) and 1.8 FTEs at the high school (1.0 FTE Science teacher, 0.4 FTE World Language teacher, and 0.4 FTE Social Studies teacher).
 - However, the School Department is able to reallocate funds during the year within budget categories. In prior years, the department has used savings in some budget categories to add unbudgeted staff to address inter-year increases in enrollment and special education needs. The department has been clear that if additional funds are identified, they will add staff to meet the needs and priorities at that time.
- The increase in the General Fund portion of the School Department budget is less than the increase in the total budget because in FY 21 the department plans to rely to a greater extent on previously-accrued state and federal funds to cover \$8.6 million in projected out-of-district special education tuitions.
 - Special education expenses are projected to be \$18.3 million in FY 21, or about 25% of the department’s total budget. Out-of-district tuitions account for almost one-half of the total special education expenses.
 - In the past five years, the School Department had the foresight to build a reserve to absorb unfavorable out-of-district tuition variances. The development of this reserve has been due to a combination of the 2015 override, which facilitated a boost in the General Fund allocation towards special education, as well as favorable variances in actual out-of-district tuition expenses. The School Department will be relying more heavily on these previously-accumulated reserve funds to cover projected FY 21 tuitions, thereby reducing the General Fund allocation towards out-of-district tuitions by \$1.3 million from the FY 20 General Fund allocation for this expense category.

Impact of Proposed FY 21 Budget on Department Operations

- Over the last eight years, K-12 enrollment has grown by 733 students (an average of 92 students per year). Enrollment growth in FY 20 was 65 students, below the recent annual average. However, the department believes that enrollment in the 2020-2021 school year may be influenced by the downturn in the economy, which might cause some private school students to enroll instead in the Belmont public schools, a trend that was observed during the last economic recession. In recent years, the increase in enrollment has been particularly acute at the middle school. The department's decision to forego adding two half teams of teachers at the middle school means larger class sizes and larger section sizes for the middle school teaching teams. Middle school class sizes will likely average over 30 students per class and middle school teachers may be responsible for up to 130 students. At those levels, class sizes are at the upper bounds of the School Department and School Committee's established guidelines and are at the maximum levels incorporated into the teachers' collective bargaining agreements. At the high school level, the department's decision to forego adding 1.8 FTE teaching positions will also result in some larger class sizes, too, as well as fewer course selections.
- Special education expenses, and particularly out-of-district tuitions, can be particularly volatile from year to year. Within the past five years, there was one year when out-of-district tuitions exceeded budgeted levels by about \$750,000. Consequently, the School Department believes that it should hold a reserve of at least \$1.0 million to buffer the district from in-year volatility in out-of-district tuition. (That threshold is only about half of the level of reserves that the state suggests that school districts should carry forward each year.) The greater utilization of accrued state and federal grant balances and reserves for out-of-district tuitions in FY 21 leaves a projected reserve cushion of \$1.02 million at the end of FY 21 – essentially at the School Department's minimum floor.

Budget Risks in FY 21

- The COVID-19 pandemic and the resulting impact on the economy have created a number of risks for the School Department and its budget. The FY 21 budget has, in fact, been created without definitively knowing what the 2020-21 school year will look like. The educational environment is certain to be unlike other school years, due to the COVID-19 health crisis. But we don't yet know specifically in what ways it will be different. Many of those unknown differences will have budget implications. For example:
 - The department will incur added costs in re-opening the schools next year while complying with state policies and social distancing norms, as well as preparing for additional school year interruptions in the event of a COVID-19 surge. This will lead to added costs for health and cleaning supplies, the need to acquire additional electronic devices to accommodate remote learning, and potentially increased requirements for staff such as nurses, etc. The School Department will try to mitigate this impact on the FY 21 budget by using excess funds generated in a shortened 2019-20 school year to order and purchase a significant quantity of these supplies and devices.
 - The department may need to provide extra support next school year to students who had challenges in adapting to remote learning during the latter part of the 2019-20 school year, or

who may struggle if the School Department is required to return to remote learning for some or all of next year.

- Teachers and staff may well require additional professional development and support to the extent remote learning is required for some of the upcoming school year.
- Social distancing policies could require that the schools operate on a split-session schedule for some or all of the year. The budgetary impact of such a schedule is presently unknown, although there will presumably be extra costs for services like transportation, cafeteria food service, etc.
- The district may experience higher out-of-district special education tuition expenses next year if remote learning is required for any significant portion of the year and those services that were previously provided within the Belmont school system cannot be adequately provided in a remote learning environment.
- There could well be reductions in FY 21 in the projected revenue the district receives under existing federal and state grant programs for special education, such as the state Circuit Breaker, which could erode the ending reserve balances designed to cushion in-year expense volatility.
- Labor contracts are under negotiation and the outcome of those negotiations could result in labor costs in excess of those that are contained in the FY 21 budget.

Outlook for FY 22

- The 2015 override has provided the School Department with an opportunity to add staff and increase spending in response to the increases in enrollment. Nevertheless, between FY 11 and FY 18, Belmont consistently ranked between 24th and 26th out of 27 peer group school systems in average spending per pupil. As of FY 18, Belmont's spending per pupil was \$2,249, or 15.8% below the state average, and \$4,852, or 34.1% below the peer group average. Moreover, the rate of increase in Belmont's per-pupil spending over this period was less than both the state average and the peer group average, meaning that the gap between Belmont's per-pupil spending and that of other districts actually widened over this period. Consequently, even in a year like FY 21, when the overall School Department budget is increasing a modest 3.3%, the inability to keep pace with growing enrollment at the middle school, as an example, and the inability to provide services that other peer districts take for granted, means that any backsliding in service levels (like middle school class sizes) are that much more painful. Moreover, given the lean budgetary base that Belmont's School Department is starting from, there appears to be little cushion to absorb material budget cuts in the future.
- Continued projected growth in overall enrollment, as well as the changing composition of enrollment (particularly the continued growth in English Language Learners) will continue to put pressure on the School Department budget, likely reinforcing the need to hire additional FTEs. Coping with the changes that may well be required as a result of the COVID-19 pandemic may also put additional pressures on the department and increase costs in as-yet unknown ways, but in ways that are essentially non-discretionary.
- The General Fund budget for special education will need to be restored in FY 22 in order to maintain reserves and to protect the town budget from unanticipated negative swings in special education costs.
- Because compensation accounts for about 85% of the School Department's total expenditures, the resolution of the current negotiations with the unions regarding the expiring employee contracts will have a significant impact on the department's budget in FY 22 and beyond.

Vocational Education

- Belmont is budgeting \$1.7 million in the FY21 budget for vocational education in the Town budget. This budget contains several significant assumptions. First, it assumes that in FY21 approximately 41 students attend the Minuteman. The tuition for these students includes the Base Tuition, a Capital Fee, and a SPED fee (total of these three components is approximately \$32,000 per student).
- Second, the budget assumes that an additional 25 Belmont students attend a vocational school (either at Minuteman (off the waitlist) or in another community (ie Medford, Waltham, etc.)). About 39 Belmont students applied for admission to Minuteman for FY21, 9 were admitted, and 7 new students decided to enroll. The School Department does not yet know whether students who were not admitted to Minuteman will receive spots elsewhere or whether they will accept spots that may be obtained. The budget also assumes that the tuitions for other non-Minuteman schools that freshmen attend are the same as the Base Tuition for the Minuteman. The budget also adds in three buses to transport 25 freshmen to other schools.

