



Warrant Committee Report Town of Belmont FY 2022 Budget

May 2021

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2020–2021 Warrant Committee Members

John Alcock

Elizabeth Dionne

Christine Doyle (Vice-Chair)

Jennifer Fallon

Elizabeth Goss

Daniel Halston

Anne Helgen

Andrew Levin

Geoffrey Lubien (Secretary)

Robert McLaughlin

Lynn Peterson Read

Paul Rickter

Ellen Schreiber

Laurie Slap (Chair)

Jack Weis

Ex officio

Michael Crowley (School Committee)

Adam Dash (Chair, Select Board)

Roy Epstein (former Chair, Select Board)

Executive Summary

Report of the Belmont Warrant Committee to Town Meeting May 2021

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 FY22 Recommended General Fund Budget

The FY22 recommended General Fund budget is \$141.6 million, up \$9.3 million (7.0%) from FY21.¹ More than one-third of this increase results from the restoration of expenditures suspended in FY21 to help balance the budget during the pandemic. At the time, it was explicitly recognized that the cuts were unsustainable. \$1.8 million in roads spending is restored for FY22 (after \$0 in FY21), along with \$0.56 million of discretionary capital spending, and \$1.3 million to the General Fund budget for out-of-district special education. Another \$1.1 million of the increase also stems from unusual circumstances: in August 2020, the School Committee and School Department decided to eliminate kindergarten fees, given indication from the state that the increased General Fund expenses would be offset by an increase in Chapter 70 funding to Belmont. Unfortunately, this increased support has not yet materialized. If not for the increases listed above, the FY22 budget would grow 2.8% from FY21.

On April 6, 2021, the \$6.4 million override was defeated by a margin of 56% to 44%. Town and school departments have made the necessary adjustments to meet the 'no override' budget that is approximately \$3.0 million less than the preliminary 'override budget'.

Use of One-Time Funds

The FY22 budget includes an unprecedented \$7.11 million of unreserved fund balances or 'free cash' to balance the budget. The free cash balance at the end of FY20 (July 1, 2020), at \$11.2 million, was significantly higher than usual due to several COVID-related factors: the Town proactively adopted spending and hiring freezes in the face of great uncertainty at the onset of the pandemic; spending naturally slowed when all was shut down last spring/early summer; and federal aid received in FY21 reimbursed most COVID-related town and school expenditures.

As the Warrant Committee has noted repeatedly, Belmont faces a structural deficit wherein recurring expenditures outpace recurring revenues. For the last several years, it has been relying on one-time funds to balance its budget. Even before the COVID-19 outbreak, the recommended FY21 budget drew revenue from one-time sources to preserve Town services [\$1 million more from Free Cash than the previous year, an additional \$1M from the Light Department for accelerated payment-in-lieu-of taxes (PILOT), and a draw down from the School Department's Special Education reserves of \$1.7 million). Then, with the onset of the pandemic and anticipated COVID-related revenue shortfalls, Town Departments deferred just over \$440,000 in overlay expenses (for example, police patrol cruisers, fire suppression turn-out gear, public

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.

works fleet equipment and replacement, library computer equipment, and facilities equipment) in FY21. The revised FY21 budget included an additional \$400,000 in Free Cash, a \$525,000 reduction in discretionary capital spending, and a one-time deferral of \$1.8 million in capital budget road repairs.

American Rescue Plan Act

On May 10, 2021, the U.S. Department of the Treasury announced the launch of the Coronavirus State and Local Fiscal Recovery Funds, established by the American Rescue Plan Act of 2021 ([link to Fact Sheet here](#)). Belmont expects to receive \$7.6 million for combined town and school expenses (limited by eligibility) and \$1.0 million from the 'Elementary and Secondary School Emergency Relief Fund III' to abet school costs. According to the Treasury announcement, local governments like Belmont will receive this funding through the state government, and funding will be released in two tranches, with 50% provided beginning in May 2021 and the balance delivered 12 months later. Further details from the state are expected by the end of May.

Town leaders are in the process of developing plans to use these funds to the full extent possible. It is important to remember, however, that their one-time nature can only temporarily fill the structural budget gap. The underlying gap will continue to widen unless (a) the rate of expenditure growth is reduced and/or (b) the rate of revenue growth increases. Belmont has formed a Structural Change Impact Group (SCIG) to help tackle this challenge. The SCIG will report on its progress at the June Town Meeting.

General Fund Revenues

Expected and projected revenues are summarized below in Table 1.

Note: The FY21 COVID year produced another anomaly. Given the uncertainties abounding last spring, Belmont conservatively budgeted a 25% drop in State Aid. When the FY21 State Budget finally passed after the conclusion of the 2020 Belmont Town Meeting, state aid for Belmont actually increased slightly from FY20. The Department of Revenue (DOR) requires that the "Recap" sheet filed with the state in the fall reflect the actual state aid received ("FY21 Recap"). To ensure that the increased state aid that had not been appropriated by Town Meeting in June 2020 would fall to Belmont's free cash balance, the Town received permission from the DOR to lower the reported "FY21 Recap" amount of local receipts by a corresponding amount.

Table 1 includes estimated FY22 state aid to Belmont based on the Governor's Budget and recent indications from the state legislature. Table 1 also illustrates the large increase in free cash used to balance the budget that is unlikely to be sustainable in future years.

Table 1: FY22 Expected General Fund Revenues vs. FY21 Revenues (\$ million)

	FY22	FY21 RECAP	\$ Change	% Change
Total Property Taxes	\$95.03	\$92.44	\$2.59	2.8%
Allowable 2.5% increase	\$2.38	\$2.31	\$0.06	2.8%
New Growth	\$0.80	\$1.10	-\$0.30	-27.5%
Debt Exclusion	\$13.19	\$13.64	-\$0.45	-3.3%
Local Receipts	\$8.78	\$3.48	\$5.30	152.4%
State Aid	\$12.44	\$12.21	\$0.22	1.8%
Free cash	\$7.11	\$3.79	\$3.32	86.4%
General Stabilization Fund	\$0.00	\$0.00	\$0.00	
Other Available Funds*	\$2.41	\$3.33	-\$1.47	-37.9%
TOTAL GENERAL FUND REVENUE	\$141.60	\$132.31	\$9.29	7.0%

*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 the state budget (including final state aid amounts) is approved. Calculations reflect rounding.

General Fund Expenditures

Table 2 compares the recommended FY22 General Fund budget expenditures to corresponding data for FY21. This FY22 budget is as of May 14, 2021 and is subject to minor adjustments before the June Town Meeting.

Table 2: Summary of FY22 General Fund Budget vs. FY21 (\$ million)

	FY22	FY21	\$ Change	% Change
Town Operating	\$42.61	\$40.87	\$1.74	4.3%
School Operating	\$66.21	\$61.49	\$4.72	7.7%
Capital Budget	\$1.76	\$0.95	\$0.81	85.0%
Fixed Costs	\$31.02	\$29.00	\$2.02	6.8%
Total General Fund Budget	\$141.60	\$132.31	\$9.29	7.0%

Note: Data does not include expenses budgeted in Enterprise Funds, trust accounts, or Belmont Light. FY21 data is adjusted budget, not budget as voted by Town Meeting. Calculations reflect rounding.

As shown in Table 2, the FY22 General Fund budget is 7.0% higher than in FY21. As noted above, a significant portion of the increase is due to the restoration of expenditures that were suspended for one year for the FY21 'COVID' budget (School Operating: \$1.3 million out-of-district special education to the General Fund; Capital Budget: \$0.5 million; Fixed Costs: \$1.8 million roads). And, as also noted above, the increase includes approximately \$1.1 million in kindergarten expenses previously paid through fees that were not offset by an increase in state aid as expected.

School operating expenditures funded by the General Fund rise 7.7%. It is important to note, however, that in addition to the General Fund, the Belmont Public Schools also draw revenue from grants and revolving funds. In FY21, the district utilized accumulated grant reserves and reduced out-of-district special education tuitions by \$1.3 million. For FY22, this \$1.3 million has been restored to the tuition budget. Table 3 shows that the total budget for the schools from all sources rises 2.5% in FY22.

Table 3: FY22 Total Belmont Public School Budget (\$ million)

Belmont Public Schools	FY22	FY21	\$ Change	% Change
General Fund	66.21	61.49	4.72	7.7%
Grants & Revolving Accts	6.90	9.80	-2.90	-29.6%
TOTAL - ALL SOURCES	73.10	71.29	1.82	2.5%

Table 4 breaks out the increases in spending by service area.

Table 4: FY22 General Fund Budget vs. FY21 by Department or Function (\$ million)

		FY22	FY21	\$ Change	% Change
Belmont Public Schools		66.21	61.49	4.72	7.7%
Public Services		14.45	13.58	0.87	6.4%
	Community Development	1.00	1.10	-0.10	-8.7%
	Facilities	4.98	4.72	0.26	5.6%
	Recreation	1.03	0.75	0.28	36.7%
	Public Works	7.44	7.01	0.43	6.1%
Public Safety		13.34	13.23	0.11	0.9%
	Police Department	7.38	7.28	0.10	1.3%
	Fire Department	5.94	5.92	0.02	0.3%
	BEMA	0.02	0.02	0.00	0.0%
General Government		4.85	4.70	0.15	3.1%
	Town Clerk	0.47	0.49	-0.02	-4.1%
	Town Administration	1.05	0.98	0.07	7.3%
	Human Resources	0.29	0.28	0.01	2.1%
	Information Technology	1.11	1.04	0.07	6.5%
	Town Accountant	0.41	0.40	0.01	2.2%
	Town Treasurer	0.71	0.69	0.01	1.6%

	Assessors' Office	0.42	0.42	0.00	0.7%
Human Services		3.28	3.21	0.07	2.2%
	Council on Aging	0.40	0.40	0.01	1.8%
	Library	2.28	2.22	0.05	2.5%
	Health Department	0.60	0.60	0.01	1.4%
Insurance		6.68	6.14	0.54	8.8%
Operating Budget		108.82	102.36	6.46	6.3%
Capital Budget		1.76	0.95	0.81	85.0%
Regional School Assessment		1.76	1.72	0.04	2.5%
Pension Expense*		9.66	8.73	0.93	10.7%
Debt & Interest		14.72	15.56	-0.84	-5.4%
Other**		4.87	2.99	1.88	62.8%
Fixed Costs		31.02	29.00	2.02	7.0%
TOTAL GENERAL FUND BUDGET		141.60	132.31	9.29	7.0%

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

** Includes state charges (e.g., MBTA), roads and sidewalks, and Assessor's abatement reserves.

Notes: Data do not include expenses budgeted in enterprise funds or trust accounts. FY21 data is adjusted budget, not budget as voted by Town Meeting. Calculations reflect rounding.

FY22 budgets for each department will be discussed in detail in this report.

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)

	FY22	FY21	\$ Change	% Change
Water	\$7.72	\$7.69	\$0.03	0.4%
Sewer	\$9.53	\$9.66	-\$0.12	-1.3%
Total Enterprise Funds	\$17.26	\$17.35	-\$0.09	-0.5%

Note: Calculations reflect rounding.

Risks in the FY22 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. The extent of the financial impact of COVID-19 in FY22 is uncertain. The Town and School budgets do not include COVID-related expenditures as Belmont anticipates reimbursement from federal and state government relief and rescue packages.

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 again underfunding capital projects due to budget pressures. Therefore, the risk of unanticipated need for repairs in FY22 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, snow removal, etc.). Due to the use of Free Cash to balance the FY22 budget (see below), 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 and/or help support future operating 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 23 Budget

One-time funds, like federal relief funding or increases in the free cash balances, can temporarily fill the structural budget gap, but without fundamental changes to revenue sources or expenditures, the gap will continue to widen. The Schools' one-year union contracts expire in June 2021, and those on the Town side expired 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 FY23 budget and beyond.

School enrollment is also a key budget driver. A rapid enrollment rebound in FY22-FY23 as COVID wanes and the new high school building opens would put additional pressure on the budget.

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 must certify each city or town's free cash as of July 1 of the beginning of the following fiscal year before it can be appropriated.

As shown below, Belmont started FY21 with \$11.2 million in certified Free Cash as of July 1, 2020, compared with \$8.1 million as of July 1, 2019. Much of the increase was related to COVID-19: with so much unknown at the outset of the pandemic, Belmont was proactive early last spring to enact hiring and spending freezes across all departments (including schools); spending was naturally slower in March

through June during the shut-down; and federal assistance became available to reimburse COVID-related expenditures.

Given the override defeat in April 2021 and the relatively high free cash balance, an extraordinarily large amount of free cash is being used in FY22 to bridge the gap between recurring revenues and recurring expenses and balance the budget. Prior to FY21, operating budgets typically included use of approximately \$2.0 million of free cash. As shown below, the amount of free cash used to balance the budgets increased as the impact of increased revenue from the 2015 override began to diminish. The FY22 Budget includes \$7.11 million in Free Cash, up 88% from the \$3.8 million used in FY21. A small amount of Free Cash has also been appropriated to fund OPEB contributions in the FY22 budget (\$50,000).

Free Cash (FC) Usage (\$ million)

Fiscal Year	2018	2019	2020	2021	2022
Certified Free Cash (CFC) as of July 1	\$5.65	\$8.41	\$8.11	\$11.24	
CFC Available for FY Appropriation	\$7.14	\$5.65	\$8.41	\$8.11	\$11.24
Less Amount Appropriated:					
Operating Budget	-\$2.32	-\$1.61	-\$2.36	-\$3.79	-\$7.11
General Stabilization Fund	-\$1.00	\$ -	\$ -	-\$1.50	\$0.00
OPEB	-\$0.35	-\$0.47	-\$0.55	-\$0.05	-\$0.05
Fire Station	\$ -	-\$0.60	\$ -	\$ -	
Fire Pumper	\$ -	\$ -	\$ -	-\$0.35	
Chenery Middle School Modules	-\$1.45	\$ -	\$ -	\$ -	
Net Free Cash after Appropriations	\$2.01	\$2.96	\$5.49	\$2.42	\$4.08

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 \$7.11M in free cash accounts for 5.0% of the overall operating budget and is not a sustainable or prudent financial practice. The amount of free cash generated in FY21 was an anomaly unlikely to recur. The known sources of one-time funds at this time are \$3.2 million in state aid and the remaining stabilization balance of \$1.8 million and revenue-shortfall funds from the federal American Rescue Plan Act. However, these sources cannot indefinitely continue to fill the recurring structural deficit created by contractual compensation rate increases, pension liability amortization, deferred expenditures and school enrollment increases that outpace recurring revenue.

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

Fiscal Year	2018	2019	2020	2021	2022
FY General Fund Revenue Budget	\$110.81	\$116.23	\$128.32	\$132.31	\$142.19
FC Support of FY Budget	\$2.32	\$1.61	\$2.36	\$3.79	\$7.11
Free Cash Use as % of Budget	2.10%	1.39%	1.80%	2.90%	5.00%
Gen. Stabilization Fund Draw	\$ -	\$1.34	\$2.40	\$ -	\$ -
Total Stabilization and FC Usage	\$2.32	\$2.95	\$4.76	\$3.79	\$7.11
Stabilization and FC as % of Budget	2.10%	2.54%	3.71%	2.86%	5.02%

Note: The current Stabilization Fund balance is \$1.8 million.

As shown below, the net balance of Free Cash after current year appropriations will be \$4.1 million, or 2.9% of General Fund revenues. This is just below the minimum recommended Select Board/Warrant Committee guideline of maintaining Free Cash balances of 3-5% of general fund revenues.

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

	FY18	FY19	FY20	FY21	FY22
General Fund Budget Revenues	\$110.81	\$116.23	\$128.32	\$132.31	\$142.19
Town Free Cash Minimum Guideline*	3%	3%	3%	3%	3%
Minimum Guideline Amount	\$3.32	\$3.49	\$3.85	\$3.97	\$4.27
Net Free Cash After Appropriations	\$2.01	\$2.96	\$5.49	\$2.42	\$4.08
\$ Net FC Surplus (Deficit) to Guideline	-\$1.32	-\$0.53	\$1.64	-\$1.55	-\$0.19
% Net FC Guideline Calculation	1.8%	2.5%	4.3%	1.8%	2.9%

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

Departmental Highlights

The Warrant Committee has subcommittees that are responsible for analyzing individual departmental budgets and practices. Key highlights for FY22 are summarized below.