PUBLIC SERVICES (Community Development, Facilities, Recreation, Department of Public Works)

Community Development

FY21 Budget Changes from FY20

	FY21	Change from FY20	% Change	FY21FTEs
Total Budget	\$1,097,824	\$6,911	0.6%	10.13

- The total FY21 budget for Community Development is \$1,097,824, an increase of \$6,911 or 0.6% from FY20. There were minor increases from salary contractual agreements for the department but most of these increases were offset by the cuts in overtime, resulting in a relatively flat FY21 budget.
- Reductions in overtime budgets were made across town departments including Community Development to mitigate the expected declines in revenue due to the COVID-19 pandemic. The following are the overtime budget reductions for Community Development which result in a total reduction of \$7,500 or -100%:
 - Engineering Services reduced by \$5,000 or -100%.
 - Building Inspections Services reduced by \$2,500 or -100%.
- Although not directly part of the department's budget, a \$1,768,254 reduction in Capital Roads spending in FY21 will have an impact on the department - nine of the 13 planned roads for reconstruction are now delayed until FY22. Four roads will be reconstructed in FY21 utilizing \$541,000 in Chapter 90 funds from the State.

Impact of Proposed FY21 Budget on Department Operations

- The reductions in the planned overtime budgets for Community Development will impact several services throughout FY21. The following is a list of those services and the impact to them by budget line item:
 - The overtime budget for Engineering Services is used to cover the cost for oversight and inspection of roadwork that takes place after normal business hours for various reasons such as traffic mitigation and safety. Given that some of these projects will still need to take place in FY21, either compensation in the form of time off will be needed or the Assistant Director will be utilized.
 - Building Inspections overtime is used primarily for after-hours complaint-driven enforcement such as sidewalk snow removal within 24 hours; there will be no enforcement outside normal business hours.
- The cuts in Capital Roads spending by \$1.7 million will mean the delay of nine roads that were scheduled to be reconstructed in FY21. However, Water and Sewer work will still be done on all 13 roads with significant patching needed to maintain the roads that will not be reconstructed for another year. These roads ranked high on the list of town roads for reconstruction and having to wait another year will bring disruption to the residents on these roads. State aid will pay for reconstruction of four roads and some sidewalk work in FY21. Below is a list of the roads that will be reconstructed in FY21 and those that will be delayed until FY22:

FY21	FY22
LOUISE RD	AMELIA ST
BRANCHAUD RD	HILLCREST RD
SCOTT RD	CEDAR RD
PEQUOSSETTE RD	BECKET RD
	FAIRMONT ST
	CLAIREMONT RD
	HIGHLAND RD
	IRVING ST

Budget Risks in FY21

- If further reductions are needed in FY21 due to a larger-than-expected revenue shortfall, then this could put the two open positions in the department at risk: Staff Planner and a second Building Inspector. Both positions are vital in order to meet the increasing demands on the department. The Planning Department provides support to the Select Board and numerous committees on traffic, housing, historic districts, business & economic development, retail marijuana, and other zoning issues. The gap from these vacancies has been absorbed but is not sustainable with the existing level of staff; if not filled the level of service will not be maintained and support for these committees will decline. If a second Building Inspector is not hired zoning enforcement will be limited and the turn around time for inspections will increase.

Outlook for FY22

- Community Development has seen increasing demands from the Town and continues to be more and more involved in the economic and business development of the Town. Even fully staffed, the department is stretched thin. In FY22, if a sizable override is not approved and the department is forced to cut staff, reductions in services will be significant.

Facilities

FY21 Budget Changes from FY20

	FY21	Change from FY20	% Change	FY21FTEs
Total Budget	\$4,719,583	\$28,295	0.6%	8.0

- The FY21 Facilities Department budget is \$4,719,583, an increase of just \$28,295, or 0.6%, from FY20. Almost 45% of the department’s budget is allocated to building maintenance, and a little more than 40% of the budget is directed to utility expenses over which the department has little control.
- Budgeted salary expenses are down \$6,141 (1.1%) in FY21, with a slight 1.1% increase in full-time salaries offset by the elimination of budgeted overtime. Non-salary expenses are up \$34,436 (0.8%), with slight increases in contractual expenses with third-party vendors for repairs and custodial services, as well as an increase in postage to align the FY21 budget with actual FY 19 expenditures. Those increases are partially offset by the elimination of an allowance for equipment purchases in FY21.

Impact of Proposed FY21 Budget on Department Operations

- Departmental staffing and non-salary expenses are essentially unchanged from FY20. However, the department is, and has historically been, short staffed, and it currently lacks important in-house engineering and capital project management expertise. Moreover, there are increased demands being placed on the department. Specifically:
 - Since the hiring of a new Facilities Director a few years ago, the department has made significant strides in transitioning from performing solely reactive maintenance and repair work to active preventative maintenance. However, years of deferred maintenance and the inability to replace systems at the end of their anticipated useful lives has resulted in increasing levels of unplanned repairs.
 - Although the department has significantly improved its responsiveness in recent years to maintenance and repair requests from other Town departments, not surprisingly that has led to a corresponding increase in the number of requests for service.
 - There are currently 27 active or pending capital projects within the town. Overseeing these projects requires significant project management time to prepare the initial specifications, manage the public bidding process, administer the contracts, and oversee the work itself.

Budget Risks in FY21

- Unanticipated capital repair work is unavoidable and is almost always non-discretionary. However, the FY21 budget for in-house and outside vendor repair work, while unchanged from the FY20 budget, is only about two-thirds of the actual level of repair expenses incurred in each year between FY 16 and FY 19. The FY budget also contains no contingency for unanticipated major capital repairs, costs that previously ranged between about \$75,000 and \$250,000 in FY 16

through FY 18. Moreover, there are limited funds in the budget to address identified deferred maintenance needs.

- The COVID-19 pandemic has consumed nearly two FTE's from the department for the latter part of FY20, and it is likely to continue to require significant resources for the foreseeable future. While the impact of COVID-19 on the department's operations in FY21 is not completely clear at this point, dedicating departmental resources to this issue will almost certainly mean that other tasks will have to be deferred or postponed.
- The FY21 departmental budget does not contain any additional funds to manage and maintain the new Police Department headquarters building or the new DPW facility when those buildings come online.

Outlook for FY 22

- As noted above, over the past few years, the department has begun to transition from being purely reactive to being more proactive regarding on-going maintenance and repairs. That said, there are already limited funds in the budget to address previously identified deferred maintenance needs and little cushion to address unanticipated capital repairs. There is simply no slack in the departmental budget to absorb any reduction in the budget in future years without jeopardizing even the current level of upkeep of the town's facilities.