PUBLIC SERVICES

Community Development

Community Development continues to fulfill its mission for the town. Budget cuts required due to the override failure will include elimination of 1 FT position, permanent increase in permitting/inspection wait times, delays in fulfillment of public records requests and reduction of public office hours to allow staff to work backlogs. The department is innovative in its thinking about how to fill the gap left by staff vacancies

and position elimination, but the department cannot be expected to sustain current operational services long-term. There is no flexibility in the system to deal with a sudden staff departure or other unforeseen circumstances that may arise.

Facilities

The discussion with the Facilities department uncovered two primary needs for the Town to address. 1) A Systems Manager is needed to develop expertise in Town to support and manage new town systems (e.g., HS, Middle School, Police Department) and to explore state and regional funds to retrofit and update the existing systems. Without this in-house expertise, the Town will unnecessarily pay for outside contractors, which may end up costing more than the position itself. 2) Several years of underfunding needed capital improvements and maintenance have left the Town in the position of facing ever-increasing large capital expenditures if any unplanned failures occur.

Recreation

In FY22, the Recreation Department expects partial recovery from the many cancellations and program reductions caused by the pandemic, but uncertainty still looms large. The Underwood Pool and many camps will reopen in summer 2021 with state-mandated capacity restrictions and safety protocols, which has an impact on both program fees and costs. Progress toward break even and the creation of a recreation enterprise fund has been delayed due to the pandemic, but the department used the time to implement structural changes and operational improvements that will speed the pace of recovery.

Department of Public Works (DPW)

With the override not passing in the spring 2021, the DPW will be down two heavy equipment operators (HMEO). Part of the responsibility of these heavy equipment operators is snow removal. In the fall of 2021, the new High School will open which will increase the demands on the department for snow removal as all the snow needs to be removed from the premises. This will be a full-time operation for a moderate snow event. This will put even more pressure on the department during ice and snow events and will result in snow removal delays across the town.

PUBLIC SAFETY

Both the Fire Department and the Police Department will be reducing staffing due to the failure of the override; the Fire Department will be eliminating 1 firefighter and the Police Department will be eliminating 1 patrol officer.

The reduced staffing comes at a time when both departments are facing vacancies and are imposing additional demands on their current employees; the combination of eliminating positions, vacancies that will take some time to fill, the need to cover additional shifts due to the eliminated/unfilled positions, and morale issues will not only lead to an increase in overtime usage, but also further negatively impact morale in the departments.

The modest increase in the Public Safety budget is largely due to some restored capital expenses (e.g., turnout gear and police cruisers) and some restored deferred overtime, which had been deferred last

year; the budgets are otherwise essentially flat as they have been for several years. Deferred capital outlays will need to be addressed in FY23.

The continued role of the departments in the Civil Service System could be an issue for Town Meeting in the future.

The new Fire Chief will be preparing a “SWOT” and benchmarking analysis of the Department.

The Police Department is considering the use of body cameras. This could be a risk mitigation measure for the Department and the Town.

GENERAL GOVERNMENT

Town Administrator

The Town Administrator's office will continue to lead in the collection of the COVID-related expenses and will apply for reimbursement under the American Recovery Plan Act (ARP) for items not included in the operating budget.

Assessors' Office

The Town is increasingly dependent on residential property taxes for revenue. We recommend continuing to focus on business-friendly policies and appropriate commercial development to increase commercial property tax revenue. In addition, increasing senior tax relief and finding ways to more successfully pursue payments in lieu of taxes (PILOT) by non-profits that own land in Belmont are topics that deserve further attention.

Information Technology

The increasing risk and cost of ransomware attacks makes cyber-security a crucial focus. The IT department needs to continue receiving adequate resources to keep the Town's network and data secure.

HUMAN SERVICES

Council on Aging and the Library were remarkably adroit in continuing their mission with such innovations as curb-side delivery of meals and books. Unfortunately, with the unsuccessful override, the COA's long-sought full-time social worker will not happen this year. The Library will have reduced hours with few and possibly no Sunday openings and earlier evening closings. The Health Department which continues to be burdened with COVID-19 responsibilities will continue to draw upon the Animal Control Officer and the Veterans Service Officer from their usual responsibilities to assist in meeting the COVID-19 challenges.

EDUCATION

- The total FY22 School Department budget is increasing by \$1.8 million, or 2.55%, to \$73.1 million. The General Fund portion of that budget is projected at \$66.2 million, or about 90% of the total. The General Fund portion of the budget is growing by \$4.7 million, or 7.68%. The disproportionate

increase in the General Fund budget in comparison to the increase in the total budget is primarily attributable to two factors – 1) the restoration of a one-time \$1.3 million reduction in the FY 21 budget in the amount of special education out-of-district tuitions that were covered by the General Fund, and 2) a \$1.0 million transfer to the General Fund budget for full-day kindergarten costs that were previously covered through revolving account user fees.

- In late September 2020, the School Department and School Committee made the decision to adopt universal full-day kindergarten, thereby eliminating the user fees previously charged to parents who opted for the full-day program. The expectation was that increased Chapter 70 state aid would offset the reduction in user fees. However, the overall decline in student enrollment in the 2020-2021 school year has, at least temporarily, meant that the anticipated increase in state aid has not materialized.
- As of October 1, 2020, when the official enrollment counts are set by the state, Belmont's total school enrollment was down by 262 students (5.7%). The School Department is expecting that enrollment will return to pre-Pandemic levels in the 2021-2022 school year, and the FY22 budget has been developed accordingly.
- The School Department was the town department that was most impacted by COVID. To date, the costs associated with addressing the pandemic have been covered by various federal and state COVID relief programs. There are additional unused relief funds that are still available to assist with the anticipated costs of returning to a full-time, in-person learning environment in 2021-2022, as well as the new ARP funds. However, the FY22 budget contains no funds to cover COVID-related costs, imposing some budgetary risk should COVID-related costs in FY22 exceed those that can be covered by Belmont's unexpended federal and state relief funds.
- The FY22 General Fund budget shows an increase of 21.22 FTEs. That increase is misleading, however, because it reflects 22.52 existing FTEs associated with the kindergarten program that were formerly covered under the kindergarten revolving account now being funded through the General Fund. Overall, the Department's headcount is largely unchanged. The Department is budgeting three new positions – a diversity director and two elementary school SPED chairs (one of which will be funded by repurposing a federal IDEA grant). Offsetting those increases, the Department is laying off 5.83 classroom FTEs, including two elementary school teachers, two kindergarten teachers, and 1.83 FTE kindergarten aides.

Longer-Term Issues

Five issues continue to 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. 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. The Financial Task Force II will present final recommendations to the Select Board in June 2021.

Structural Deficit

Expenditures have outpaced revenues for the last several years as the impact of the 2015 override waned 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, 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.

Clear and transparent communication about the budget challenges and options to Town residents is essential. While Belmont obviously welcomes the federal American Rescue Plan (ARP) funds, these temporary, one-time funds will not solve the structural deficit. Once the aid funds are used up, Belmont will again confront the growing deficit gap as long as recurring expenditures grow more quickly than recurring revenue.

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. The last three-year cycle ended on June 30, 2020. The School Committee negotiated one-year contracts with its employees that included a 1% COLA for FY21. Negotiations are now beginning for a new contract. On the town side, negotiations are also in process. It is difficult to change the trajectory of contract terms, and there is always a tension between controlling compensation growth and attracting and retaining top-quality talent. **As long as compensation costs rise faster than Belmont's sustainable revenue growth of 3-3.5% 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 increased by 756 students, or almost 20%, and growth was pervasive across all three levels of the system – elementary, middle, and high school. In the midst of the pandemic, enrollment fell by 262 students (5.7%) as of October 1, 2020. The decline was especially steep in the lower elementary grades – for example, Kindergarten enrollment as of 10/1/2020 was 253, compared with 348 on 10/1/2019. It is assumed that enrollment will start to rebound in the 2021-22 school year as the pandemic wanes and will continue its upward trajectory through FY28. (Note: Oct. 1 is used for annual enrollment comparisons, consistent with state reporting requirements.)

Special Education (SPED) and English Language Learner (ELL) enrollment, which require mandated and costly services, continue to grow. 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 the CBC's discretionary budget is \$1.76 million.

Even without the challenges of funding the FY22 budget the town has not had adequate resources to keep up with its necessary capital investment needs. For years \$3 million has been identified as the appropriate level for the annual capital discretionary fund, and the cost of needed equipment and infrastructure up-grades and acquisitions continues to grow. 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.

Construction of the 7-12 Middle and High School remains on schedule and on budget. The High School portion of the project will open in September 2021, and the Middle School in September 2023. The upgrade of the DPW facilities is complete, and the renovated Police Department opened in March 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 working with the School Committee to develop plans for a new skating rink. The town now has a schematic design for a new Library which was completed in 2019. Plans to move this project ahead are on hold due to the economic circumstances - understanding the financial implications of delaying and continuing to maintain the current building will be important as we review capital challenges.

The recently formed Long-Term Capital Planning Committee is charged with “assisting the Town Administrator in the preparation and an annual review of a long-term capital improvement program.” The Committee is working recommendations for how to restructure our capital planning and make the most of our resources.

Unfunded Pension and Healthcare Liabilities

Pension, OPEB (Other Post Employment Benefits) are discussed in detail beginning on page 59.

DEPARTMENTAL BUDGETS

PUBLIC SERVICES

Community Development

A. FY22 Budget Changes from FY21

	FY22 Budget	Change from FY21	% Change	FY22FTEs
Total Budget	\$1,002,128	(\$95,696)	-8.7%	9.13

- The total FY22 budget for Community Development is \$1,002,128, a decrease of \$95,696 or 8.7% from FY21. Budget cuts include elimination of 1 FT position, permanent increase in permitting/inspection wait times, delays in fulfillment of public records requests and reduction of public office hours to allow staff to work backlogs.

B. FY22 Expectations

- The FY22 budget cuts have forced the elimination of one staff position. The Department has proactively analyzed its functions and re-aligned its positions to fulfill its mission within budget. To best serve department needs, it will hire a Code Enforcement Officer. The elimination of both 1 engineering position and the second Inspector position allows for the Code Enforcement Officer position to be created.
- The Department was one of the few in the area that remained open and functioning during the early days of the pandemic. The permitting applications numbers and processing remained consistent throughout FY21. The open building inspector has been difficult to recruit for based on the certification requirements and higher competitive salaries in adjacent towns. The elimination of one position due to budget cuts in the department makes permanent the current delay in the permitting process from 10-15 days to 20-25 days.
- Over FY21 the department suffered unforeseeable setbacks including the inability to find a second Inspector for the department and the loss of their Senior Planner. The Senior Planner position has been filled and the new person will begin in May. The Staff Planner which is currently vacant will be filled soon thereafter. Until the new team members have settled in, some delays should be expected.
- Annual inspections required for varying occupancy types remain 2-3 months as well. There is no bandwidth in the department to proactively go back and engage with the space to ensure that the proper fixes have been employed. Increased burden on the one inspector negates the time available for proactive inspection of many public buildings. The office as it is staffed now is reactive in nature which has long term implications of higher costs in the future and pressure on the budget.
- Cushing Village project update: The residential piece is complete and being actively marketed. The commercial piece is currently in litigation and there is no known schedule for the resolution blocking commercial development fees and tax benefits to the Town. The ongoing litigation between the original owner and the buyer is based on the post-sale finding of soil contamination and increased

costs of building. This is a matter between the buyer-seller and the Town is not involved in the litigation. Unfortunately, while the litigation drags on, the Town is losing out of potential permitting fees as well as commercial space revenues.

- Two prior overrides and Chapter 90 State funding earmarked for roads and sidewalks allow for 7 fully funded road maintenance projects in FY22:

ROAD	FROM	TO
Hillcrest Rd	Goden St	Common St
Cedar Rd	Goden St	Common St
Becket Rd	Concord Ave	Watson Rd
Fairmont Street	Goden St	Common St
Claremont Road	Prospect St	Rutledge Rd
Highland Road	Fairmont St	Cedar Rd
Amelia Street	Orchard St	Benjamin Rd

C. Budget Risks

- FY22 reductions significantly impacts the department's ability to be proactive in the community. There continues to be a further risk of impact with any revenue shortfall.
- 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. Current support levels cannot be maintained indefinitely with current staffing levels. The department is working to innovate ways around the gap left by staff vacancies and position elimination, but the department cannot be expected to sustain current operational services long-term that without additional staff. There is no flexibility in the system to deal with a sudden staff departure or other unforeseen circumstances that may arise.
- Permitting application numbers have remained consistent over the last three years with a slight bump in the last 3 months. If permitting increases remain consistent continued pressure on the system would negatively impact processing times.
- The department is currently able to deliver services based on the quality and dedication of the current employees and fortuitous circumstance, such as a mild winter. For now, the department may be able to survive the increased burdens with current staff levels, inclusive of filling all open positions. However, the department service levels remain reliant on good fortune moving forward.

D. Outlook FY23 and Beyond

- 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.
- Many of the functions of the office are mandated by state and local regulation. Thus, the department is obligated to provide certain services regardless of the budgetary restrictions. Exposure for the Town is left with the dependency on employees providing constant work levels that are realistically unsustainable over the long-term.

- Delaying road maintenance results in high direct and indirect costs. Addressing the needs of the Town on a proactive basis avoids the necessity to address more extensive and costly repair projects. Poor road conditions affect quality of life for Town residents. In addition to general public safety issue, failure to maintain roads inhibit the Towns' ability to facilitate essential services such as trash, recycling, fire and ambulance. Poor road conditions can also lead to increased vehicle operating costs driving more frequent repairs and greater fuel use. Lack of consistency in full budgetary funding remains an issue for the Town.

Facilities

A. FY22 Budget Changes from FY21

	FY22 Budget	Change from FY21	% Change	FY22FTEs
Total Budget	\$4,981,779	\$262,196	5.6%	8.0*

*Salaries (\$87,103); expenses (\$83,093) and capital outlay (\$92,000)

- The proposed increase of \$118,889 for additional salaries and \$12,000 for overtime expenses for FY22 was not approved due to the override vote decision, thereby putting at risk the new planned Systems Manager position for the new Middle and High school.
- Due to new revenues anticipated from an increase in pricing for ambulance services, the Town now anticipates allocating some of those increased revenues towards the Systems Manager position, thus explaining the increase in salaries.
- The balance of the 5.6% increase from FY21 is due to an increase in non-salary expenses of \$83,093 (the department's standard projection of a 2.5% annual increase plus a projected increase of 5.0% from Belmont Light) and an increase of \$92,000 in capital outlays (re-inserting the FY20 capital outlay projection that was removed in FY21 due to COVID-19).
- Approximately 49% of the department's budget is allocated to building maintenance, and a little more than 36% of the budget is directed to utility expenses over which the department has little control.

B. Impact of Proposed FY22 Budget on Department Operations

- The Town had anticipated a new Systems Manager to support new technology in several buildings, most notably in the new Middle and High School, but also in the Police Dept. and in support of various new boiler replacements. The position was intended to develop expertise in Town to maintain and manage these systems and to explore state and regional funds to retrofit and update the existing systems. Without this in-house expertise, the Town will unnecessarily need to spend for outside contractor assistance both this year (there is money already in the school contract for outside contractor assistance this year), but also next year given the lack of

on the job training this year. The Public Services Committee recommends that the department reallocate monies for this position, if at all feasible, from some other area of the budget given the importance of this position and the costs that could be avoided in the future if in-house expertise can be gained this year.

- The new systems also allow the Town to meet its climate action goals. If the Dept. is unable to fill this position it will be a real loss to the Town. Although there is money in the school contract to have these responsibilities performed by its outside contractor this year, the intent was for Town personnel to learn these responsibilities under the supervision of the outside contractor.
- The department is, and has historically been, short staffed, and it currently lacks essential plumbing, contracting, custodial and maintenance staff. Moreover, there are increased demands being placed on the department. Specifically:
 - Since the hiring of a new Facilities Director a few months ago, the department has made significant strides in transitioning from performing solely reactive maintenance and repair work to active preventative maintenance. The new Facilities Director anticipates continuing that change in focus. 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.
 - Facilities is currently engaged in 11 capital projects and 3 CPA projects that represent over \$3.5M in previously-approved funding. A partial list of capital projects within the Town include boiler replacements at Butler, Burbank, and Winn Brook, an upgrade to all the uninvent heaters, and a heating control project at Town Hall. The department's ability to undertake additional approved and required capital projects, and to maintain existing systems, is constrained by its current level of personnel. The department is also responsible for the maintenance of the new Police Dept. renovation and, in conjunction with Public Works, the recent DPW project. While custodial level services for these buildings is not currently budgeted, the Town was able to negotiate a one-time non-increase of fees to cover these items in FY22, due to the COVID-19 shutdowns in 2020. The preventive maintenance of the additional HVAC equipment at the new high school is not included within the scope of the vendor agreement and it remains to be determined what the required level of labor and materials will be.
 - The overtime reduction will impact the ability to respond to off hour needs town wide.

C. Budget Risks in FY22 and Beyond

- Unanticipated capital repair work is unavoidable and is almost always non-discretionary. The FY22 budget contains no contingency for unanticipated major capital repairs. Although these costs previously ranged between about \$75,000 and \$250,000 in FY 16 through FY 18, the past cannot be taken as a predictor of the need for future capital repair work and cannot be used as a placeholder without additional examination by the department. Moreover, there are limited funds in the budget to address identified deferred maintenance needs.

- Phase 2 of the new high school will bring an additional 150,000 sq ft online for maintenance in 2024. Future year planning will need to address how to incorporate this additional space into future budgets.

Recreation Department

The mission of the Recreation Department is to offer quality year-round activities and services for residents of all ages and abilities. These offerings include summer and school-year programs, the Underwood Pool, the Skip Viglirolo Rink, and S.P.O.R.T. adaptive programs.

A. FY22 Budget Changes from FY21

	FY22 Budget	Change from FY21	% Change	FY22 FTEs	FTE Change
Total Budget	\$1,030,647	\$276,811	36.7%*	15.2	6.1

- The total FY22 budget for Recreation is \$1,030,647, an increase of \$276,811 or 36.7% from FY21. This increase is misleading, however, due to the impact of the pandemic on recreation programs in FY21, when the recreation budget was reduced by \$300,000 from the closure of the Underwood Pool. The increase in headcount reflects the FY21 reductions in part-time summer employees rather than a meaningful increase in headcount in FY22.
- The changes in salaries and expenses for the department are similarly distorted by the cancellation of many programs in FY21, including the Underwood Pool season. In FY22, \$446,500 of salaries are part-time employees hired as camp counselors, lifeguards, etc. – a category that was significantly smaller in FY21 due to reductions in programming. The increase in expenses reflects the return of contracted programs and expenses for programs like the Underwood Pool that were reduced or eliminated in FY21.

	FY21 Budget	FY22 Budget	\$ Change	% Change	FY22 FTE
Total Salaries	\$482,362	\$688,473	\$206,111	42.7%*	15.2
Total Expenses	\$271,474	\$342,174	\$70,700	26.0%*	
Grand Total	\$753,836	\$1,030,647	\$276,811	36.7%*	

The changes in the budget from FY21 to FY22 are entirely driven by the impact of the pandemic on the department, so it is necessary to begin with the shutdown.

- **SHUTDOWN:** Recreation programming, revenue, and expense were all immediately and significantly impacted by the pandemic. All 2020 spring programming was cancelled with the shutdown, but in just a few months, the department was able to complete the state camp licensing process, which enabled them to offer successful summer camps (with reduced capacity and new protocols). It cannot be emphasized enough what an achievement it was for the department to regroup, go through the licensure process, hire and train a summer staff, and connect with families and children in the middle

of the shutdown – all while adjusting to enormous uncertainty and rapidly shifting restrictions and protocols. They also used the spring months to implement structural changes that would position the department to expand programming and reduce expenses in future years.

- **FY21 PROGRAMMING:** The 2020 Underwood Pool season was cancelled because of the potential health risk, financial risk, and significant restrictions (25% capacity, restrictive protocols). Because revenue and expense for the pool and summer programming crosses the beginning and end of the fiscal year, this impact was felt in both FY20 and FY21. The bulk of recreation programming takes place during the summer, but not all. From fall 2020 through spring 2021, a reduced number of programs were offered outdoors – but it is an achievement that they were offered at all. Throughout the challenges, the department continued to offer as much programming for residents as possible.
- **UNDERWOOD POOL:** Beginning in June 2021 and throughout FY22, the Underwood Pool will reopen and programming will increase, but pandemic restrictions and protocols will still have an impact on both revenue and expense. The 2021 Underwood Pool season will have new pricing structures and operating protocols. Despite the changes, 250 memberships (family, individual, and senior) were sold in the first 13 minutes of going live, and most memberships have already been sold (as of this writing). The department has created a financial plan for the pool that could break even at 50% capacity (based on current state guidelines in phase 4 step 1) and could come close to 30% cost recovery at 65% capacity (depending on state guidelines in July and August). The actual revenue and cost will depend significantly on the trajectory of the pandemic and the status of state guidelines
- **LOSS OF SPACE:** Even without the challenges of the pandemic, FY20, FY21, and FY22 were going to be difficult years because of the loss of space to run camps and programs due to the reconstruction of Belmont High School. During the summers of 2019-2021, the Wenner Field House, Higginbottom Pool, and BHS fields were closed for construction, reducing the number of summer camps and programs that could be offered. The department has explored every possible space for programming, including both public and private facilities, and in the summer of 2020, the department was creative in finding outdoor spaces to run programs – including the deck of the closed Underwood Pool. But Belmont is space-constrained, which has been a significant challenge for the department for many years.
- **FY22 PROGRAMMING:** The good news is that the ability to run programs is coming back. When we are able to have a full slate of programs, revenue from recreation programs can cover both the direct costs of programs and staff and office costs – and in a typical year, the department regularly came in under-budget. From the beginning of the pandemic, when the department had to run fewer programs, both revenue and expense were reduced, but the amount of programming was insufficient to completely cover all departmental costs. As the guidelines allow more programs and larger numbers of participants, the department can return to a net positive (revenue to expense) financial position.
- **STRUCTURAL CHANGES:** In the last few years – with the hiring of a new Recreation Director/Assistant Town Administrator – and especially during the pandemic – there have been many changes in the way the Recreation Department operates, serves residents, and impacts the budget. Department staffing has been restructured, creating efficiencies and opportunities for revenue growth. The department has a new and improved website and software system. State licensing for camps has been achieved, increasing summer programming (and revenue) opportunities. Contracts with vendors have been renegotiated with more favorable terms. New partnerships with other towns and town departments have increased the number of programs offered to residents. The department introduced new marketing initiatives to better reach and bring programming to residents. These changes position the

department to deliver significant program improvements and, at the same time, increase the efficiency of the department.

B. Impact of Proposed FY22 Budget on Department Operations

- In FY22, department budget cuts of \$36,000 will result in the elimination of buses for camp field trips, the swim team, and the Nashoba winter program, as well as a general reduction in program supplies – changes that will have an impact on recreation program users.

C. Budget Risks in FY22

- Recreation department programming is heavily dependent on the course of the pandemic and the number of programs offered and participants that can attend.
- During the winter of 2020/2021, the Recreation Department, in partnership with the Parks Department, was able to open the Skip Viglirolo Rink and operate it safely under the state's COVID-19 guidelines. However, the rink is on its last legs. Many parts for the cooling systems are no longer manufactured, and breakdowns requiring repairs happen each year approximately 3-5 times in a 4½ month season. An RFP was issued to find a developer for a public-private partnership to build a new rink – at no cost to the Belmont taxpayer – but it was not possible to agree on terms that met the programming needs of the town and the financial needs of the developer. Planning for a new rink is an open issue that must balance funding for other pressing capital needs with the imminent risk of a catastrophic failure forcing the permanent closure of the rink.

D. Outlook for FY23 and Beyond

- ENTERPRISE FUND: Because of the revenue and expense nature of recreation, the department has developed a plan to create a Recreation Enterprise Fund – an independently-operated town “enterprise” that manages its own revenues and expenses, with the goal of becoming entirely self-funding. (Most towns run their recreation departments as either enterprise funds or revolving accounts; they do not have recreation program revenue or expense in the regular operating budget.) The department was close to this financial goal before the shutdown, but the pandemic and loss of fields and gyms have been a setback. Plans are being adjusted, and the establishment of a Recreation Enterprise Fund – similar to the Water and Sewer Enterprise Funds – should be on the radar screen for Town Meeting Members.
- The following chart shows the net profit/loss when you look at the department as an enterprise (not including allocated costs). It is clear that the impact of the pandemic and the availability of recreation facilities – the Underwood Pool, BHS Field House, etc. – have a tremendous impact on the performance of the enterprise. With the return to a pre-pandemic level of programming, the department can again recoup overhead costs and move forward with plans for an enterprise fund.

Recreation	Net Profit (Loss)	Impacted by:
FY15 Actuals	(\$158,116)	(Old) Underwood Pool closed for construction
FY16 Actuals	\$146,945	(New) Underwood Pool reopens; FY16 includes add'l revenue due to timing of grand reopening
FY17 Actuals	\$97,794	
FY18 Actuals	\$87,411	
FY19 Actuals	\$102,211	
FY20 Actuals	(\$340,014)	Pandemic impact – 2020 closure of pool & cancelled programs; loss of BHS field house & fields
FY21 Estimate	Based on Q1-Q3 actuals, in the range of (\$140K) to (\$165K)	Pandemic impact – 2020 closure of pool & smaller programs; loss of BHS field house & fields
FY22 Estimate	In the range of \$20K to (\$230K)	FY22 budget is very conservative, but there is tremendous upside based on pace of recovery
FY23 Estimate	Cautiously optimistic that we are back to break even	Highly dependent on pace of recovery; also, BHS field house is back, but not BHS fields

Department of Public Works

A. FY22 Budget Changes from FY21

	FY22 Budget	Change from FY20	% Change	FY22 FTEs	FTE Change
General Fund Budget	\$ 7,439,275	\$428,457	6.1%	24.9	(2)
Enterprise Budget	\$17,257,241	(\$91,707)	-0.5%	24.3	-
Total Budget	\$24,696,517	\$336,751	1.4%	49.2	(2)

- The total FY22 budget for the DPW is \$24,847,790 an increase of \$224,462 or 0.9% from FY21. The General Fund Budget for DPW operations is up \$412,123 or 6.0% from FY21 at \$7431,942. The Water and Sewer Enterprise Budget is \$17,415,848, a decrease of \$196,661 or -1.1% from FY21.
- There were increases in the DPW General Fund Budget emanating from contractual agreements such as trash collection and disposal (8.0%) to a doubling of the cost of soil removal and disposal. There was also the restoration of most of the overtime and capital overlay cuts that took place in FY21 to mitigate the expected declines in revenue due to COVID-19 pandemic. There was a 42.5% or \$309,050 increase in forestry contracted labor as costs have increased as well as the continued significant demand for tree services in Belmont.
- However, with the override not passing in the spring 2021, the DPW will be down two heavy equipment operators (HMEO) totaling \$110,000 and another \$40,000 in benefits from the Town's general budget. Also \$30,000 of street maintenance overtime will not be restored from the FY21 cuts and is now budgeted at \$54,689 compared to \$83,028 in FY20.

- Overall total salaries for the department are flat with the restoration of most overtime and the reductions in staff netting out. Total expenses are up 6.7% and is mainly driven by increases in contractual costs and general cost pressures. The FY21 reduction in outlays for fleet maintenance and capital equipment for parks, facilities and, cemetery has been restored to FY20 levels for FY22.

	FY21 Budget	FY22 Budget	\$ Change	% Change	FY22 FTE
Total Salaries	\$2,107,078	\$2,117,732	\$10,654	0.5%	49.2
Total Expenses	\$4,903,740	\$5,234,330	\$330,590	6.7%	
Total Outlay	\$0	\$79,880	\$79,880		
Grand Total	\$7,010,818	\$7,431,942	\$421,124	6.0%	

B. Impact of Proposed FY22 Budget on Department Operations

- The reductions in two FTEs and the lack of full replenishment of street maintenance overtime from FY20 levels due to the no outcome of the override vote in the spring of 2021 will impact several services in FY22 and beyond. The following is a list of those services and the impact to them:
 - The loss of staff will delay work from being completed in a timely manner such as snow plowing, street sweeping, roadway repair, street markings, and mowing will all be delayed. In fact, many projects will be delay creating a backlog that will increase over time.
 - 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. 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 FY22 with pick-ups only during normal business hours.
 - Town recycling events such as the cardboard recycling will be eliminated unless a fee is charged to cover the costs associated with the event.
 - Street painting that takes place over night due to less vehicles on the road will be reduced with less staff and overtime funds.
- Other impacts are increased demands to address the additional pressures that will be put on the Department as new responsibilities come online in FY22 with the new High School opening in the fall. Snow removal is going to be a challenge as all the snow needs to be removed from the premises which will be a full-time operation for a moderate snow event and the department is now down two FTEs responsible for snow removal. This will put even more pressure on the department during ice and snow events that will result in snow removal delays across the town.

C. Budget Risks in FY22

- If further department budget reductions are needed in FY22 due unanticipated expenses and/or revenue challenges in the overall Town and School budget there would be even more significant

impacts on the level of service the department provides to the Town given how thin the department is already.

D. Outlook for FY23 and Beyond

- The DPW is a lean operation already facing significant challenges with even more limited staff and with increasing demands for more services especially with the new High School and Upper Middle School opening in FY22 and FY24. This Department is doing a good job of trying to get all the tasks done but does have to shift priorities and has a growing backlog. If the requirements of the Department continue to increase without additional staffing in the future further difficult decisions will need to be made about what is priority and what is not.

PUBLIC SAFETY (Fire, Police, Emergency Management)

	<u>FY22</u>	<u>Change from FY21</u>	<u>% Change</u>	<u>FTEs</u>
Fire Department	\$ 5,937,999	\$16,095*	0.3%	54.49 (down 1)
Police Department	\$7,381,324	\$96,824^	1.3%	70.38 (down 1)
BEMA	\$24,144	\$0	0.0%	Within FD

*Positive variance a result of deferred capital outlays from FY21 (salaries and expenses down 1.3%)

^Positive variance a result of deferred capital outlays from FY21 (salaries down 1.2%/ expenses up .4%)

FY22 Budget Changes from FY21

Fire

- The Fire Department (Department) budget has been essentially flat for the past several years, and in FY21 the Department participated in the Town's efforts to reduce expenses to address budget uncertainty due to COVID, thus the FY21 budget was reduced by \$88,315 or 1.5% from FY20.
- For FY22, the budget is expected to require the Department to reduce staffing by 1 firefighter.
- The proposed FY22 Fire Department budget remains essentially flat compared to FY21 last year's reduced budget (a modest \$16,095 increase).
- The budgeted amount for salaries is down \$72,755 (-1.3%). Budgeted expenses are down \$7,000 (-1.3%).
- Capital expenses for Turnout Gear and certain EMT equipment were eliminated from FY21 budget but can no longer be postponed and thus are restored at FY20 levels.
- The modest increase in the Department's budget over FY21 (\$16,095) is due to restoration of deferred overtime and these urgent capital expenses.
- The Department hopes to provide additional revenue to the Town through the increase in pricing for ambulance services.

Police

- The Police Department budget has been essentially flat for the past several years, and in FY21 the Department participated in the Town's efforts to reduce expenses to address budget uncertainty due to COVID by deferring capital expenses in the purchases of new cruisers. No new positions have been added since 2014, with the exception of a School Resource Officer (SRO) in 2018. The budgeted amount of 48 patrol officers for FY22 is now the same as it was for FY14.
- For FY22, the budget is expected to require the Department to reduce staffing by 1 patrol officer (PO).
- The budgeted amount for salaries is down \$80,834 (-1.2%). Budgeted expenses are slightly up \$2,658 (.4%).
- The Department capital purchases have been significantly deferred over the past 2 years: 3 cruisers were deferred last year and 1 this year. Although the capital outlay is up \$175,000 for FY22, when considered in the context of the budget over the past 2 years, it has been down significantly over that time period. They cannot be deferred longer.
- The modest increase in the Department's budget over FY21 (\$96,824) is due to restoration of deferred overtime and these urgent capital expenses.
- Salaries savings are in part due to lower salaries for the current Chief and Asst. Chief as compared to the salaries for the prior Chief and Asst. Chief.

- The Department has received donations from Town residents to defray the costs of physical fitness equipment for the station, software, radios, tasers, K9 equipment, and other equipment, approaching \$500,000 over the past 15 years, which has provided enhancements to the Department at no cost to taxpayers.