Recreation Department

FY21 Budget Changes from FY20

	FY21	Change from FY20	% Change	FY21 FTEs
Total Budget	\$753,836	(\$321,305)	-29.9%	10.4

- The Recreation Department budget has changed significantly since FY20 – from \$1,075,141 to \$753,836 – as a result of program cancellations and facility closures due to the COVID-19 pandemic. Most of this reduction has been in part-time salaries of staff who run these programs (e.g. camp counselors, lifeguards, etc.), as well as other costs of running programs (e.g. electricity/water at the pool, supplies for programs, etc.).
- The Recreation Department brings in significant revenue from program fees that offsets the cost of running programs. Revenue for FY20 was unexpectedly negatively impacted as a result of the cancellations of Spring 2020 programs. Revenue for FY21 is projected at \$600,000 – a significant reduction compared to earlier years.
- The Recreation Department’s goal for FY21 is to break even with program revenues and program expenses. If we are required to cancel additional programs, both revenue and expense will be reduced.
- The Select Board made the difficult decision to not open the Underwood Pool for the Summer 2020 season. As the largest share of pool revenue is memberships sold in March-June, most of the revenue impact will fall in FY20. Much of the expense, however, is paid in July-August to part-time staff (e.g. lifeguards), which will positively impact expenses for FY21.
- In FY20, the long-time Recreation Department Supervisor retired and was replaced with an Assistant Recreation Director.

Impact of Proposed FY21 Budget on Department Operations

- The Recreation Department is a service organization that provides opportunities for Belmont children, teens, adults, and seniors to have fun, exercise, learn new skills, and enjoy each other. Despite the changes and uncertainty, the Town remains focused on providing high quality programming that improves the lives of residents.
- The department staff have been working with the Governor’s working group as new guidelines are developed and with their peers in other towns to collaborate on developing best practices for the unfolding COVID-19 situation.
- Most recreation programs will be significantly impacted by the new parameters, and this has required a huge pivot for the department. There will be new protocols regarding group size, reducing interactions between groups, staffing ratios, cleaning protocols, health and safety, and much more.
- The new requirements will necessitate a reduction in the number of participants for each program, an increase in part-time staff to run programs, and likely increases in fees for some programs.

- Some programs will be impossible to run because we cannot provide for the safety of staff and participants, but the department is being very creative and working hard to preserve and create high quality, engaging programming for residents.
- The department's ability to run programs will continue to be hampered by the lack of dedicated facilities – relying on the schools and Beech Street Center for space, where they are also operating under new, difficult, and time-intensive guidelines for safe operation.

Budget Risks in FY21

- The budget risks for FY21 are very simple – if programs are cancelled, both the revenue and expense for those programs will be eliminated. As a result, the goal for FY21 is for programming changes to have no impact to the bottom line.
- The department is currently budgeting for many of the established programs, while recognizing that state and local guidelines for the fall, winter, and spring programs are very much in flux.

Outlook for FY22

- The outlook for recreation in FY22 is dependent on the experience over the next year, both at a state and local level.

Department of Public Works

FY21 Budget Changes from FY20

	FY21	Change from FY20	% Change	FY21 FTEs
General Fund Budget	\$ 7,010,818	(\$164,470)	-2.3%	26.9
Enterprise Budget	<u>\$17,612,510</u>	<u>\$857,462</u>	<u>5.1%</u>	<u>24.3</u>
Total Budget	\$24,623,328	\$692,992	2.9%	51.2

- The total FY21 budget for the DPW is \$24,623,328 an increase of \$692,992 or 2.9% from FY20. The General Fund Budget for DPW operations is down \$164,470 or -2.3% from FY20 at \$7,010,818. The Water and Sewer Enterprise Budget is \$17,612,510, an increase of \$857,462 or 5.1% from FY20 with increases in retained earnings for both that will be applied to operation costs and ongoing infrastructure maintenance and improvements.
- There were increases in the DPW General Fund Budget emanating from contractual agreements such as trash collection and disposal (3.5%) to increasing hours for one position from 35 to 40 and a reclassification of a cemetery position (3.7%). However, these increases were more than offset by cuts in overtime, capital outlay deferrals and reclassifications of some Park Department expenses to the Recreation Department.
- Reduction in overtime budgets were made across town departments, including the DPW, to mitigate the expected declines in revenue due to the COVID-19 pandemic. The following are the overtime budget reductions for the DPW which represent a total reduction of \$114,934 or 74%:
 - Street Maintenance has been reduced by \$52,942 or -63.8%. Partial budget remains for afterhours street painting, road repairs and emergencies such as downed trees.
 - Collection & Disposal has been reduced by \$7,518 or -100%.
 - Parks have been reduced by \$24,388 or -100%.
- As part of initial budget tightening before the COVID-19 pandemic to achieve a balanced budget and one more year without an override, all town departments were requested to defer capital outlays for FY21. The following are the DPW capital deferrals, a total reduction of \$79,880 or -100%:
 - Central Fleet Maintenance with a reduction of \$47,385 or -100%.
 - Parks and Facilities Additional Equipment with a reduction of \$14,290 or -100%.
 - Cemetery Replacement Equipment with a reduction of \$18,205 or -100%.
- \$38,000 was reclassified from the Parks overtime budget to the Recreation overtime budget because as of FY20 the Recreation Department is its own department no longer under the DPW. The \$38,000 consists of \$28,000 of overtime for the rink and \$10,000 for the Underwood pool of which \$5,000 has been cut because of the pool closure in 2020.

Impact of Proposed FY21 Budget on Department Operations

- The reductions in the planned overtime budgets for the DPW will impact several services throughout FY21. The following is a list of those services and the impact to them by budget line item:
 - Overtime is budgeted for Street Maintenance to cover the costs of the department providing services for town events throughout the year that occur on weekends or weeknights, such as Town Day, Memorial Day Parade, Cushing Square Fall Festival, Porch Fest, and the Tree Lighting Event in Belmont Center. In order to hold these events, funds will need to be raised privately to cover the cost of DPW services such as trash collection.
 - Street Maintenance overtime budget allows for weekend trash pick-up of town barrels, which will not take place in FY21 with pick-ups only during normal business hours. Watering of plants in town deltas and other common areas will also not take place in FY21. Early morning street sweeping in the business districts of Belmont before businesses open will not take place as well.
 - Reductions in the Collection & Disposal overtime budget will force the cancelation of the Town recycling events such as the cardboard recycling events unless a fee is charged to cover the costs associated with the event.
 - The Parks overtime reduction is somewhat mitigated by the decision to close the Underwood Pool for the summer of 2020 but there could be an impact in the summer of 2021 if the pool is opened. The pool and skating rink are seven-days-a-week operations for testing and maintenance. Replanting fallen trees will no longer take place for those trees that have fallen or have been taken down for safety reasons.
- Other impacts from the budget reductions are the deferral of outlays to replace aging equipment and town vehicles which will add more time and effort to maintain an aging fleet. Also, the DPW will have to perform more road maintenance with more robust patching on these roads where water and sewer line replacement will occur in FY21 but where repaving will not be undertaken due to the \$1.7 million reduction in the Capital Roads spending (see Community Development).

Budget Risks in FY21

- If further reductions are needed in FY21 due to a larger-than-expected revenue shortfall, this could put the open position of a part-time recycling coordinator in doubt. Any further reduction in the DPW budget would require layoffs that would have significant impact on the level of service the department provides to the Town, given how thin the department is already.