Impact of Proposed FY22 Budget on Department Operations

Fire

- In FY21, 1.5% was cut from this Department's budget, and this year increases only a modest \$16,095 to the budget.
- The continuation of last year's cuts in this FY22 budget is expected to require eliminating one position from among four current vacancies (2 retirements, 2 transfers to other towns).
- The Department expects to be able to meet its obligation to respond to the public safety needs of the Town, assuming no changes to its current staffing model, but the cuts will increase reliance on overtime. The Department will try to fill vacancies as quickly as possible to minimize the impact to the overtime budget.
- The cuts will also prevent the Department from replacing other aging equipment, which was postponed in FY21.
- Morale at the Department is low due to the proposed budget cuts, and it could lead to departures.
- The new Chief will continue to review all operations into FY22.

Police

- Although the budget is essentially flat (the modest increase of \$96,824 due to the two deferred/replaced cruisers from FY21), the Department nonetheless expects to be able to maintain its obligations to respond to the public safety needs of the Town. That said, it is becoming a challenge with various new unfunded mandates, the loss of 1 PO, and growing morale issues. The Department has only been fully staffed in 1 year over the past 15 years.
- Whereas since 2011, Town population has increased from approx. 24,500 to 26,113 and calls for service have increased from 17,388 to 20,797 (in 2020), the Department staffing has remained flat.
- Overtime usage will be higher for FY21 (at 83% now for current FY) and likely FY22.
- Morale at the Department is low due to the proposed budget cuts and the lack of investment in the Department, the overall external environment, and the lower use of personal days in an effort to keep OT to a minimum. Chief and Asst. Chief continue to conduct review of all operations into FY22.

Budget Risks in FY22; impact on Town services

Fire

- The continuation in FY22 of the FY21 cuts to the Fire Department is expected to result in elimination of one firefighter position from among several current vacancies. This would lead to an increase in use of overtime to cover the vacant positions unless shift staffing is reduced.
- If the overtime account is exhausted, then there may be a need to reduce a fire company or the ambulance service from time to time based on staffing availability.
- The Department expects to be able to meet its obligation to respond to the public safety needs of the Town, assuming no change to its current staffing model.

Police

- The Department is facing 4-6 vacancies this year. Two supervisors have been called to the National Guard and there are 4 other vacancies. Three future officers are entering the Academy in May. The Department is looking to fill the 4 vacancies whereas it will need to hold open the 2 vacancy positions due to the National Guard call ups; any significant delay in filling the 4 vacant positions could lead to greater use of OT. There was a greater use of OT this past year due to the vacancies created from the National Guard call ups.
- The Department believes that the Town will likely incur greater maintenance costs for its cruisers because of the delays in purchasing new vehicles.
- A lack of investment in the Department will likely impact other town services (e.g., there is no planned overtime for details at town events). In addition, the Department expects OT will be impacted by a likely increase of court duty once courts reopen and officers are required to appear for delayed trials, etc.
- The lack of crossing guards still remains an issue for the Town; now that the school is returning to fulltime in-person learning, this could put a strain on crossing guards and general traffic control.
- Due to likely increases in OT, there is expected to be a lower-than-normal turnback of Department operating funds in FY21.

Outlook for FY23

Fire

- Deferred capital outlays (e.g., replacement equipment) will need to be addressed in FY23.
- The Chief intends to prepare a SWOT (strengths, weaknesses, opportunities, threats) analysis and a benchmarking study (similar to what the Police Department prepared last year).
- Continued role in Civil Service system is under consideration

Police

- Deferred capital outlays (e.g., cruisers) will need to be addressed in FY23, as the Department will be 2 years behind its capital replacement schedule.
- The Department is exploring the purchase of body and dashboard cameras through grants or some form of emergency appropriation by the Town.
- Continued role in Civil Service system is under consideration

GENERAL GOVERNMENT

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

The FY21 budget numbers for the seven General Government departments are listed in the table below. The details about each department are included in the sections that follow.

	FY21 Budget	FY22 Budget	\$ Change	% Change	FY22 FTE	Change from FY21
Town Clerk	\$494,701	\$474,572	-\$20,129	-4.1%	4.5	0
Town Administration	\$975,806	\$1,047,195	\$71,389	7.3%	5.0	0
Human Resources	\$284,619	\$290,567	\$5,948	2.1%	2.75	0
Information Technology	\$1,037,448	\$1,105,172	\$67,724	6.5%	5.0	0
Town Accountant	\$399,718	\$408,564	\$8,846	2.2%	3.6	0
Town Treasurer	\$694,662	\$705,713	\$11,051	1.6%	7.5	0
Board of Assessors	\$417,586	\$420,410	\$2,824	0.7%	4.0	0

Town Clerk

The Town Clerk's Office has three main programs:

- Town Clerk maintains all official Town records, including, among others, birth, death and marriage certificates, and licenses. The office is also the point of contact for Town residents and others for information concerning the Town ethics and open public meeting law
- Elections and registration, including management of Town census, coordination with Board of Register of Voters and verifying residencies
- Legislative responsibilities for managing Town Meeting in coordination with elected Moderator, point of contact with Attorney General and other state agencies, and official communications with Town Meeting Members

The Town Clerk's Office was remarkably successful in pivoting to deal with the constraints imposed by the COVID-19 pandemic. Fortunately, the Office has recently shifted into a more online operation (for example, payment online for records). The proximity of the office itself near the front door of Town Hall allowed the Clerk's Office to deal with the public outdoors in such matters as marriage licenses and other personal interfaces with the public.

The work level of the Clerk's Office expanded greatly to manage its functions consistent with COVID-19 protocol. Securing approval and arranging the technology to implement two successful online Town Meetings were daunting tasks. The authorization of early voting and exponential growth in absentee voting put additional unexpected burdens on the Office staff.

The Clerk's Office was successful in securing an \$11,700 grant from the Center for Tech and Civic Life that helped to defray the cost of running elections during COVID, including some related to early voting. This grant is expected to reimburse many of the direct early voting costs, especially the early vote by mail. The office secured an additional \$1,000 grant to ensure ballot box security during the final week of the national election.

Among unforeseen expenses was \$3,800 for plexiglass shields on polling booths and 16 sanitizer stations. It is hoped that such direct expenses caused by the pandemic will be reimbursed under the CARES Act.

The Clerk's Office has continued digitizing public records with the use of CPA funds by engaging outsourced contractors, although Office personnel were required to provide oversight of the process.

The revised state law providing access to public records in the last few years has put a substantial burden on the Clerk's Office. Fortunately, since 2017, they have developed a computer-based system that has enabled it to timely process an average of 100 requests per month.

In the light of the additional burdens on the Office, the Clerk's Office has transferred the function of verifying resident's requirements requested back to the school department.

On the horizon is the acquisition of next generation voting machines, but this initiative is on hold in anticipation of changes in federal and state requirements for the security in such machines and paper ballots appear to be in Belmont's indefinite future.

Town Administration

The Town Administration department is responsible for general management of the Town and coordination of the departments, including fiscal and budgetary oversight, communication & public information, committees, and risk management. The Town Administrator is appointed by the Select Board, the executive branch of Town government, and the department supports all work of the Select Board. The Town Administrator also oversees and works with Town Counsel to manage the Town's legal services.

The Town's response to the COVID19 pandemic was swift and all-encompassing. Town buildings closed and, overnight, a plan was put together for employees to work from home. Safety protocols and accommodations were put in place for employees whose jobs required that they be on site. Efforts to keep the public safe and informed, while at the same time ensuring the continuous functioning of critical governmental functions, required an unprecedented level of rapid response and Town-wide coordination under very difficult working conditions.

To keep government functioning, the Town Administrator's department helped move all Town committee and board meetings – including Town Meeting – online, requiring close work with the state, all Town departments, and over 500 volunteer members of the boards and committees. The result was not just the

continuous operation of Town government – in addition, there has been a dramatic increase in public participation in all committee and board meetings, both large and small. The result has been a much more informed and engaged citizenry. Now, as things continue to open up, the department is working with our state legislators to determine how a hybrid solution could restore in-person meetings while retaining the remote component that enables more residents to participate.

Financially, the pandemic had a huge impact. Immediately, the FY21 budget (that was under final review) had to be reworked, in just a few weeks, due to anticipated losses of local revenue and state aid. At the same time, the Town Administrator instructed departments to track every expense that was related to pandemic mitigation in order to maximize reimbursements from the anticipated federal relief programs – a process that was well managed and generated a \$2,321,456 CARES Act grant allocation and approximately \$380,000 in FEMA reimbursement submissions that are still awaiting approval by FEMA. (In addition, we received \$2,628,229 in school-specific grant allocations managed through the school department.) The new recovery program – the American Rescue Plan Act – was recently signed and specific funding amounts and implementation guidelines have not yet been released.

During this time, the Town Administrator and Budget Director worked with the Financial Task Force II to continue development of a financial model that allows assumptions and scenarios to be analyzed for their impact on the town's financial forecast. Following two-years of model-creation and analysis, the FTF II created a three-year recommendation that included the use of reserves and an override, which was not supported by voters in the April 2021 Town election. Moving forward, the Town Administrator department will help lead the effort, with the Financial Task Force II, to adjust to significant fiscal uncertainties, update the financial model, and create a budget recommendation for FY23.

The failed override will impact the Town Administration department, as well all departments, as a result of the lack of a Procurement Manager. The procurement manager would bring significant expertise in procurement law, which changes frequently, to make sure purchasing in all departments meets all legal requirements and projects are shepherded through the process efficiently. Without the position, there will be additional legal fees and work will continue to be bottlenecked in the Accounting department, where procurement questions are now resolved.

When the Town Administrator began in Belmont in 2018, a new emphasis was placed on applying for grants, both small and large, to provide funding to supplement tax revenues. We have since received over \$1.2 million in grants for financial modeling, trees, technology, elections, design of the Alexander Ave underpass, economic development, mold mitigation, Lexington/Sycamore intersection improvements, security vestibules, ADA plan, and more. This work continues as a high priority, especially under current budget constraints.

The Town Administrator's work on major capital projects continues to be a priority. The renovated police station and DPW facility were both completed during the year. Design of the community path is underway, and the Town is working to secure the necessary easements for the project. The proposed public-private partnership for the development of a new ice rink was not successful, so discussions have begun to determine what happens next.

Three critical projects were initiated in the last year and will be a significant focus for FY22:

- The Website Renewal Committee is evaluating the needs of the public to access information and interact with Town departments in a process that will create a much-needed new Town website.
- The Structural Change Impact Group is creating recommendations for the Select Board to improve the delivery of Town services and find cost efficiencies. To date, the committee has received several hundred suggestions from residents and every suggestion is being evaluated.

- The Economic Development Committee is a permanent committee recommended by the temporary Belmont Business Study committee to expand Belmont's commercial sector, streamline processes for businesses, and attract funding for economic development. To this end, the Town has recently been approved for a consulting grant to identify opportunities for the Trapelo Road Corridor (Cushing through Waverley Squares).

Human Resources

The Human Resources Department is responsible for administering employee benefits for all Town and school employees, negotiating contracts and managing relations with seven unions and union employees, pay and position classification, and staff recruitment and retention.

When the pandemic shutdown began in March, the HR department worked closely with all departments and the unions to facilitate working from home for all jobs that could be done remotely and to create a safe environment for those employees who had to work in person (e.g. DPW). The department worked with employees and departments to implement (and adjust to rapidly changing) pandemic protocols; to manage the impact on health, family/medical leave, vacation, and other benefits; and to address numerous staff and staffing needs.

The HR department is working with the unions to negotiate all staff reductions resulting from budget cuts. In addition, the HR department and Town leadership is engaged in negotiations with all Town unions for the FY21 through FY23 contract years.

Information Technology

The Information Technology department manages the following responsibilities for all Town departments:

- Desktop Services
- Enterprise Resource Planning (ERP) System administration
- Geographical Information System (GIS) and Database Administration
- File Server and Communications Administration
- Technical Training

The IT department budget in FY22 is increasing by \$67,724, or 6.5%. This increase is attributable to rising costs of existing software licenses and network security systems.

During the past year, the Information Technology department has been a key element of the town's response to the COVID-19 pandemic. In addition to their usual work, the IT department implemented remote access for 100 town employees who worked from home, implemented and managed Zoom remote meeting technology for all committees and boards, and responded to an exponential rise in cyber attacks on the town network.

Cyber threats targeting government networks have risen 400% in the past year and the IT department devotes 80-90% of their time to cybersecurity. Those security efforts have to be multifaceted and these

include training for town staff to avoid email phishing attacks and sophisticated network security tools to detect unusual activity on the network.

The IT department handles all computer software and hardware needs in town departments. Desktop computers are replaced on a five-year schedule and software is upgraded as needed. That includes implementing new security protocols, such as multi factor authentication for all town staff. Because the integrity of the town computer network is so crucial and the risk of financial cost to the town is significant, the security work done by the IT department is absolutely essential.

Town Accountant

The Town Accounting Department has been operating in compliance with the Government Accounting Standards Board (GASB) standards and also by the Generally Accepted Accounting Principles (GAAP) as certified by an outside auditor.

The use of the upgraded MUNIS software paid dividends this year when the Covid-19 pandemic required that employees work away from the town offices. The department was able to continue the work needed without interruption, with employees working from home by using the cloud based software. Since March 1 the department has instituted an electronic ticket system that departments can access to reduce paperwork and speed up response times. In April, the department implemented existing Accounts Payable workflow within the accounting software to decrease paperwork. The department also plans on implementing contract manager tracking in the beginning FY22, an existing accounting software module that is not being utilized.

The Police Station and the DPW projects are winding down but the BMHS project continues to add to the workload for the Accounting Department.

The Budget Director from the Administrator's office has been the Acting Town Accountant for the past 5 months. The departments have found efficiencies by making some changes in the operation of the Accounting Department. The changes made have improved the connectivity to the Town Administrator and as a result, changes will be incorporated when a permanent Town Accountant is appointed. A new Town Accountant will be considered after completion of the review of the department and how it collaborates with the Town Administrator's office.

Requested add not included in budget: Request that the Capital Budget Committee approve funding for MUNIS Content Manager software for further efficiencies in storing, managing and retrieving data.

Town Treasurer

The Tax Collection rate for the Town of Belmont remains quite high at 99.503% for 2020, however there is a noticeable increase in taxpayers requesting payment terms for their real estate bills due to the current economy. Tax liens have also increased on real estate property but remain at a manageable level.

The Treasurer meets monthly with the Massachusetts School Building Authority (MSBA) for the Belmont Middle High School project to review the Cash Flow of the project to among other activities monitor the reimbursements that are due the town (total of a maximum of \$80.6 million) from the commonwealth.

The town is expecting a decline in parking receipts again this summer due to the closing of the parking spaces in Belmont Center for outside dining. However, the summer closing should help the restaurant businesses and hopefully increase the meals tax collections.

The Treasurer has completed most of the bonding needs of the town and does not expect a need for additional borrowing this year.

Due to the Covid-19 pandemic, the challenge this year will be even greater to maintain the tax collection rate while being helpful and respectful to the taxpayers.

Assessors' Office

The mission of the Assessors' Office is to list and value all real and personal property for purposes of taxation by the Town. The Assessors' office is responsible for accurately listing and valuing all real estate and personal property in Belmont, in accordance with state law and as certified by the Massachusetts Department of Revenue. It is also charged with the administration of tax exemptions, excise and real estate and personal property abatements, as well as inspections and changes in value due to structural additions and modifications. It operates under the oversight and direction of an elected Board of Assessors.

The new growth figure for FY22 is expected to be \$800,000. No large developments are expected to contribute to new growth this year, although there are some smaller projects coming on-line in Waverley Square. The Bradford in Cushing Square is now 90% on-line. Typical new growth figures are in the range of \$750,000 annually and are largely driven by residential additions or renovations. Since Prop. 2 ½ went into effect in 1982, the Assessors' Office has diligently captured new growth, which currently accounts for one-third of the Town's overall levy.

The Abatements and Exemptions reserve is now \$840,000, which is approximately 1% of the property tax revenue. (The Commonwealth would approve a range of 1-5%. Consistent performance by the Assessors' Office justifies a reserve at the low end of the range.) The reserve accounts for new growth valuations that might create additional abatement requests. It also accounts for property tax work-off programs provided to Belmont seniors.

The Department uses CAMA (computer assisted mass appraisal) software developed by J.F. Ryan, a company with which the Department has worked for over 30 years. Ryan's CAMA software is both state-of-the-art and user-friendly. In the past, there have been concerns about the company's small size and possible succession planning, but it is currently gaining market share. The Assessors' Office is in year two of a three-year software contract.

Increased assessments in recent years are attributable to limited supply and increased demand for entry-level, single-family homes. The state Department of Revenue audits Belmont appraisals to test for any deviation between assessed and market values and to ensure that deviations remain limited and consistent along the entire range of the market.

There has been an increase in abatement requests in recent years. (Abatement requests were due this year on February 1, 2021.)

<u>Year</u>	<u>Number of requests</u>
2019	200
2020	556
2021	408

FY22 Recommendations

Business property (both real and person) once accounted for approximately 10% of Belmont’s annual property tax receipts. Business property currently accounts for approximately 5% of annual property tax receipts. This differential is driven in part by the significant increase in residential property values, the ongoing development of residential housing units, and limited opportunities for commercial development. We encourage the Select Board to continue their focus on business-friendly policies and for the Planning Board to continue to consider appropriate commercial development. The Select Board may wish to convene a multi-constituency committee to consider the future of west Belmont, which contains Belmont’s only significant parcels of undeveloped land, including land owned by the Belmont Country Club, which is zoned for single-family residences.

Due to the overwhelmingly residential nature of the Town’s tax base and pursuant to the report issued by the Property Tax Working Group of the Warrant Committee of July 1, 2020, we do not recommend adopting a residential property tax exemption, as Belmont lacks a sufficient commercial tax base to result in a meaningful shift of the tax burden.

We recommend finding ways to better inform seniors of currently available property tax exemptions and the tax deferral program, particularly given the reduction in the interest rate on deferred taxes from 8% to 4.5% (as authorized by Town Meeting in 2018). We appreciate the ongoing efforts of the Board of Assessors to lobby the state to increase current exemption levels. It may be appropriate for Belmont to consider (a) filing a home-rule petition to allow further senior tax relief and (b) to coordinate with other municipalities to amend MGL Ch. 61B, which currently provides significant property tax exemptions to private golf clubs.

Finally, the Select Board may wish to convene a multi-constituency committee to consider PILOT (payments in lieu of taxes) by non-profits that own land in Town. The Assessors Office annually sends out written requests for PILOT, but payment is voluntary and generally not forthcoming. PILOT is unlikely to make a significant difference in the Town’s overall revenues, but it nonetheless represents a source of revenue the Town should capture if at all possible. The Town may also want to coordinate with other municipalities to seek state legislation that would require non-profits to contribute to essential town services.

HUMAN SERVICES

	FY22	change from FY21	% change	FY22 FTEs
Council on Aging	\$403,536	\$7,300	1.8%	5.6
Library	\$2,276,077	\$54,731	2.5%	24.5
Health	\$604,961	\$8,560	1.4%	5.5
Total Human Services	\$3,248,574	\$70,591	2.2%	35.6

Council on Aging

The Council on Aging has eight primary programs:

- *Transportation*: transportation for seniors and disabled persons for shopping, banking, medical trips, etc.
- *Social Services*: social evaluations for seniors, assistance with financial, social and safety needs
- *Nutrition*: provides meals funded through regional and state funded non-profits
- *Health and Wellness*: provides an array of fitness, aerobics, yoga, etc., and health education
- *Socialization*: provides recreational, educational, and arts programs
- *Volunteer Services*: recruits, screens and places volunteers to help the COA
- *Senior Trips*: organizes trips and outings for seniors and otherwise homebound, frail residents
- *Rental of Beech Street Facility*: coordinates all after-hour use at the Beech Street Center both for Town departments and committees and public outside renters

In anticipation of a successful override, the financial overview of the Council on Aging is depicted in the following table:

	FY21 Budget	FY22 Budget	\$ Change	% Change	FY22 FTE
Total Salaries	\$359,461	\$427,664	\$68,203	19.0%	6.6
Total Expenses	\$36,775	\$36,775	\$0	0%	
Grand Total	\$396,236	\$464,439	\$68,203	17.2%	

In light of the unsuccessful override, the Council on Aging will have a reduced budget. At the time of this writing, the final budget has not been settled upon, but “no override” planning indicates that the Council on Aging’s budget will be reduced by \$60,903 previously budgeted for the addition of a full-time social worker. Therefore, with the unsuccessful override, the Council on Aging’s FY22 budget will be as follows:

	FY21 Budget	FY22 Budget	\$ Change	% Change	FY22 FTE
Total Salaries	\$359,461	\$366,761	\$7,300	1.8%	5.6
Total Expenses	\$36,775	\$36,775	\$0	0%	
Grand Total	\$396,236	\$403,536	\$7,300	1.8%	

For approximately the last decade, the Council on Aging has made a compelling case each year for the need for an additional social worker. They presently share a social worker with the Department of Health. Particularly this year, Belmont's senior residents have been severely impacted by the COVID-19 pandemic and the need for social services is greater than ever. Nevertheless, with the unsuccessful override vote, it is unlikely the additional social worker will be provided.

The Council on Aging has done a remarkable job of continuing to provide services to Belmont's seniors given the constraints of the COVID-19 protocol and particularly the closing of the Beech Street Center. Presently, the staff is alternating between working from home and coming into the office.

The previous year, Springwell sponsored luncheon has been replaced by "grab and go" lunches with a curbside pickup, as well as delivery of meals to homebound seniors. An added breakfast two times per week, funded by the use of a state grant, has been instituted. Food insecurities have been addressed by delivery of donated fresh produce and other goods.

In April of 2020 and February of 2021, the COA called every senior over age 75 to assess their needs and follow-up with well-being checks. Other new services included providing them masks as requested, assistance with vaccination appointments as well as on-site assistance at the local vaccination clinics. The COA established a robocall system for updates and notifications to the senior community and announcements of programs targeted to older adults.

Online programs were instituted, including exercise programs and yoga by Zoom, televised programs on computer literacy helped in a variety of ways to make seniors more comfortable with technology. The Town's IT Department provided refurbished computers to the seniors to take home to use and a grant was awarded for special iPads that were senior friendly.

All of the forgoing services have been provided without the use of approximately 100 volunteers which the COA relies upon for its functions. The COA is presently conducting a survey to determine when the volunteers will be comfortable to return and what can be done to assist them to comfortably come back into the office.

The launch of a pre-pandemic volunteer drivers' program was interrupted by compliance with the COVID-19 protocol, but hopefully as we approach near normal, it will be reinstituted. Similarly, the action plan to implement Belmont's designation last year as an age-friendly community has been delayed but is now being finalized.

As in the past, the modest budget of the COA has been augmented by approximately \$550,000 by outside funds that include state grants, small private grants, the value of the lunch program as provided by Springwell, the value of volunteer labor, donations by the friends of COA and corporate-sponsored programs.

Library Budget Overview

<u>FY22</u>	<u>Change from FY21</u>	<u>% Change</u>	<u>FTEs</u>
\$ 2,226,077	\$54,731	2.5%	24.5

Budget by Program

The Library has four main program areas: Public Services, which includes Circulation, Adult/Reference, Young Adult and Children's Services, all directly serving patrons; and three areas supporting those services, Technology and Technical Services, Plant Operations and Administration.

Program	Budget \$	Budget%
Public Services	\$1,422,031	62.5%
Technology and Technical Services	\$363,728	16%
Plant Operations	\$292,213	12.8%
Administration	\$198,123	8.7%
Total	\$2,276,077	100%

Successes

In FY19, the last year of full opening, the Library ranked 10th in the Commonwealth with circulation of 648,000 materials, the highest in the Library's history. With the advent of COVID and closings things changed. In FY21 the Library saw a year over year drop of 1.5% in its budget, participating in hiring and spending freezes and returning money to the town to help with the budget challenges. With the building closed the staff did an outstanding job to pivot and keep programs and services accessible, including parking lot pick-up of materials, distributing "care packages" of books to residents, fielding questions and providing personalized recommendations for patrons remotely, and offering online programming. Work moved forward to install plexiglass and air filters and distribute PPE, so that the building could begin to open, giving residents access to computers, copiers and other equipment, among other things. The Library was among the first 10% of libraries to open its doors, and the first open public building in Belmont.

Challenges

The Library faces three main challenges:

1. With a very constrained budget in FY22, the Library will have reduced hours, with few and possibly no Sunday openings and earlier evening closings. The book budget will increase only .7%, limiting the purchase of new print and digital material for circulation. The Library is trying to keep up with rising demand for electronic offerings which are generally more expensive than print material. There will be no cushion in the budget for plant operations and maintenance, limiting ability to respond to emergencies and invest in energy conservation measures.
2. The FY22 budget will be less than 1% above the Municipal Appropriation Requirement (MAR) set by the MA Board of Library Commissioners for state certification and membership in the Minuteman Library Network. Loss of accreditation, and the possibility of network membership, would mean loss of interlibrary loans and reciprocal borrowing privileges, where Belmont has

been a net borrower, loss of free use of libraries in other towns for Belmont patrons, and being ineligible for any grants or state aid. This could be a serious risk in FY23.

3. The Library building continues to age and its infrastructure systems – HVAC, plumbing, electrical, the elevator and building envelope – continue to experience failures. The Town now has a schematic design for a new Library on the current site, produced by the work of the Library Building Committee with an architect and owner’s project manager. This project is on hold until the town can fund it. In the meantime, it will be a constant challenge and drain on the town’s capital resources to make necessary investments to ensure the building remains a safe, efficient space for patrons and staff. The needs will continue to grow, with continued awareness that any improvements may have a limited useful life.

Health Department

Budget Overview

FY22	\$ change from prior year	% change from prior year	FY22 FTEs
\$604,961	\$8,560	1.4%	5.5

Budget by Program

The Health Department’s largest shares of time and budget are allocated to youth, family, and veterans services, together with environmental health (67.9%), while administration, animal control and disease control comprise the rest of the department’s activity.

Program	Budget \$	Budget %
Animal Care & Control	\$58,002	11.8%
Environmental Health	\$185,808	33.8%
Youth & Family/Veterans	\$222,481	34.1%
Disease Control	\$71,439	6.7%
Administration	\$67,232	13.6%
Total	\$604,961	100%

In FY21 the COVID-19 pandemic put enormous demands on the Health Department to develop and implement the Town and School response to the pandemic and conduct testing, contact tracing, and some vaccination clinics. The Department provided regular and timely information to the Town about COVID and the Town and State responses. The Department has no full-time Public Health Nurse but contracts for 14 hours per week from the Town of Lexington Public Health Nurse. To meet its expanded role, all Department staff including the Animal Control Officer and Veterans Service Officer worked on pandemic services. The Youth and Family Services Coordinator experienced increased demand for social services to residents struggling with food insecurity, housing expenses and needing personal services. These needs are likely to increase.

The Department received a \$22,000 state grant and an \$80,000 federal grant to augment personnel. As a result, the department brought back its part-time summer environmental health intern as a full-time employee and added three part-time trainees. Nevertheless, full-time staff members regularly worked 70 to 80 hours per week throughout the fiscal year.

COVID response consumed most of the Department's staffing resources and severely limited its ability to carry out its traditional responsibilities to enforce minimum sanitary standards for retail food sales and rental housing, investigate nuisance complaints and inspect swimming pools and summer camps. Nevertheless, the Department's accomplishments included welcoming a new Youth Coordinator, leading trainings for food service workers, and the Veterans Services Officer provided support for Memorial Day and Veterans Day observances and a National Purple Heart Day observance.

In FY22 demands on the Health Department will remain high, to continue planning for reopening of Belmont Schools and businesses at higher capacity, increasing local need for COVID testing, tracing and vaccination. The small budget for this Department's Disease Control program is likely to result in continued unpaid overtime. The FY22 budget for Human Services as a whole omits funding for a licensed Social Worker planned for the Council on Aging, which would have provided cross-departmental services with the Health Department to address the increased need to address food insecurity, housing, and support for homebound residents.

EDUCATION

Budget Overview

	FY 22	\$ Change from FY 21	% Change	FY 22 FTEs	Change from FY 21
General Fund Budget	\$66,205,558	\$4,719,917	7.68%	536.71	21.22
Total Budget (All Sources)	\$73,102,900	\$1,817,466	2.55%	571.66	0.69

A. FY21 Recap

Of all the Town departments, the Belmont Public Schools were arguably the most directly affected in FY20 by COVID, and they continue to be severely affected well into FY21. In the spring of 2020 (FY20), the Belmont public schools transitioned to remote learning and all students continued their education online through remote learning for the remainder of the 2019-20 school year. This continued through FY21, albeit with the introduction of a hybrid mix of in-person and remote learning for families that selected that option, beginning in late October 2020 for the elementary schools and the middle school and beginning in the middle of December of 2020 for the high school. Full in-person learning resumed for a high proportion of all students in April 2021. For the remainder of the 2020-21 school year, the Belmont Public Schools will continue to offer a fully remote model provided by Belmont educators for students from families that prefer that option.

Enrollment

As discussed more fully later in this report, there was a loss of 262 students systemwide (a decline of 5.7% from last year) for the current academic year. The decline is mostly attributable to elementary school enrollment (down 9.5%) contrasted with a decline of a total of just nine high school students. Now that the Belmont schools have returned to in-person learning, the following percentages of students were participating in in-person instead of remote learning as of April 2021:

- 90% of elementary school students
- 86% of middle school students
- 69% of high school students

COVID Grant Funding

Since July 2020, the School Department has received \$1,773,311 in one-time federal and state grants to support the increased needs in FY21 driven by the pandemic.

Grant Name	Amount	Funding Source	Expended in FY21	Available for Use in FY22
CVRF ('225")	\$1,043,000	Federal	\$1,043,000	Not Allowed
ESSER I	\$127,474	Federal	\$127,474	Not Allowed
SCPF	\$146,863	State	\$146,863	Not Allowed
ESSER II	\$456,001	Federal	\$0	\$456,001
ESSER III	\$1,000,000 (est.)	Federal	Not Allowed	\$1,000,000 (est.)
ARP	TBD	Federal	Not Allowed	TBD

ESSER II grant funding, which is legally authorized for use in either FY21 or FY22, will be used in FY22 in combination with ESSER III funds, currently estimated at \$1 million. That provides the School Department with an estimated total of \$1.465 million to be used for COVID relief expenses in FY22. Additionally, the School Department will benefit to some extent from the American Rescue Plan (ARP) in

FY22, though the Town is currently awaiting additional guidance and specific plans have yet to be determined.

COVID-related grant expenditures are legally limited to new expenditures that address COVID-related needs. The funding cannot be used for recurring expenses or be repurposed for other budgetary shortfalls.

Grant-funded expenditures cover COVID-related expenses such as personal protective equipment (PPE), air purifiers, technology devices, supplies and materials, surveillance testing, and an additional nurse (0.4 FTE) for the remainder of the 20-21 academic year. Forty-six educators (Units A & D) were hired for one year to assist with COVID-related school changes. All 46 have recently been notified that their assignments will be ending, and 22 of the 46 will be returning to their pre-COVID positions in the 2021-2022 academic year.

COVID grants are also expected to cover summer school and an Academic Recovery Camp. The coming summer will be critical for student transition back to an anticipated fully in-person school year in the fall.

Financial Results through the Third Quarter of FY21

FY21 third-quarter General Fund financial results currently show a projected year-end net positive variance of \$250,000 in the School Department budget. The potential surplus reflects aggressive use of federal COVID funds to support the district, turnover savings in staffing, and lower expenditures for supplies during the remote and hybrid portions of the school year. However, this positive variance includes negative variances of approximately \$1.3 million in expenditures that potentially could be at least partly charged to non-General Fund sources. These negative variances include \$683,000 in district wide COVID-related expenditures and \$640,000 in special education out-of-district (OOD) tuitions beyond the amounts that were originally budgeted to be charged to the General Fund. If those costs were charged to outside sources by year end, there could be a positive variance of up to \$1.5 million that would flow to the town's Free Cash account for use in upcoming years. The School Department has indicated that these negative variances are point-in-time estimates and that they are supportive of using all available federal and state COVID relief funds to minimize the impact of COVID-related costs to the General Fund. They have also indicated that the final mix of utilizing General Fund dollars versus reserve funds to cover higher out-of-district tuitions has not been determined at this point. (See the recommendations at the end of this chapter for more information on these topics.)