Outlook for FY22

- The DPW is a lean operation already facing challenges with limited staff and space, but with increasing demands for more services. This Department is doing a good job of trying to get all the tasks done but does have to shift priorities and delay important infrastructure improvements and maintenance, which results in further deterioration of Town assets. Level funding and more staffing is needed to maintain the status quo. FY21 reductions will be visible with declines in services provided; however, if a sizable override is not approved in FY22, the Department will be forced to cut staff and further reduce services while there is almost nothing left to trim.

PUBLIC SAFETY (Police, Fire, Emergency Management)

	<u>FY21</u>	<u>Change from FY20</u>	<u>% Change</u>	<u>FTEs</u>
Fire Dept.	\$ 5,921,904	(\$88,315)	-1.5%	55.49
Police Dept.	\$7,284,500	(\$210,256)	-2.8%	71.02
BEMA	\$24,144	\$0	0.0%	Within FD

FY21 Budget Changes from FY20

Fire

- Salaries are essentially flat (down \$485) and expenses slightly up \$8020 (1.5%)
- Capital outlay is down \$87,850 (deferred expenses for Turnout Gear replacement, EMT replacement equipment, office equipment, and other capital outlay)
- Projected overtime has been reduced by \$25,000 by eliminating upstaffing for storms and coverage at special events
- Budget has been essentially flat for the past several years
- Overtime was lower in FY20 due to 9 hires to fill open positions that reduced the need for overtime. Overtime also lower due to freeze on personal leave use due to COVID-19.
- Small increase in certain expenses (\$15k) due to higher purchases of PPE to address COVID-19. Received small amount (\$14k) of additional revenue from Medicare to offset expenses related to COVID-19.

Police

- Salaries are essentially flat (down \$441) and expenses down \$4,815 (-.8%)
- Capital outlay is down \$235,000 (deferred expenses for 3 cruisers, office equipment)
- Projected overtime has been reduced by \$25,000 by reducing some crossing guard and patrol services coverage
- Budget has been essentially flat for the past several years; no new positions with the exception of a School Resource Officer (SRO)
- Overtime was lower, in part due to freeze on personal leave use due to COVID-19
- New Chief and Asst. Chief in FY20; Captain position to be filled by Q1 FY21

Impact of Proposed FY21 Budget on Department Operations

Fire

- Although the budget is down 1.5%, departmental staffing and non-salary expenses are essentially unchanged from FY20. The department expects to be able to maintain its obligations to respond to fire emergencies and service calls.

Police

- Although the budget is down 2.8%, departmental staffing and non-salary expenses are essentially unchanged from FY20. The department expects to be able to maintain its obligations to respond to the public safety needs of the Town.
- New Chief and Asst. Chief continue to conduct review of all operations into FY21.

Budget Risks in FY21

Fire

- An outbreak of COVID-19 among personnel would adversely affect not only the health and safety of its personnel, but the overtime budget.
- In addition, the department expects overtime will be impacted by higher-than-usual personal leaves in FY21 as staff use of personal leaves was frozen in FY20, in addition to leave earned in FY21.
- Fewer ambulance runs in Q3 and Q4 of FY20 will affect ambulance receipts in FY21 (due to lag in collection -- typically, ambulance receipts lag usage by 60-90 days).
- Due to FY20 reduction to overtime and the department limiting its Q4 expenses, there is expected to be a higher-than-normal turnback of department operating funds in FY20.

Police

- Budget cuts will likely impact other town services (e.g., there is no planned overtime for details at town events). Budget cuts could reduce social service support of vulnerable populations (elderly, people/teens in crisis, domestic violence victims) that could result in increased demands on the department.
- The department expects an increase in crime and social service needs due to economic pressures and higher unemployment resulting from COVID-19.
- An outbreak of the virus among personnel would adversely affect not only the health and safety of its personnel, but the overtime budget. In addition, the department expects overtime will be impacted by higher-than-usual personal leaves in FY21, as staff use of personal leaves was frozen in FY20, in addition to leave earned in FY21; could also see increase in overtime once courts reopen and officers are required to appear for delayed trials, etc.
- Lack of crossing guards still remains an issue for the Town; if school shifts to 2 sessions, this could put a strain on crossing guards and general traffic control.
- Due to FY20 reduction in overtime and the department limiting its Q4 expenses, there is expected to be a higher-than-normal turnback of department operating funds in FY20.

Outlook for FY22

Fire

- Deferred capital outlays (e.g., Turnout gear) will need to be addressed in FY22.
- Continued role in Civil Service system is under consideration

Police

- Deferred capital outlays (e.g., cruisers) will need to be addressed in FY22.
- Continued role in Civil Service system is under consideration

GENERAL GOVERNMENT (Town Clerk, Town Administration, Human Resources, Information Technology, Town Accountant, Town Treasurer, Assessors' Office)

General Government departments are responsible for the administrative, financial, legal, and management functions of the Town.

	FY21	change from FY20	% change	FY21 FTEs
Town Clerk	\$494,701	\$21,128	4.5%	4.5
Town Administration	\$975,806	-\$1,500	-0.2%	5.0
Human Resources	\$284,619	\$0	0.0%	2.75
Information Technology	\$1,037,448	\$70,241	7.3%	5.0
Town Accountant	\$399,718	-\$873	-0.2%	3.6
Town Treasurer	\$694,662	-\$10,324	-1.5%	7.5
Assessors' Office	\$417,586	-\$1,247	-0.3%	4.0
Warrant Committee Reserve	\$400,000	\$0	0.0%	
Total General Government	\$4,704,540	\$77,425	1.7%	32.35

FY21 Budget Changes from FY20

The FY21 budgets for all departments are almost uniformly identical to FY20, with the following differences:

- Town Clerk - increase in election expenses due to the Presidential election, which requires more time and labor by the Town Clerk's office
- Information Technology - increase in network support costs to cover continued security on the town network
- Town Clerk - reduction in overtime expenses to help balance the FY21 budget in May 2020

Impact of Changes

The Town Clerk's office is a significant point of contact, providing a variety of services to citizens and businesses. The elimination of overtime in the Town Clerk's office will reduce its ability to provide services on a timely basis. This will become particularly evident during the November 2020 election, because overtime has typically been used to ensure that staff are available during normal business hours at the same time that staff have needed to work additional hours while also preparing for the election, registering voters, testing vote tabulators, creating voter lists and scheduling election workers in accordance with the State laws and Regulatory deadlines. Because the election takes precedence over routine business, residents may find the Town Clerk's office periodically closed or understaffed so it can

avoid using overtime. Due to the COVID-19 emergency, the Town Clerk has encouraged voters to vote absentee for upcoming elections, which might help reduce the staffing needed on election days.

Risks for FY21

All seven departments provide basic services we need to operate the town and have operated for years with minimal budget increases and few staffing increases. Meanwhile, the demands on these departments continue to rise. For example, the Accounting Department has had to process invoices relating to multiple ongoing major capital projects; and the Information Technology Department needs to respond to increasing incidents of cyber-attacks. The services that they provide should be considered essential. If any further budget reductions are needed in FY21, cuts to these departments should be considered only as a last resort, because reducing staffing in these areas risks significant legal and/or financial exposure if a problem occurs.

Due to COVID-19, the Massachusetts Legislature is starting to review several bills to expand MA voting by mail and Early Voting for September and November 2020, which will increase significantly every Town Clerk's election labor hours required to process the ballots in compliance with the State election laws.