B. FY22 Budget Summary

As shown in the table at the top of the first page of this chapter, the total FY22 School Department General Fund budget is \$66,205,558, an increase of \$4,719,917 (or 7.68%) from FY21. The total FY22 School Department budget from all sources is \$73,102,900, an increase of 2.55% from FY21.

About half of the increase in the FY22 General Fund budget is attributable to two shifts in the allocation of expenditures in FY22 from other revenue sources to the General Fund. The other half of the year-over-year increase is due to the built-in step-and-lane contractual increases in salaries for existing staff. The specific details of these changes are outlined below:

- To help balance the FY21 budget, the General Fund contribution toward out-of-district special education tuitions was reduced by \$1.3 million from the prior year, and the School Department relied more heavily on grants than in prior years to fund these tuitions. At the time, this was

explicitly recognized as an unsustainable reduction in the General Fund's contribution toward special education costs. The FY22 budget restores the General Fund's planned expenditures toward these costs to be in line with historical levels of funding.

- In FY21, the School Committee and School Department converted kindergarten to a full-day program. Belmont kindergarten had previously been a half-day program with a fee-based full-day option. This change results in a shift of approximately \$1.1 million from the kindergarten revolving account to the General Fund in FY22. The decision to eliminate fee-based kindergarten was made based on guidance from the state that the increased General Fund costs would be offset by an increase in Chapter 70 state aid to Belmont. However, as discussed more fully below, that anticipated aid has not materialized.
- Increases in compensation account for about half of the increase in the FY22 General Fund budget. This reflects the contracted step-and-lane salary increases for existing staff. These increases average about 4%, partly offset by the planned layoffs of 5.83 FTEs.

1. General Fund Budget

The table below shows a summary of the FY22 General Fund budget that Town Meeting is being asked to approve, broken out by the major budget categories and compared to the FY21 budget.

General Fund Budget by Program Category

Program Category	Budget \$			FTEs	
	FY21	FY22	% chg.	FY21	FY22
Regular Instruction ¹	\$23,684,458	\$25,044,084	5.7%	257.37	273.41
Special Instruction ²	\$15,310,930	\$17,908,800	17.0%	141.45	145.06
Student & Instructional Services ³	\$7,253,809	\$7,250,102	(0.1%)	52.90	53.04
Operations ⁴	\$1,153,526	\$1,192,034	3.3%	19.30	20.30
Leadership & Administration ⁵	\$3,859,099	\$3,835,601	(0.6%)	44.46	44.90
Contract Allowances & Benefits ⁶	\$10,223,819	\$10,974,937	7.3%	0.0	0.0
TOTAL	\$61,485,641	\$66,205,558	7.7%	515.49	536.71

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, as well as an allowance for future union contract increases.

The following is a summary-level synopsis by program category of the proposed 7.7% increase to the General Fund budget:

- Overall, the Regular Instruction and Special Instruction budget categories represent 65% of the total FY22 General Fund budget. Collectively, these two categories are increasing by \$3,993,496 (10.3%) from FY21, accounting for over 85% of the total FY22 General Fund budget increase. The increases in these two budget categories are primarily driven by the three changes described above: the step-and-lane salary increases for teachers and aides, the \$1.3 million restoration of the General Fund contribution toward special education out-of-district tuitions, and the \$1.1 million transfer of full-day kindergarten expenses to the General Fund from the revolving fund as a result of the elimination of user fees for this program.

- The Regular Instruction and Special Instruction budget categories also account for 19.65 of the 21.22 FTEs being added to the General Fund budget in FY22. A total of 22.52 FTEs that were previously paid out of the revolving funds have been added to the General Fund budget as a result of the conversion of the kindergarten program to a full-day program. This increase in FTEs is partially offset by the elimination of 5.83 FTE classroom positions in FY22, which was done to meet the School Department's FY22 General Fund budget target. These eliminated positions consist of two elementary school teachers, two kindergarten teachers, and 1.83 FTE kindergarten assistants.
- Contract Allowances & Benefits represents about 17% of the General Fund budget and accounts for \$751,118 of the FY22 budget increase. The 7.3% year-over-year increase in this account is primarily attributable to a modest 3% increase in Town-wide health insurance costs for existing employees, as well as an allowance for potential COLA salary increases that may be required as part of the Department's upcoming negotiations with the unions on expiring labor contracts.

Although not a direct part of the School Department budget, the town receives Chapter 70 aid from the state to offset educational expenses. Included in the School Department's General Fund appropriation of \$66,205,558 is \$9,891,949 of projected Chapter 70 state aid. This means that Chapter 70 state aid is anticipated to indirectly cover 14.9% of the FY22 General Fund budget. In FY22, Belmont's Chapter 70 aid allocation is expected to increase by only \$136,020, or 1.4%, well below the 7.7% rate of increase in the General Fund budget expenses.

2. Grants and Revolving Funds

In addition to the General Fund appropriation, the School Department relies on various outside funding sources, such as grants and revolving accounts, to cover its overall operations. As shown in the table below, these additional sources of revenue total \$6,897,342 in FY22 and represent 9.4% of the Department's overall FY22 operating budget. These funds are not part of the budget being voted on by Town Meeting. However, it still is important for Town Meeting members to understand these additional sources of revenue, because they fund essential departmental expenses – particularly special education and student activities.

Grants and Revolving Funds

Program Category	Budget \$			Grant & Revolving Fund Changes from FY21	
	Total FY22 Budget	Grants & Revolving Funds	% Grants & Revolving	\$	%
Regular Instruction	\$25,418,133	\$374,049	1.5%	(\$1,066,187)	(74.0%)
Special Instruction	\$20,943,412	\$3,034,612	14.5%	(\$1,911,964)	(38.7%)
Student & Instructional Services	\$10,530,133	\$3,280,031	31.2%	\$142,125	4.5%
Operations	\$1,371,866	\$179,832	13.1%	(\$67,498)	(27.3%)
Leadership & Administration	\$3,864,419	\$28,818	0.8%	\$1,073	3.9%
Allowances & Benefits	\$10,974,937	--	--	--	--
TOTAL	\$73,102,900	\$6,897,342	9.4%	(\$2,902,451)	(29.6%)

Overall, the amount of grants and revolving funds being used to cover the School Department's total operating budget is projected to decrease by \$2,902,451, or 29.6%, in FY22. Below are some key highlights of the Department's anticipated utilization of these outside revenue sources in FY22 that describe the sources of this decrease.

Special Instruction: The Department expects to utilize various federal and state grants to cover \$3,034,612 of special education expenses in FY22. These grants represent almost 45% of all the outside revenue sources projected to be used in the FY22 School Department operating budget. As shown in the table above, these grants cover about 15% of the department's total special education expenses and the projected utilization of these outside revenues in FY22 is anticipated to decline by \$1.9 million, or almost 40%. Much of this decline is due to the previously mentioned fact that, to help fill a budget gap in the town's finances in FY21, the FY21 School Department budget relied on accumulated special education reserves to an extent that was unsustainable. The FY22 budget restores the General Fund's contribution toward special education expenses to a more typical percentage. For more details on how these various revenue sources are expected to be used, see the "Special Departmental Topics and Budget Drivers" section later in this chapter.

Student and Instructional Services: Just under half of the Department's total outside revenues go toward Student & Instructional Services expenses. The vast majority of these revenues are covered by revolving accounts, in which user fees are used to cover athletics and other after-school activities, bus transportation fees, and school lunches. The Department is projecting to increase its reliance on these revolving account funds by about \$142,000 in FY22. This increased reliance on revolving funds is made possible by tapping into the accumulated reserves in the various accounts, instead of increasing the user fees being charged. More than half of the increased use of revolving account funds in FY22 is due to the spending of \$100,000 of accumulated reserves in the Pre-K tuition account to relieve pressure on the General Fund budget. The School Department and School Committee have opted to keep the user fee schedules unchanged out of a concern that Belmont's fees for these services are already higher than most surrounding communities.

Regular Instruction: The use of outside funds to cover Regular Instruction expenses is down almost \$1.1 million, or 74%, primarily due to the previously-discussed decision by the School Committee and School Department to eliminate fees for full-day kindergarten.

3. Impact of Proposed FY22 Budget on Department Operations

- As previously noted, the FY22 School Department budget includes the layoffs of 5.83 current FTEs, comprised of two elementary school teachers, two kindergarten teachers, and 1.83 FTE kindergarten aides. These reductions follow a year in which there were no budgeted increases in staff due to budget cuts. Despite that, the Department is able to add three new administrative positions that it views as critical – a director of diversity and two special education chairs at the elementary school level. These special education chairs will provide crucial administrative support that currently falls to teachers. One of these two positions is being funded through the repurposing of the Town's federal IDEA grant allocation.
- The Department had originally been planning to also add another 8.6 FTEs in FY22 had the April 2021 override passed. These additional staff members would have included four middle school teachers to alleviate large class sizes in Grades 7 and 8, two FTE high school teachers to address increased enrollment at that level, a technology specialist to help maintain the district's growing investment in electronic devices and technological tools, and a 0.6 FTE communications position. None of these positions are being added in the FY22 budget.

- The FY22 budget includes the elimination of a half-dozen after-school activities at the middle and high school levels. It also includes reductions in the athletic department budget for supplies, uniforms, equipment, and preseason scrimmages, but avoids eliminating any sports at either the high school or middle school levels.
- The FY22 budget includes a cut of about \$200,000 to the various text, supplies, materials, and equipment accounts at all three levels.

4. Budget Risks in FY22

- COVID-Related Expenses: The FY22 budget does not include any funds explicitly for COVID-related expenses. As noted in the earlier “FY21 Recap” section, the School Department still has remaining federal COVID relief funds available to spend in FY22. However, the School Department is concerned that those funds may not be adequate to cover additional COVID-related expenses that are not included in the FY22 departmental budget. Such expenses might include not only direct COVID-related expenses like Personal Protective Equipment (PPE), but also indirect expenses such as academic recovery programming and increased social and emotional support to help offset the impact of a year of remote and hybrid learning on the student population. Moreover, while the majority of students are expected to participate in in-person learning in the 2021-2022 school year, the FY22 budget does not include any contingency funds to support remote learning should the department also be required to support remote learning for some percentage of the student population. It is currently unclear to what extent the state Department of Elementary and Secondary Education (DESE) will mandate that school districts provide such additional services, who will be eligible to receive those services, and what those services will look like.
- Total Enrollment: As discussed more fully later in the “Special Departmental Topics and Budget Drivers” section, total district-wide enrollment in FY21 declined by 262 students (5.65%) as parents sought alternatives to remote learning. (Almost two-thirds of this decline was at the elementary level, particularly in kindergarten.) The FY22 budget is generally based on the assumption that enrollment will largely return to pre-pandemic levels. Predicting overall enrollment, as well as the distribution across grades and schools, is particularly difficult at this time due to a number of factors. These factors include the number of students who will return to the Belmont schools, the status of staff and student vaccinations, the impact of new COVID variants, and budgetary cuts to existing staff and extracurricular activities. In addition, lower real estate turnover within the Town – which has helped drive enrollment increases in the past – could also impact the overall enrollment picture. To the extent that enrollment is lower than expected, the School Department may be able to adjust staffing needs and recalibrate other expenditures. To the extent enrollment is higher, the current FY22 budget will likely face additional pressure.
- SPED Enrollment: In contrast to the slight decline in overall enrollment in FY21, there has been a notable uptick in SPED students over the course of the pandemic, and there is a concern that this number will increase more than usual once full in-person school reentry occurs. Between October 1, 2019 and 2020, the number of SPED students increased by 27 — equal to the increase in the prior two years. To the extent that additional mandated services accompany this increase, this could adversely affect the SPED FY22 budget. Moreover, as of April 1, 2021, the number of FY21 out-of-

district placements had increased by nine (9.5%) from FY 20. To the extent these students remain out-of-district in FY22, overall OOD tuition expenses could exceed the FY22 budgeted numbers. After they prepared the budget, the School Department revised its OOD tuition expense projections for both FY21 and FY22 and is now anticipating higher OOD tuition expenses in both years. That, in turn, results in lower projected “carry-forward” reserve balances at both the beginning and end of FY22. (Current reserves should be sufficient to cover any excess tuition expenses in FY22 but could leave reserves underfunded in FY23.)

- Union Contracts: Labor contracts were negotiated in FY21, but only for one year. Consequently, those contracts are again under negotiation. The outcome of those negotiations is unknown and may differ from the assumptions that are incorporated into the FY22 budget.
- Chapter 70 Aid: While admittedly not a direct line item in the School Department budget per se, a reduction in Belmont’s Chapter 70 state aid allocation from the \$9,891,949 currently in the town’s overall revenue forecast would put even further pressure on the School Department to make additional budgetary cuts beyond those that are currently contained in the FY22 budget.

C. Special Departmental Topics and Budget Drivers

1. Changes in Enrollment

A consistent trend over the past ten years has been the steady growth in enrollment in the Belmont Public Schools. In the 11 years between 2008 and 2019, total enrollment grew by 843 students (22.2%), from 3,791 to 4,634. This trend has been a significant cost driver in the Belmont budget, as more teachers are required to teach these new students.

However, during the past year, total enrollment has declined. This decline is a result of the COVID pandemic, during which some parents transferred their children from public schools to alternative arrangements, such as private schools or home schooling. Our neighboring peer communities have experienced comparable drops in public school enrollment in the past year. For example, Arlington, Lexington, and Winchester experienced declines of between 3.9% and 4.8%.

In total, Belmont enrollment declined by 262 students (5.7%), from a total of 4,634 last year to 4,372 this year. This decline was greatest in the elementary schools, which experienced a 9.5% (174 students) drop in enrollment. Enrollment at the middle school declined by 5.3% (79 students) and the high school declined by 0.7% (9 students). Of all grades, kindergarten experienced the steepest decline -- 96 students, or 37% of the total K-12 decline.

The table below shows the elementary, middle, and high school enrollment figures over the past ten years.

10-Year Enrollment Growth by Grade Cohort

Year	Grade K-4	Grade 5-8	Grade 9-12	Total K-12	Change from Prior Year
FY21	1,653	1,410	1,309	4,372	(262)
FY20	1,827	1,489	1,318	4,634	73
FY19	1,825	1,428	1,308	4,561	34
FY18	1,812	1,421	1,294	4,527	122
FY17	1,784	1,357	1,264	4,405	104
FY16	1,733	1,323	1,245	4,301	81
FY15	1,699	1,285	1,236	4,220	83
FY14	1,686	1,268	1,183	4,137	143
FY13	1,634	1,240	1,120	3,994	99
FY12	1,601	1,211	1,083	3,895	29
FY11	1,558	1,204	1,104	3,866	(37)
<hr/>					
5-Yr. Change					
#	(80)	87	64	71	
%	(4.6%)	6.6%	5.1%	1.7%	
<hr/>					
10-Yr. Change					
#	95	206	205	506	
%	6.1%	17.1%	18.6%	13.1%	

Enrollment is measured as of October 1st of each Fiscal Year.
Source: MA DESE Enrollment by Grade Reports

Before the pandemic, the expectation was that enrollment in the Belmont Public Schools would continue to increase year to year for most of the next decade. If, as seems likely, the enrollment decline this year was a response to COVID, we should see a significant increase in enrollment in the 2021-2022 school year. The FY22 budget is based on that expectation. Because steady increases in enrollment have been a major cost driver in the school budget, a key element of future planning for the school budget will be monitoring public school enrollment and adjusting staffing accordingly.

Another facet of school enrollment are the numbers of students who are in three categories:

- English language learners (ELL) – students whose first language is not English and who are unable to perform ordinary classroom work in English.
- Special education (SPED) – students who have some type of disability that affects their ability to make effective educational progress and requires special education services through an Individualized Education Program (IEP).
- Out-of-district special education (OOD) – students who are enrolled in facilities outside of Belmont because the district cannot meet these students' needs internally.

As shown in the table below, ELL and SPED enrollment has grown faster than overall enrollment over the past five years, as indicated by the rising percentage of students in these two cohorts. These increases affect the budget over time, because the state mandates a higher level of services (and therefore

additional staff) than is required for regular education. The costs of providing educational services for SPED and OOD students and how those costs are managed are described in the next section.