In addition, the Assessors anticipate that the current state of the economy might lead to a drop in new building permits, which would both slow the need for appraisals and reduce the amount of new growth that we could expect to add to property tax revenues.

Outlook for FY22

Because of the essential services these departments provide and the potential serious risks if their processes break down, any cuts in these departments should only be considered in extreme circumstances. In the event that additional revenues become available, the Information Technology department has for several years requested administrative help, which would allow the staff to focus on their core mission of defending the town from cyber-attacks.

HUMAN SERVICES (Council on Aging, Health, Library)

	FY21	change from FY20	% change	FTEs
Council on Aging	\$396,236	\$6,125	1.6%	5.6
Library	\$2,221,346	(\$31,423)	-1.4%	24.5
Health	\$596,401	\$1,566	0.3%	5.5
Total Human Services	\$3,213,983	(\$23,732)	0.5%	

Human Services is just that and providing human services under the COVID-19 Guidelines has significantly affected the operations of the three departments. The Beech Street Center and the Library are closed to the public and the Health Department is charged with significantly greater responsibility confronting COVID-19.

Council on Aging

1. **A summary of the significant changes to the budget from the FY20 budget.** The Council on Aging budget for FY21 is \$396,236, which is a 1.6% increase over FY20. Their program is greatly supplemented by grants, charity funded meals program, donations and contributions, revolving funds and volunteer service. The Council serves approximately 2,000 seniors.

2. **Impact on the changes on operations, particularly in human terms, and how will you operate assuming some continued social distancing.** With COVID-19, the COA operation has changed dramatically, but staff has adapted. The Beech Street Center is closed to the public and much of its staff is working from home. Their Springwell meals program, supplemented by the Arlington-based charity Food Links, is now carried out with approximately one-half of the meals delivered to the homes of seniors and the other half delivered by a “grab and go” hand-off protocol outside of the Beech Street Center.

The fewer medical rides have been replaced by volunteers doing grocery runs for some seniors. Communication has been accomplished by establishing a registration-based robot-call system. A wellness survey of all participants over age 75 has been established and where needed followed up on a weekly basis. Masks have been delivered to those in need.

The COA is now implementing Zoom remote classes in French and knitting, with others soon to follow.

3. **The risks that you see for FY21 given the constrained budget and the anticipated continued social distancing protocol.** The long-standing need for additional social work services has been exacerbated by COVID-19, but with the budget constraints for FY21 and FY22, no relief appears in sight.

4. **Outlook for FY22.** The demand for services for the senior community has increased with the COVID-19 state of emergency which hopefully will have abated by FY22. There is a concern that there will be less availability of public grants and charity contributions as we experience the new normal.

Library

1. **A summary of the significant changes to the budget from the FY20 budget.** The FY20 Library budget was \$2,252,769. The proposed FY21 Library budget now stands at \$2,221,346. This is a year-over-year decrease of 1.4%.

2. **Impact on the changes on operations, particularly in human terms, and how will you operate assuming some continued social distancing.** The FY21 budget is less than 1% over the Municipal Appropriation Requirement (MAR) set by the MA Board of Library Commissioners (MBLC). The MAR is necessary for certification by the MBLC, which is required for any state and grant funding opportunities,

as well as continued membership in the Minuteman Library Network which allows interlibrary loans, reciprocal borrowing, and free use of other libraries for Belmont patrons. The current outlook for FY22 puts this in jeopardy.

Among necessary reductions those affecting services will include:

- Approx. \$10,500 from the books/new materials line which will mean less ability to buy new books and e-materials. In FY19 the Belmont Library was the 10th highest circulating public library in the Commonwealth. Historically there are strong increases in library usage in times of economic downturn. The Library has seen continuing increases in use of e-materials, which often overall tend to have increased costs over hard copy materials. These materials may be in even more demand in time of social distancing.
- Approx. \$15,000 from staffing. The impact of this will be reduced access. The Library will close one hour earlier Monday through Thursday (8 instead of 9 p.m./7 instead of 8 p.m. for the children's room) in November, December, January, and February, and will be closed on Sundays in December, January, and February.
- Approx. \$8,500 from plant operations, including maintenance and utility lines, leaving these areas close to the bone and with no cushion for unforeseen circumstances.

3. **The risks that you see for FY21 given the constrained budget and the anticipated continued social distancing protocol.** There is no specific date for opening the library yet. Social distancing protocols are not finalized but may include closing the stacks, study areas and casual reading areas to patrons. The number of patrons in the building at any time will be limited, and the expectation may be to have patrons pick up wanted material which has been retrieved by staff from the desk and leave. There will be no meetings or in-person programs in the Library.

4. **Outlook for FY22.** As stated in Bullet #2, the FY21 budget is funded at less than 1% above its MAR from the MBLC. Because of the likely constraints of the FY22 budget, the Library department's concern is that it will not be appropriated the needed level of funding in order to retain State Certification. The State advises that the Library budget should be increased about 2.5% each year. If the Library budget is not increased in FY22, then there is a possibility that the Belmont Library Department will lose its State Certification. Being decertified would mean the suspension of Belmont's membership from the Minuteman Library Network. Our citizens would no longer (i) have access to interlibrary loans, (ii) be able to use other Massachusetts libraries, (iii) have access to state aid funds and grant opportunities, and (iv) Belmont would no longer have funding to help offset the usage of the building from out-of-town residents.

Health Department

1. **A summary of the significant changes to the budget from the FY20 budget.** The FY20 Health Department budget was \$594,835. The proposed FY21 budget for the Health Department now stands at \$596,401. This is a year-over-year increase of approximately 0.3%.

2. **Impact on the changes on operations, particularly in human terms, and how will you operate assuming some continued social distancing.** The Health Department has not been instructed to cut staff and will continue with 5.5 full time employees. However, with COVID-19 disruptions, the level budget may not permit the department to keep up with regular tasks such as inspections, which will be needed for reopening. The department will not be able to address the increase in rats with the usual mailings and complimentary inspections. The new COVID-19 responsibilities will make it more difficult to address other routine tasks such as housing complaints and inspections of food establishments, day camps and semi-public pools.

3. **The risks that you see for FY21 given the constrained budget and the anticipated continued social distancing protocol.** There is a risk that there will be higher demand for a Flu Clinic and the department will not have funds to conduct one. Also, Belmont shares its Public Health Nurse, and the demands on this position are likely to increase. The department is looking for ways to reduce the workload of this position.

4. **Outlook for FY22.** Under normal conditions, the Health Department could get by with level funding. However, COVID-19 tracing is a huge undertaking that is labor-intensive and time-intensive. The director and assistant director have been trained in MAVEN Disease Surveillance and Outbreak Management software, which provides some assistance, and the department has been able to utilize school nurses for some of this effort. However, that will end when the school year ends. It may be wise for Belmont to consider instituting a full-time Public Health Nurse.

Longer-Term Issues

Five issues stand out as long-term challenges for the Town: 1) structural deficit, 2) employee compensation costs, 3) school enrollment growth and special education, 4) capital projects, and 5) unfunded pension and healthcare liabilities. As noted above, the Select Board and Town Administrator launched a second Financial Task Force in FY19 to create a 3-5-year financial plan for the Town to address these challenges.