Special Education and English Language Learner Enrollment

	English Language Learners		Special Education Students		Out-of-District SPED Students	
	#	%	#	%	#	%
FY21	347	7.9%	540	12.0%	96	17.8%
FY20	385	8.3%	513	10.7%	95	18.5%
FY19	361	7.8%	498	10.6%	93	18.7%
FY18	336	7.3%	486	10.4%	107	22.0%
FY17	279	6.2%	458	10.0%	104	22.7%
FY16	257	5.9%	444	10.0%	98	22.0%
FY15	225	5.3%	405	9.3%	93	22.1%
FY14	173	4.1%	394	9.2%	83	23.0%
FY13	105	2.6%	391	9.5%	80	20.5%
FY12	106	2.7%	397	9.9%	N/A	N/A
FY11	107	2.7%	398	10.0%	N/A	N/A
<hr/>						
5-Yr. Change						
#	90		96		(2)	
%	35%		22%		(2%)	
<hr/>						
10-Yr. Change						
#	240		142		16	
%	224%		36%		20%	

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

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

2. Special Education Costs and Funding Sources

Special Education (SPED) Costs and Out-of-District (OOD) Tuitions

Special Education (SPED) expenditures include all SPED teachers, aides, occupational therapists, tutors, and contracted and other services for over 500 students with a wide variety of individual learning, behavioral, physical, developmental, social and emotional, and other specialized educational needs. The SPED budget includes mandated SPED transportation and out-of-district (OOD) tuitions. For FY22, SPED expenditures being covered by the General Fund budget are projected at \$16,062,339, which is 24.3% of the overall School Department General Fund budget. The SPED budget is increasing in FY22 by 18.4% over FY21, reflecting a restoration of the General Fund portion of OOD tuitions after a year in which the district relied more heavily on OOD reserves to fund tuitions (see below). In FY22, the portion of SPED expenditures not related to OOD tuitions is budgeted to grow by 4.1%, reflecting continued growth of the SPED cohort and the higher teacher-to-student ratio required (and mandated) to meet student needs.

OOD tuitions are mandated for students whose needs cannot be adequately served in the Belmont school system. Total OOD tuitions in FY22 are projected to increase by \$75,227 over the FY21 budget. However, the portion of those tuitions covered by the General Fund budget is projected to increase by \$2,094,461 in FY22, representing almost 85% of the overall SPED increase in the General Fund budget. During FY21, General Fund OOD expenditures were reduced by \$1.3 million and the School Department used reserve funds from the state Circuit Breaker, federal IDEA grants, and other reserves to fund a larger portion of OOD tuitions than usual. In FY22, the School Department returns to its prior practice of allocating a higher portion of tuitions to the General Fund budget in order to preserve the current remaining reserves for unanticipated OOD tuition needs.

OOD tuition expenditures are highly variable and unpredictable from year to year, because the district cannot always anticipate the number of students in this cohort or the level of services needed. At the same time, external funding sources vary from year to year and not necessarily in tandem with placements. OOD schools include LABBB (a five-town collaborative school for students with disabilities, of which Belmont is a member) and other collaborative schools as well as private schools that provide expanded and specific services. The cost varies by student, depending on the type of placement and the individual's needs. Tuitions are funded by the General Fund, by LABBB credits issued by the consortium to reflect cost savings realized in the prior year compared to what the member towns were assessed, and by annual federal and state grants that are designed to offset increases in OOD tuition expenses that might otherwise overwhelm a school budget. The largest external funding source is the state Circuit Breaker that reimburses the district for a portion of prior year OOD tuitions. The specific reimbursement amount varies based on the number and amount of prior year tuitions, the amount of total statewide district claims, and the absolute dollar amount appropriated by the state to the Circuit Breaker account. There is a one-year lag in the reimbursement, after which school districts have two years to spend these funds for allowable OOD expenses. IDEA funds, federal grants allocated through the state for students with disabilities, are also a significant source of external OOD tuition funding.

The following chart shows the breakdown of tuition by type of school and the funding sources for the district. The chart illustrates the FY21 dip in tuition charges that are projected to be funded by the General Fund and the impact of restoring the General Fund budget for tuitions in FY22. Please note that the FY21 and FY22 numbers in these charts are from draft budgets prepared in anticipation of additional funding. These numbers will change if tuitions exceed budgeted amounts, the School Department and School Committee opt to charge additional OOD tuitions to the budget in FY21, and/or reserves are used in FY22 to mitigate the impact of budget and FTE reductions in the General Fund budget.

Tuition by Type of Placement and by Funding Sources

	Actual FY19	Budget FY20	Actual FY20	Budget FY21	Budget FY22
Tuition by Type of Placement					
LABBB and other Collaboratives	\$3,591,364	\$4,114,556	\$3,483,461	\$3,658,407	\$3,914,496
Private Placements	\$3,687,217	\$4,568,336	\$4,213,653	\$4,634,461	\$4,434,227
Out-of-State	\$239,801	\$258,630	\$144,000	\$276,735	\$296,105
Total Tuitions	\$7,518,382	\$8,941,522	\$7,841,114	\$8,569,603	\$8,644,828
Funding Sources:					
General Fund	\$5,113,095	\$5,266,487	\$4,593,597	\$3,935,141	\$6,029,602
Circuit Breaker Grants	\$1,314,789	\$2,329,816	\$1,847,064	\$2,735,873	\$1,552,280
IDEA Grants	\$808,340	\$1,016,032	\$623,137	\$1,225,696	\$1,062,946
LABBB tuition credits	\$282,158	\$329,186	\$777,316	--	--
SPED Reserve	--	--	--	\$672,891	--
Total Funding Sources	\$7,518,382	\$8,941,521	\$7,841,114	\$8,569,601	\$8,644,828
General Fund as a % of Total OOD Tuitions	68.0%	58.9%	58.6%	45.9%	69.7%

Note: The components of FY21 funding differ from the FY21 budget book due to an accounting change subsequent to the issuance of the budget.

Prior to the 2015 override, actual OOD tuitions often grew at a faster rate than budgeted in the General Fund, necessitating a freeze of regular education general fund expenditures or, in some years, an appropriation of additional Town funds to cover unanticipated increase in OOD students and tuitions. The 2015 override addressed this problem by providing an increase to the baseline General Fund tuition line of over 20%, which allowed budgeted tuitions to grow faster than the overall budget. Over time, the School Department was able to build carryover reserves. These reserves include unused and unencumbered Circuit Breaker and IDEA funds, LABBB credits, the General Fund SPED reserve, and other SPED stabilization funds. The cumulative reserves provide a hedge against unpredictable and unbudgeted increases in OOD tuition expenditures.

In FY19, the number of out-of-district students dropped from 107 to 93 and stayed relatively flat in FY20. Actual tuitions were significantly below budget in both years. This, combined with an inflow of higher grant receipts from prior year OOD placements and unbudgeted LABBB credits, resulted in substantial reserves of \$3.1 million by the end of FY20, as shown below. In FY21, the School Department budgeted \$1.3 million less in General Fund tuitions and is expected to use more reserves, resulting in lower "carry-forward" reserve amounts at the end FY21. The current estimate for end-of-year FY22 reserves is \$1.7 million, not including any LABBB credits that may be issued and used in FY22.

Overview of OOD Tuitions and Reserves

	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Budget	FY22 Budget
Total OOD Students (as of October 1 st)	93	98	104	107	93	96	95 ²	N/A
Budgeted Tuitions ¹	\$5,267,232	\$5,909,232	\$7,058,892	\$7,340,434	\$8,145,841	\$8,941,522	\$8,569,601	\$8,644,828
Actual Tuitions ¹	<u>\$5,936,648</u>	<u>\$6,516,480</u>	<u>\$6,874,827</u>	<u>\$7,545,010</u>	<u>\$7,518,382</u>	<u>\$7,841,114</u>	<u>N/A</u>	<u>N/A</u>
Surplus/Deficit	(\$669,416)	(\$607,248)	\$184,065	(\$204,576)	\$627,459	\$1,100,408	N/A	N/A
End-of-Year								
Carry-Forward Reserves	N/A	N/A	\$1,543,065	\$1,595,874	\$2,291,165	\$3,114,026	\$1,547,654	\$1,741,254
Increase/Decrease in Reserves	N/A	N/A	N/A	\$52,809	\$695,291	\$822,861	(\$1,566,372)	\$193,600
Reserves as a % of Budgeted Tuitions	N/A	N/A	21.9%	21.7%	28.1%	34.8%	18.1%	20.1%

1. Includes total tuitions funded by both the General Fund and outside sources.

2. 104 as of April 1, 2021.

Over the course of the pandemic, the number of students requiring out-of-district placements increased by nine students – from 95 on October 1, 2020 to 104 as of April 1, 2021. The Department is now anticipating that FY21 OOD tuitions will be slightly higher than were budgeted in FY21. Although the FY22 General Fund budget for tuitions is \$2.1 million higher than FY21, the Department is concerned that additional OOD placements may be needed in FY22 for vulnerable students who may have trouble with reentry to school after a significant time away from the traditional educational model. In fact, as previously noted, the Department is currently anticipating higher OOD tuition expenses than when the FY22 budget was initially prepared. That change would result in lower ending reserve balances in FY22 than those that are shown in the FY 22 budget and in this report.

OOD Funding and Reserves

Typically, the School Department draws fully on the General Fund amount and charges tuition amounts beyond that to the reserve funds. Both the Circuit Breaker and IDEA funds may be carried forward for one additional year as a buffer against unexpected tuition expenses and these "carry-forwards" represent most of the reserves. The District uses a rolling three-year projection of OOD funding sources and expenses to forecast these reserves. However, the specific reserves will vary year-to-year based on the number of OOD tuitions, the type of placements, and the services required. In addition to tuition variables, reserves are also affected by the one-year lag in Circuit Breaker funding and the use of unbudgeted LABBB credits. The Department of Elementary and Secondary Education (DESE) recently ruled that LABBB credits must be used during the year they were issued. Therefore, while LABBB credits represent an unbudgeted source of additional funding for OOD tuitions, the impact of the credits on total funding is only known after the fact and is difficult to predict.

As previously detailed and also shown below, total grants vary year-to-year based on prior year placements and state and federal allocations. Between FY16 and FY20, available funds for current year

OOD tuitions ranged from a low of \$2.5 million to a high of \$6.4 million. Most of the increase occurred in FY19 and FY20 when a combination of higher available funds and fewer placements resulted in a \$3.1 million reserve at the end of FY20. During those two years, usage of total available reserves was just over 50%, down from 80% in FY16, as shown below.

Total OOD Funding Usage and "Carry-Forward" Reserves
(Dollars in 000's)

	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Budget	FY22 Budget
<u>Total Reserve Utilization</u>							
Available Reserves							
Beginning Reserve Balances: ¹	\$29.9	\$488.9	\$1,574.2	\$1,462.4	\$2,291.2	\$3,114.0	\$1,547.7
Annual Allocations:							
Circuit Breaker & IDEA	\$2,367.4	\$2,629.6	\$2,669.6	\$3,044.3	\$2,795.4	\$2,731.7	\$2,808.8
LABBB Credits	<u>\$151.9</u>	<u>\$283.3</u>	<u>----</u>	<u>\$175.6</u>	<u>\$602.1</u>	<u>----</u>	<u>----</u>
Total Annual Allocations:	\$2,519.3	\$2,912.9	\$2,669.6	\$3,219.9	\$3,397.5	\$2,731.7	\$2,808.8
General Fund SPED Reserve:	----	----	----	----	\$672.9	----	----
Total Available Reserves	\$2,549.2	\$3,401.8	\$4,243.8	\$4,682.3	\$6,361.6	\$5,845.7	\$4,356.5
Total Reserve Utilization	(\$2,042.8)	(\$1,858.7)	(\$2,827.9)	(\$2,405.3)	(\$3,247.5)	(\$4,298.1)	(\$2,615.2)
Carry-Forward Reserve Balances ¹	\$506.4	\$1,543.1	\$1,415.9	\$2,277.0	\$3,114.1	\$1,547.6	\$1,741.3
Current Year Utilization as % of Total Available Reserves	80.1%	54.6%	66.6%	51.4%	51.0%	73.5%	60.0%

Carry-Forward Reserve Balances by Funding Source

State Circuit Breaker	\$1,052.5	\$1,854.4	\$1,830.4	\$937.4	\$1,163.3
Federal IDEA Grant	----	\$261.5	\$610.8	\$610.2	\$578.0
LABBB Credits	\$283.3	\$175.2	----	----	----
General Fund SPED Reserve ²	----	----	\$672.9	----	----
Carry-Forward Reserve Balances¹	\$1,335.8	\$2,291.2	\$3,114.0	\$1,547.7	\$1,741.3

1. The "Beginning Balance" in any one year may not match the prior year ending balance due to adjustments made after the close of the budget. This may include small increases in awards or reallocation of expenditures.

2. To meet state "Maintenance of Effort" requirements, the School Department appropriated \$672,900 to the General Fund SPED reserve fund in FY20 by increasing the usage of IDEA funds and reducing General Fund usage relative to what was originally budgeted.

3. Full-Day Kindergarten

In FY21, the School Department and School Committee initiated free, full-day kindergarten. This accomplished a long-term goal to provide equity for all Belmont families and to align Belmont's kindergarten program with other districts. The Department calculated that a combination of excess funds in the kindergarten revolving account and additional support from the General Fund budget would cover the transfer of kindergarten expenditures to the General Fund budget in FY21, after which time an increase in Chapter 70 aid to the town based on full-time, non-fee-paying kindergarten students would offset the increased expense in the School Department budget.

In making that decision, the School Department and School Committee relied in part on guidance from the Department of Elementary and Secondary Education (DESE) regarding the impact that the conversion would have on Chapter 70 state aid, which is, in part, determined by the total enrollment in the school system. For Chapter 70 calculation purposes, each Belmont kindergartner has historically been counted as one-half of a student since a fee was charged to those that enroll in the extended full-day program. The School Committee and School Department, in consultation with DESE, calculated that the establishment of free, full-day Kindergarten in FY21 would allow each Belmont kindergartner to be counted as one full student in DESE's funding model for FY22, thereby increasing Belmont's Chapter 70 aid by \$1.3 million. That increased aid was expected to more than cover the \$1 million of kindergarten revolving fund expenditures that were transferred to the General Fund starting in FY21.

Unfortunately, the impact of COVID and the resulting decline in total school enrollment in FY21 disrupted this calculation. Given the widespread enrollment declines in most school districts across the state, the state decided to hold communities harmless by not reducing Chapter 70 state aid in FY22 due to these lower enrollments. However, that decision means that Belmont will not receive the expected increase in Chapter 70 aid associated with the conversion to full-day kindergarten. As a result, there is a \$1 million increase in the FY22 School Department budget that will not be offset by increased state aid.

The School Department expects that Belmont will receive increased Chapter 70 aid for full-day kindergarten enrollees in FY23 based on October 2021 enrollment, and that this increased aid will provide additional recurring revenue for the Town going forward. However, the amount of aid is dependent on the expectation that Belmont kindergarten and total school enrollments will recover in the 2021-2022 school year, as well as a return to historical state aid allocation formulas.

4. Vocational Education

In October 2016, Belmont Town Meeting voted to withdraw the Town from membership in the Minuteman Regional Vocational Technical High School District. That withdrawal was effective as of June 30, 2020. Consequently, the 2020-2021 school year is the first year that students who are attending Minuteman are considered to be non-member students.

When Belmont was a member of the Minuteman District, Belmont students opting for a vocational education program were required to enroll in Minuteman. Now, students are also free to seek out other vocational programs if they are so inclined and if other schools are accepting non-member students. In FY21, a total of 45 Belmont students attended Minuteman, essentially unchanged from those who

attended in FY20. Belmont's enrollment at Minuteman in FY20 and FY21 is the highest that it has been in the past 20 years and matches its peak Minuteman enrollment in the late 1990's. In addition, another three Belmont students are enrolled in FY21 at the Medford Vocational Technical High School.

Because it is now a non-member town, Belmont pays fees for each of its students who attend Minuteman. These fees include a per-student tuition fee set by the Department of Elementary and Secondary Education (DESE), a capital assessment fee equal to the per-student debt service cost on the debt incurred to build the new high school, and a surcharge for each special education student attending on an IEP plan. Belmont is also responsible for any costs associated with transporting students to and from Minuteman. In addition, as a former member of the District, Belmont also pays its pro-rata share of a small amount of as-yet unretired debt that was previously issued to undertake certain energy efficiency projects on the former school building. Belmont pays a separate tuition fee for students attending Medford Vocational Technical High School and is also responsible for transportation costs for those students.