Structural Deficit

Expenditures have outpaced revenues for the last several years and the Town has been relying on one-time funds to bridge the gap. Expenditure increases are due to increasing labor costs on both the municipal and school sides, added headcount at the schools to address the continuing increases in enrollment, health care expenditures, and greater non-labor costs such as escalating pension fund payments. With only four passed overrides in the last 33 years and 80% of the Town's revenue coming from property taxes, the Town's operating revenues are not in line with operating expenditures, which has resulted in a structural deficit.

The initial FY21 budget presented pre-COVID-19 included a total of \$3.5 million in reductions across all town departments from a "level service" budget to balance the budget and stave off an operating override until FY22. The current FY21 budget includes \$5 million in additional reductions from the initial budget "level Service" to mitigate the expected declines in revenue due to the COVID-19 pandemic. These reductions in FY21 will be noticeable in many ways. For the schools, lower budget increases will mean larger class sizes and less flexibility to address enrollment and other needs; for the town, lower departmental budgets will mean a reduction in "quality of life" services (such as summer at the pool, community events, library hours, recycling, available service hours, etc.) as well as the deferment of much needed capital expenditures. By pushing these expenditures "down the road," the Town risks higher capital outlays in the future as higher costs and replacements are added to existing planned capital needs. These reductions will also add to an already sizeable financial deficit the Town will face in FY22.

The financial challenges faced in FY21 will be even greater in FY22. The outlook for FY22 already projected a sizable deficit without the \$8.5 million in cuts to level services detailed above. Uncertainty about the economy could further affect revenues and the "new normal" might include ongoing increases in expenditures to maintain health and safety. The reliance on one-time funds is not sustainable and operating revenues must be brought back into alignment with operating expenses. The general stabilization balance and free cash will not be sufficient to bring revenues in line with expected needs. Both town and school departments continue to review revenues and expenditures, but at this point a balanced budget in FY22 is not possible without a sizeable override. If an override is not passed by the voters there will be a reduction in workforce and corresponding significant declines in services from the Town and the Schools.

The Financial Task Force II has taken on the challenges for FY22 and beyond with strong collaboration of the Town Administrator, School Superintendent, School Committee, Warrant Committee, Capital Budget Committee and Select Board to determine the best solutions for FY22 and beyond with clear and transparent communications about the path forward to Town voters.

Compensation Costs

Employee compensation represents over 65% of Belmont’s operating budget. Many municipal and school employees are unionized, with contracts that typically last three years. Negotiations began during FY20 for contracts that 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. At this time, it is unknown how the COVID-19 pandemic will impact these negotiations as they continue over the summer and into the fall. Another complication added to the process is the FY22 budget and the sizable fiscal deficit facing the Town and Schools. 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.

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. Total enrollment over the nine-year period from October 1, 2010 through October 1, 2019 has increased by 756 students, or almost 20%, and growth has been pervasive across all three levels of the system – elementary, middle, and high school.

Special Education (SPED) and English Language Learner (ELL) enrollment, which require mandated and costly services, are growing rapidly as well. While the overall growth in SPED students has largely mirrored the growth in the total student population, that still represents a 20% total increase. ELL students have almost quadrupled over the last nine years and currently account for about 9% of the total school population, almost triple the percentage from nine years ago. The School Department has been largely able to insulate the General Fund budget from unanticipated in-year and year-over-year variances in the largest and most volatile of the special education expenses – out-of-district tuitions – through management of reimbursements from federal grants, the state Circuit Breaker fund, and other outside funding sources. Nonetheless, if the number and percentage of students requiring SPED and ELL services continues to rise, there will be a higher proportional impact on the General Fund budget.

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 balancing the FY21 operating budget in the face of the town’s widening structural budget gap and shrinking resources due to the COVID-19 pandemic has called for the diverting of \$2,700,000 for capital investments, leaving the CBC with just under \$1,000,000 to allocate. Funds diverted include \$1,800,000 for road construction, \$350,000 from department budgets for needed equipment, and \$525,000 from the discretionary capital funding. The infrastructure up-grades, equipment and vehicles which would have been supported by these dollars are all necessary and will have to be funded. Deferring these projects will make the significant budget gap looming for FY22 even larger.

Even without the challenges of funding the FY21 budget the town has not had adequate resources to keep up with its necessary capital investment needs. \$3,000,000 has been identified as the appropriate level for the annual capital discretionary fund. The last override made \$225,000 available annually for sidewalk repair. The professional staff project that investment annually of \$1,000,000 would be necessary to repair and keep sidewalks in good condition. It will be a challenge to bring support for capital investments to an appropriate level to maintain our infrastructure and roughly 1,000,000 square feet of physical plant.

The significant building projects which have been approved by the voters have moved forward despite the difficult circumstances. Construction of the 7-12 Middle and High School remains on schedule. The up-grade of the DPW facilities is complete, and the renovated Police Department is planned to open in December, 2020 or early January, 2021.

The great challenge in planning major capital projects is finding solutions that minimize the tax burden. The stages of design development for the Community Path are being funded through the Community Preservation Committee, with construction to be funded largely by state and/or federal sources. The Select Board is reviewing a proposal for a public/private partnership to develop a new skating rink. Plans for a new Library are on hold due to the economic circumstances - understanding the financial implications of delaying this project and continuing to maintain the current building will be important as we review capital challenges.

The Warrant Committee supports and will have a representative on the newly formed Long-Term Capital Planning Committee charged with “assisting the Town Administrator in the preparation and an annual review of a long-term capital improvement program. The Committee makes recommendations on long term capital expenditure requests from the Town boards and departments.” Specific objectives have been developed to meet this purpose.

Pension, OPEB and Debt Liabilities

Pension contributions, OPEB contributions, and debt service together are budgeted at over \$24 million in FY21 and together comprise 18% of the FY21 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 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 (“Retirement Board”) and is 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. This report will be delivered to the Retirement Board in about

August 2020. The Warrant Committee assumes that this report will incorporate economic, fiscal, and investment impacts of the COVID-19 crisis.

For FY21, the pension cost increased 5.8%, or \$587,000, to \$10.8 million for all components (General Fund, non-teaching School Department, Enterprises, Housing Trust, Belmont Light). This compares to \$10.2 million in FY20 for all Town components. Of the \$10.8 million, the FY21 pension cost for the Town General Fund and the non-teaching School Department is \$8,728,097, which is about 6.6% of the non-enterprise fund Town budget in FY21. The chart below presents the total pension contribution in FY20 and FY21, along with detail about some components of the pension funding requirement. For example, about \$2 million of the FY21 \$10.8 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 \$8.8 million is the required contribution for the amortization of pension obligations earned by prior employees (the so-called “Amortization of Remaining Unfunded Liability”).

The current total unfunded liability for the Retirement System is \$82 million, meaning the Retirement System is about 56% 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 scheduled full funding date of June 30, 2029. If the Town proposes any changes to the funding schedule in the future, such a proposal would require the review and approval of the Belmont Retirement Board, the Belmont Select Board, and the State’s PERAC (Public Employee Retirement Administration Commission).

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	% from Year	Change Prior
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. 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, 2020. 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%	8.89%
2017	7.50%	8.42%	14.50%
2018	7.40%	N/A	-2.68%
2019	7.40%		16.4%

As of December 31, 2018, the Retirement System served 348 retirees and their related beneficiaries. At that time, there were 460 active participants (employees) in the System. There were 230 inactive participants. (These inactive participants consist mainly of participants entitled to a return of their employee contributions and also a few 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 1.26X as of December 31, 2018.

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 funding schedule was revised modestly in conjunction with the completion of the actuarial report January 1, 2018. 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 light of the COVID-19 crisis, the Warrant Committee suggests that the Town open a discussion with the Retirement Board and the Select Board as to whether any alteration to the current pension funding schedule would be advisable. To this end, the Warrant Committee suggests that the Town engage the actuary to prepare analyses of the pension liability under various assumptions. The Warrant Committee

does not have a recommendation or perspective on such an alteration;; but believes that analysis is necessary to help inform a discussion.

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 with healthcare and life insurance benefits upon retirement. These OPEB benefits are managed and overseen by the Town and not by the Belmont Retirement Board. There is no state oversight agency such as PERAC monitoring the status of compliance with OPEB funding.

The Town pays 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 FY21, the Town estimates that it will fund Town-only retiree healthcare costs of \$1,695,492. 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 FY21 are \$1,868,516.

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 June 30, 2019 and was presented to the Town on April 22, 2020. The report was completed prior to the national and state emergency declarations related to COVID-19 and the report’s results do not reflect any changes in economic activity or investment performance stemming from the COVID-19 crisis.

As of June 30, 2019, the Town’s unfunded OPEB liability was \$95,366,808. This unfunded liability is higher than the unfunded liability of \$89,852,077 as of the prior report dated June 30, 2017. The liability increase is the net result of several factors including: updated healthcare cost experience, updated teacher mortality assumptions, changes in federal tax treatment of high cost healthcare plans, the alteration of the Town’s plan design, and updated Medicare enrollment and marriage assumptions. Despite the increase, the unfunded liability is still substantially lower than the \$186 million unfunded liability from the report of June 30, 2015.

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 \$4.4 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 FY21, the Town proposes to allocate \$50,000 from Free Cash into the OPEB Trust to contribute toward the Town's portion of the unfunded OPEB liability. (Prior to the COVID-19 crisis, the Town had planned to allocate at least \$250,000 toward the unfunded liability.) This lower contribution is the minimum contribution permitted under the Town's OPEB funding policy and would be significantly lower than the Town's FY20 contribution of \$552,695. 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 \$3,564,008 (\$1,695,492 + \$1,868,516) and the \$50,000 from Free Cash to be transferred to the OPEB Trust, the Town is allocating about \$3.6 million toward OPEB in FY21, about 11% less than in FY20. As mentioned earlier, this does not consider the enterprise retiree healthcare costs.

At a larger policy level, and prior to the COVID-19 crisis, the Town had been operating on a long-term plan that assumed the contributions to the OPEB Trust would continue in the FY20 range. At this point the Town has only altered its FY21 contribution; no decisions have been made about changes to future years' contributions to the unfunded OPEB liability. The current plan calls for the contributions to 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 substantial contributions to the OPEB Trust projected for FY2030 would need to continue until FY2043 in order to fully fund the projected OPEB requirements.

The Warrant Committee believes that the Town might need to review its OPEB strategy in the context of broader revisions it may consider making in response to the economic and fiscal implications of the COVID-19-19 crisis. 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's General Fund budget includes \$15,487,810 for debt service in FY21, up 150% and \$5,210,503 from the FY20 debt service level of \$10,277,307. This does not consider the debt service of the Light, Sewer, and Water enterprises (see below). Debt service will comprise about 12% of the Town budget in FY21, up from 8% of the budget in FY20. This significant increase is due to the issue of an additional \$100 million in new debt in May 2020 to complete the funding of the construction of the new Belmont Middle and High School. (As a reminder, the Town issued the first \$100 million in debt for the new high school in March 2019 and debt service for that debt was layered onto the budget in FY20. About 89% of the Town's debt service relates to debt exclusion votes; such debt is "serviced" by taxes raised through project-specific debt exclusions approved by votes to pay for capital needs

About 11% 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, under the Proposition 2.5% cap. Additional debt service in the FY21 budget that is not subject to a debt exclusion vote is \$196,000 (on \$3.5 million of debt) related to the improvements at the Police Station and the Department of Public Works facilities. This \$3.5 million in debt was issued at the same time as the second \$100 million for the high school in May 2020.

In May 2020, in connection with the issuance of the second \$100 million for the new high school, the Town's Aaa/AAA ratings from Moody's and Standard & Poor's were reaffirmed. There was robust demand for Belmont's 30-year bonds, leading to an overall interest rate of about 2.18% on the new debt.

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. We regret that we are unable this year to provide the usual detailed analysis of the budget due to the prolonged efforts this spring to balance the budget in the face of COVID-19's damaging impact on the economy. The Chair of the Warrant Committee takes responsibility for the content of this report. 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.

Appendix

A. Impact of post-COVID-19 anticipated revenue reductions – FY21 – Town Depts

Expenditure Reduction	Department	Impact	Amount
Salary Adjustment			
	Town Services	0% Cola for all non-union employees	\$255,095
Roads			
	Community Development	The following Roads that were planned for paving will not be completed: Amelia St, Hillcrest Rd, Cedar Rd, Becket Rd, Fairmont St, Clairemont Rd, Highland Rd, Creeley Rd, Irving St.	\$1,768,254
Town Overtime/staff			
	Town Clerk	Impact to office hours. Office will need to be closed at times during elections and town meeting. Delays in response during town meeting and during elections	\$30,850
	Community Development	Night and Weekend Violation Inspection eliminated. Paving Inspection beyond office hours eliminated	\$7,500
	DPW Street Maint.	Planned overtime for town events, reduction of trash collection at parks on weekends, hazards waste events, street painting.	\$52,942
	DPW Collection	Elimination/Reduction in cardboard events.	\$7,518
	DPW Parks	Reduction of overtime for planned town events, elimination of summer help support	\$24,388
	Facilities	Impacts the ability to respond to off hour emergencies including snow and ice management	\$12,000
	Health	Animal Control Officer overtime, elimination of emergency response outside of scheduled hours	\$1,750
	COA	Reduction of overtime to support off hour Council on Aging Events	\$800

	Fire	Reduction in upstaffing for storms, elimination of overtime for special events and training	\$25,000
	Police	Reduction in filling crossing guard openings, reduction in patrol services, i.e. less traffic enforcement	\$25,000
Pension Contribution			
	Sewer	One-time adjustment to align indirect costs	\$437,059
Capital Projects			
	Capital Budget Committee	\$2.2 million worth of projects were proposed for FY21, but only \$950,000 are included in the recommended budget. This reduction will further defer these needed capital items.	\$525,000
Library Reductions			
	Library	These reductions will require a cut in open hours, a cut in personnel who serve during those hours, cuts to the book budget, maintenance budget, and heating costs, among other utilities.	\$60,559
Program Reduction			
	Recreation	Closing of the pool, elimination of part-time seasonal staff, reduction in programming	\$300,000
Capital Outlay			
	Police	One-time deferral of police cruisers replacement, equipment needs	\$235,000
	Fire	One-time deferral of turnout gear replacement, minor capital to address equipment replacement needs	\$87,850
	DPW	One-time deferral of minor capital to address vehicle and equipment needs i.e. tires, engine parts, tools	\$47,385
	Facilities	One-time deferral of minor capital to address miscellaneous equipment, i.e. snowblowers, floor scrubbers, etc..	\$25,000
	Library	One-time deferral of capital to restock, replenish books and licenses	\$12,500
Health Insurance			
	Town Depts	3% instead of 4% increase in health insurance premiums	\$49,206

B. Impact of post-COVID-19 anticipated revenue reductions – FY21 -School Dept.

BELMONT PUBLIC SCHOOLS

5/14/2020 DRAFT

POSSIBLE FY21 BUDGET REDUCTIONS

DESCRIPTION	POSITION	SCHOOL	CONTENT AREA	FTE	\$
Change in FY21 Budgeted Health Insurance premium increase (3% instead of 4%)					169,493
Curriculum materials					20,000
Texts/Materials/Supplies					20,000
District-wide, Central Office supplies					20,000
Custodial Overtime - potential decrease in need in the event of on-going intermittent closures					20,000
Substitutes - potential decrease in need in the event of on-going intermittent closures					80,000
FY21 Budgeted additional FTE	Teacher	BHS	Science Teacher	1.00	68,966
Estimated health insurance for budgeted position					15,000
FY21 Budgeted additional FTE	Teacher	BHS	World Language Teacher	0.40	27,586
Estimated health insurance for budgeted position					7,500
FY21 Budgeted additional FTE	Teacher	BHS	Social Studies	0.40	27,586
Estimated health insurance for budgeted position					7,500
FY21 Budgeted additional FTE	Teacher	CMS	1/2 Team - Grade 7	1.00	68,966
Estimated health insurance for budgeted position					15,000
FY21 Budgeted additional FTE	Teacher	CMS	1/2 Team - Grade 7	1.00	68,966
Estimated health insurance for budgeted position					15,000
FY21 Budgeted additional FTE	Teacher	CMS	1/2 Team - Grade 6	1.00	68,966
Estimated health insurance for budgeted position					15,000
FY21 Budgeted additional FTE	Teacher	CMS	1/2 Team - Grade 6	1.00	68,966
Estimated health insurance for budgeted position					15,000
Other salary adjustments - TBD					201,307
Total				5.80	1,020,800

C. Education: The General Fund Budget by Program Category

Program Category	Budget \$			FTEs	
	FY 20	FY 21	% chg.	FY 20	FY 21
Regular Instruction ¹	23,519,343	23,684,458	0.7%	259.31	251.57
Special Instruction ²	15,917,237	15,310,930	(3.8%)	130.48	141.45
Student & Instructional Services ³	7,162,913	7,253,809	1.3%	53.75	52.90
Operations ⁴	1,156,850	1,153,526	(0.3%)	19.30	19.30
Leadership & Administration ⁵	3,752,157	3,859,099	2.9%	43.57	44.46
Allowances & Benefits ⁶	9,140,951	10,223,819	11.8%	0.0	0.0
TOTAL	60,649,451	61,485,641	1.4%	506.41	509.69

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.

D. Education: Grants and Revolving Funds by Program Category

Program Category	Budget \$			Change from FY 20	
	Total FY 21 Budget	Other Funds	% Other Funds	\$	%
Regular Instruction	25,124,694	1,440,236	5.7%	83,364	6.1%
Special Instruction	20,257,506	4,946,576	24.4%	965,091	24.2%
Student & Instructional Services	10,391,715	3,137,906	30.2%	305,043	10.8%
Operations	1,400,856	247,330	17.7%	107,330	76.7%
Leadership & Administration	3,886,844	27,745	0.7%	(812)	(2.8%)
Allowances & Benefits	10,223,819	---	---	---	---
TOTAL	71,285,434	9,799,793	13.7%	1,460,016	17.5%

E. Education: Out-of-District Tuition Expenses by Type and Funding Source

	FY 17 Actual	FY 18 Actual	FY 19 Actual	FY 20 Budget	FY 21 Budget
<u>OOD Tuition Expenses:</u>					
Private Tuitions	3,339,005	3,833,705	3,687,253	4,568,336	4,634,460
LABBB Collaborative	3,499,932	3,598,224	3,446,688	3,976,749	3,510,954
Out-of-State Tuitions	---	135,817	239,801	258,630	276,734
Other In-State Tuitions	35,890	38,739	144,641	137,807	147,453
Total OOD Tuitions	6,874,827	7,606,485	7,518,383	8,941,522	8,569,601
<u>Funding Sources:</u>					
General Fund	5,016,175	4,778,593	5,113,096	5,266,488	3,935,141
MA State Circuit Breaker	905,051	1,663,453	1,314,789	2,329,816	2,735,873
Federal IDEA Grants	953,601	1,010,435	808,340	1,016,032	1,898,587
LABBB Prior-Year Credits	---	154,004	282,158	329,186	---
Total Funding Sources	6,874,827	7,606,485	7,518,383	8,941,522	8,569,601

F. Education: Out-of-District Tuition Reserve Balances by Funding Source

	<u>FY 17 Actual</u>	<u>FY 18 Actual</u>	<u>FY 19 Actual</u>	<u>FY 20 Budget¹</u>	<u>FY 21 Budget</u>
<u>Federal IDEA Grants:</u>					
Beginning Balance ²	11,709	31,115	46,544	261,491	930,268
Current Year Allocation	941,892	979,320	1,023,287	968,319	968,319
Current Year Expenditures	(953,601)	(1,010,435)	(808,340)	(299,542)	(1,898,587)
Ending/Carry-Forward Balance	---	---	261,491	930,268	---
<u>State Circuit Breaker:</u>					
Beginning Balance	324,629	1,107,242	1,134,055	1,840,301	1,822,990
Current Year Allocation	1,687,664	1,690,266	2,021,035	1,822,990	1,936,883
Current Year Expenditures	(905,051)	(1,663,453)	(1,314,789)	(1,840,301)	(2,735,873)
Ending/Carry-Forward Balance	1,107,242	1,134,055	1,840,301	1,822,990	1,024,000
<u>LABBB Credits:</u>					
Beginning Balance	152,535	435,823	281,819	175,227	---
New Credits	283,288	---	175,566	445,244	---
Credits Used	---	(154,004)	(282,158)	(620,471)	---
Ending/Carry-Forward Balance	435,823	281,819	175,227	---	---
Combined Carry-Forward Balance	1,543,065	1,415,874	2,277,019	2,753,258	1,024,000

1. The "Current Year Expenditures" and "Credits Used" numbers for all three sources are based on re-forecasted estimates, not the original budget. The original FY 20 budget projected \$8,941,522 in total out-of-district tuitions. The re-forecasted budget projects \$8,026,802 of total tuitions, or \$914,720 less. The combined projected current year expenditures using these three sources is consequently \$914,720 less than the projected expenditures contained in the approved FY 20 budget shown in the previous table.
2. The "Beginning Balance" for any one year might not equal the "Ending/Carry-Forward Balance" from the prior year for two reasons. First, a small portion of the IDEA grant is allocated to professional development. If there are unspent professional development monies at the end of a year, those are often reallocated towards out-of-district tuition expenses the following year. Second, from time to time, school districts can receive a subsequent small increase in their current year or prior year IDEA grant award.