When Belmont was a member of Minuteman, the Town was annually assessed a fee based on a formula in the District's Regional Agreement. That fee was calculated in arrears, using the Town's enrollment in prior years. The fees were carried in the Town's budget as a so-called fixed cost, because even though the amount varied year to year, the fee for the upcoming fiscal year was known in advance of the annual budget being approved. Now, as a non-member town, Belmont is assessed an annual fee based on its current school year enrollment, which is not known when the Town budget is developed. Consequently, as with special education out-of-district tuitions, Belmont's annual vocational educational expenses are not known with certainty when the budget is approved.

From a budgeting presentation standpoint, although Belmont's vocational education expenses are no longer determined with certainty in advance of the annual budget being approved, these projected costs continue to be carried on the Town's budget as a so-called fixed cost rather than on the School Department budget. Nevertheless, the Warrant Committee believes that these costs are an important component of the Town's overall educational expenses and should be understood by Town Meeting Members.

In FY21, the Town budgeted a total of \$1,721,238 for Minuteman costs. For FY22, the Town is budgeting \$1,764,269, an increase of \$43,031, or 2.5%.

D. Recommendations

Use of COVID Relief Funds: While recognizing the complexity of federal and state government regulations, timing, uncertainties of the pandemic and ever-changing circumstances, the Education Subcommittee strongly encourages, to the extent possible, applying any and all available federal and state dollars to all such expenses rather than charging them to the General Fund.

We strongly support the Superintendent's commitment to ensuring all available state/federal school and Town grant funds are used to offset FY21 and FY22 COVID expenditures to minimize the impact to the General Fund. We recommend ongoing coordination with the Town Administrator to make sure that any funds available to cover FY21 COVID expenditures are used to cover COVID costs incurred by the School Department in the third and fourth quarters of FY21. In addition, as American Rescue Plan funds

become available and understood more fully, the School Department should work with the Town on a three-year plan to prudently manage these funds and maximize their uses.

FTE Hiring: The availability of federal COVID relief funds, depending on any restrictions on how these funds can be used, may make it possible to hire additional staff in FY22 to address academic recovery, social and emotional needs, vaccination clinics, and other COVID related needs. The funding of any COVID-related, short-term FTEs should include all benefits and separation costs in order to minimize the impact on the FY23 General Fund budget. While these positions are critical to support returning students, the cost per FTE can be significantly higher due to their temporary nature and negotiated separation requirements.

The Education Subcommittee strongly recommends against funding ongoing operating positions or restoring staffing cuts using one-time sources of funds, such as grants. The addition of staff members who need to remain on the payroll after grants have been exhausted exacerbates the structural deficit by creating new, recurring costs without recurring revenue, and, as such, increases painful FTE reductions that may need to be made in FY23.

OOD Funding: The School Department budget carries forward reserve funds from state and federal grants as a buffer against unbudgeted and unpredictable out-of-district (OOD) tuitions. To the extent that FY21 OOD tuitions exceed the budget, the Education Subcommittee recommends that the School Department and School Committee carefully consider those accumulated balances as a source of funding to offset the higher costs rather than first charging any excess amounts against any other surplus in the Department's FY21 General Fund budget. We believe that the accumulated reserve funds provide an opportunity for the Department to offset some of the impact that those higher costs have on the General Fund while still leaving the School Department with a cushion to offset future unbudgeted costs. To the extent that accumulated reserve funds are used to cover increased costs, the savings to the General Fund budget will flow through as free cash, thereby benefiting the entire Town.

Use of Revolving Funds: After two years of shifting expenses away from various revolving fund accounts to the General Fund in order to ensure the solvency of those revolving fund accounts, in FY22 the School Department is relying to a greater extent on the accumulated balances in those accounts to offset constraints in the General Fund budget. While utilizing account balances to offset General Fund expenses may be a prudent use of those funds, the Department also needs to closely monitor individual revolving account balances to ensure that tapping those funds is not jeopardizing the ability of those accounts to help offset General Fund expenses in future years as well.

Transparency: Clarity and understanding of financial details of the School Department budget allows Town Meeting members and residents to make informed decisions on the future of Belmont. To help us understand how the School Department might improve and expand the level of detailed information on the budget that it provides to the public, the Education Subcommittee studied the financial information provided by school departments in our peer communities. We found a variety of examples where financial data is presented in ways that we think could help support a better understanding of school finances and needs. In many cases, these examples present data that is already required for DESE reporting. In March 2021, the Education Subcommittee shared with the School Department and School Committee our initial recommendations about additional information that we think should be included in the annual School Department budget materials. In particular, we recommended that the Department's budget materials include more information about staffing and compensation, which is the largest single driver of the School Department budget, and special education OOD tuitions, which is a

complex and volatile departmental expense. We look forward to discussing these recommendations with the School Committee and School Department in the months ahead.

Vocational Education: Belmont's withdrawal from the Minuteman Regional Vocational Technical High School District has changed both how Belmont provides vocational education to its students and how it pays for those services. While a member of the district, Belmont's annual assessment was based on a formula and was carried as a so-called fixed cost in the Town's budget. Now, however, the annual tuition costs for vocational education are much more akin to special education out-of-district tuitions in that they are directly related to the number of vocational education tuition students and the particular schools that those students attend. Consequently, it may be prudent for these costs to be projected and budgeted more similarly to how OOD tuitions are handled, including incorporating those costs into the School Department budget (rather than the Town's fixed cost section) and potentially establishing and capitalizing a reserve fund to insulate the Town's General Fund budget from year-over-year volatility in these expenses. The Education Subcommittee plans to focus on this topic further in the year ahead.

Pension, OPEB and Debt Liabilities

Introduction

Approximately 17 % of the Town's FY22 budget (\$141.6 million) consists of certain fixed costs related to the Town's debt, its retirement system, and its retiree healthcare obligations (known as OPEB – "Other than Pension Employment Benefits"). These three items are non-discretionary, budget expenditures that the Town must pay. Debt service on the Town's \$243 million of debt is a fixed budget item, without latitude for negotiation. The Town's pension appropriation is paid to the Belmont Retirement System under a funding schedule imposed on the Town by the Belmont Retirement System and approved by the State's municipal pension oversight board (PERAC – "Public Employee Retirement Administration Commission"). If the Town fails to make its mandated pension appropriation, the State will garnish the Town's state aid. In contrast, the Town has chosen to fund OPEB contributions on a "pay-as-you-go" basis, making only modest, non-obligatory contributions to the Town's OPEB Trust, which is set aside to fund future OPEB obligations. The pay-as-you-go OPEB obligations represent current healthcare bills for Town retirees. Each of these three types of costs is examined in greater detail below.

Pension

Employees of the Town of Belmont are enrolled in the Belmont Retirement System ("BRS"), except for teachers, who are members of the Massachusetts Teachers' Retirement System (as are all public school teachers in MA). The BRS was created in 1938 to provide retirement benefits to Town employees and their beneficiaries under the provisions of Massachusetts General Laws Chapter 32. The BRS is an independent governmental unit that is overseen by a five-member board ("BRS Board") and is subject to rules and regulations promulgated by PERAC. The BRS Board consists of two members elected by members of the System (i.e., retirees and active employees), one member appointed by the Select Board (In June 2020 the Select Board reappointed Floyd Carmen to a second three-year term), the Town Accountant (a voting *ex-officio* member), and a fifth member selected by the other four members who cannot be a member of the BRS. In January 2021 the BRS Board reappointed Tom Gibson as the fifth member. None of the other applicants for the fifth-member position was interviewed by the BRS Board.

Every two years the BRS Board commissions an independent actuarial report that determines the Town's annual pension contribution schedule. The most recent actuarial report is dated January 1, 2020 and was submitted to the BRS Board in October 2020. The next report will be dated January 1, 2022.

For FY22, the Town's appropriation to the BRS increased 4.45% or \$479,000 to \$11.263 million for all components (General Fund, non-teaching School Department, Enterprises, Housing Authority, Belmont Light). This compares to an appropriation of \$10.784 million in FY21 for all Town components. The portion of the appropriation related to the Town's enterprise funds is paid by those funds and is not part of the Town's General Fund. Of the \$11.263 million appropriation, the FY22 pension cost for the Town General Fund and the non-teaching School Department is \$9,662,058 which is about 6.7% of the non-enterprise fund Town budget in FY22. The chart below presents the total pension contribution in FY21 and FY22, along with detail about some components of the pension funding requirement. For example, about 21% or \$2.331 million of the FY22 \$11.263 million requirement is calculated to cover the Town's

projected pension costs for the current employees (the so-called “Employer Normal Cost”); the 80% balance of about \$8.932 million is the required contribution for the amortization of pension obligations earned by prior employees (the so-called “Amortization of Remaining Unfunded Liability”).

The annual total pension contribution is expected to increase about 4.45% each year through 2031, based on the January 1, 2020 actuarial report. Due to the fiscal pressures of the COVID pandemic, and in consultation with the Town Administrator, the BRS Board adopted a revised pension schedule that extended the full-funding contribution schedule from a final date of June 30, 2029 to June 30, 2031. PERAC has approved this revised schedule, which is now locked in place for the next two years. Had the BRS Board not extended the funding schedule, the FY22 appropriation would have been \$11.4 million or \$137,000 higher than the proposed \$11.263 million. The annual appropriation only dropped modestly even in concert with the extension of the funding schedule for two years to 2031 because of changes in other inputs and assumptions in the actuarial study, especially the drop in assumed investment rate from 7.40% to 7.15%.

Pension Funding Schedule (\$millions)

The chart below presents the projected pension funding schedule through 2031, 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.)

	Employer Normal Cost	Amort of ERI & Remaining Unfunded Liabilities	Total Actuarial Contribution	% Change from Prior Year
FY19	\$1.875	\$7.766	\$9.641	
FY20	\$1.958	\$8.239	\$10.197	5.8%
FY21	\$2.256	\$8.528	\$10.784	5.8%
FY22	\$2.331	\$8.932	\$11.263	4.4%
FY23	\$2.409	\$9.356	\$11.765	4.5%
FY24	\$2.489	\$9.799	\$12.288	4.4%
FY25	\$2.572	\$10.264	\$12.836	4.5%
FY26	\$2.657	\$10.749	\$13.406	4.4%
FY27	\$2.746	\$11.257	\$14.003	4.5%
FY28	\$2.837	\$11.789	\$14.626	4.4%
FY29	\$2.931	\$12.345	\$15.276	4.4%
FY30	\$3.03	\$12.928	\$15.957	4.5%
FY31	\$3.130	\$13.129	\$16.259	1.9%
FY32	\$3.234		\$3.234	-80.1%

Investment Returns

The BRS Board pays an investment advisor (currently New England Pension Consultants) to provide guidance on investing the System's assets (about \$124 million market value as of 12/31/19). The BRS Board develops an investment policy and hires investment managers for the approximately 12-15 mandates that its policy delineates. The Select Board appointee, Town Treasurer Floyd Carman, is the only investment professional currently serving on the BRS Board.

The retirement systems of approximately 65 Massachusetts cities, towns, and agencies direct the investment of their own retirement assets, as does Belmont. The remaining Massachusetts cities, towns, and agencies (about 40) have outsourced the investments of their retirement assets to the State's Pension Reserves Investment Trust ("PRIT"), under the management of the Massachusetts Pension Reserves Investment Management Board ("PRIM"). PRIM manages approximately \$87 billion (as of 12/31/20) and it benefits from the low investment fees and access to investment options that come with this considerable scale. Belmont resident Michael Trotsky currently serves as PRIM's Executive Director and Chief Investment Officer. Over the past thirty-five years, PRIT's aggregate returns have been higher than BRS returns, net of management fees. Lower investment returns lead to the need for increased Town appropriations at the time the funding schedules are revisited every two years by the actuary. During the past decade, the BRS Board has selected PRIT as a manager for certain mandates (i.e., real estate, hedge funds, and others) and these selections have resulted in about 49% of BRS assets being managed by PRIT. However, by maintaining control of the investment of the remaining assets, and continuing to pay the associated management fees, the Retirement System's expenses are higher than they would be otherwise and the System is potentially missing higher investment earnings from PRIT.

The assumed rate of return on assets is a significant input in the actuarial analysis. 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 April 1, 2021. (It should be noted that the BRS 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
2015	7.50%	7.46%	1.06%
2016	7.50%	7.76%	8.89%
2017	7.50%	8.42%	13.79%
2018	7.40%	5.37%	-3.04%
2019	7.40%	6.62%	15.72%
2020	7.15%	TBD	10.2%*
Not reviewed by PERAC yet.			

Members of the Retirement System

As of December 31, 2019, the Retirement System served 351 retirees and their related beneficiaries. At that time, there were 498 active participants (employees) in the System. There were 270 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 remained approximately even the last few years at 1.25X as of December 31, 2019.

Other Aspects of the System

The current total unfunded liability for the Retirement System is \$79 million, meaning the Retirement System is about 60% funded. When compared to other communities in the State, Belmont ranks about 70th out of about 105 systems in terms of its funding level.

In 2021, the Retirement Board approved a cost of living increase of 3% on the retirement base eligible for the maximum cost of living adjustment (“COLA”), which is \$13,000 of each retiree’s benefit. In 2019 Town Meeting approved an increase of \$1,000 in the COLA base from \$12,000 to \$13,000.

Warrant Committee Recommendations

1. The Warrant Committee recommends that the BRS Board make an annual presentation to the Warrant Committee and the Select Board that will include the status of the System and a comparison of the investment performance of the BRS to that of PRIT. BRS returns should consistently outperform PRIT in order to justify ongoing active management by the BRS Board of assets that are not already invested in PRIT.
2. The Warrant Committee recommends that the Town engage the BRS Board in active review of two ways to reduce the Board’s administrative costs, all of which come out of the Town’s General Fund – moving Board staff from leased space to Town-owned space and utilizing the Town’s labor counsel, rather than keeping separate counsel on retainer.
3. The Warrant Committee recommends that the Select Board and the Warrant Committee receive an update from the BRS Board when the next draft actuarial report is prepared, prior to the BRS Board formally adopting that report being formally adopted and sent to PERAC.

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 year’s budget to cover retiree health costs; the Town does not have meaningful reserves upon which to draw for current year retiree health costs.

In FY22, the Town estimates that it will fund Town-only retiree healthcare costs of \$1,746,357 (excluding Light Department and water/sewer enterprises). Since 2019 the Town has separated retiree healthcare

costs from employee healthcare costs, which provides better visibility on this budget item. Beginning in about 2015, the Town began to fully ascribe OPEB costs for enterprise funds to those enterprises. See the chart below.

Although the Town has fully covered costs of current retirees' OPEB benefits on a pay-as-you-go basis, the Town does not have adequate reserves to cover projected OPEB benefits accrued by Town employees, 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. As of June 30, 2019, the Town's unfunded OPEB liability was \$95,366,808, which 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 segregate funds for future OPEB obligations owed to retirees. The OPEB Trust has a balance of approximately \$6 million. (The Town Treasurer manages these funds.)

Town Funding of OPEB

In FY22, the Town proposes to allocate \$50,000 from Free Cash to the OPEB Trust. This mirrors the FY21 contribution of \$50,000. This is the minimum contribution permitted by the Town's OPEB funding policy and is far below the Town's prior pattern of depositing at least \$250,000 per year.

Prior to FY21, the Town had planned to make level annual contributions to the OPEB Trust in the range of \$250,000 until after the BRS was fully funded (2029 under the prior pension funding schedule). At that point the current plan calls for OPEB contributions to increase dramatically (to approximately \$12 million annually). As discussed earlier, the pension schedule has been extended to 2031. That extension will postpone the substantial increase in OPEB in funding until 2032, which will then continue to at least 2043 in order to fully fund the projected OPEB requirements.

	Actual	Budget	Budget
	FY20	FY21	FY22
Health Insurance Retired Employees	\$1,646,109	\$1,695,492	\$1,746,357
Medicare insurance	\$308,197	\$315,902	\$323,800
Life Insurance Premiums	\$19,425	\$19,425	\$19,425
Contributions to OPEB Trust	\$552,695	\$50,000	\$50,000
TOTAL OPEB SPEND	\$2,526,426	\$2,080,819	\$2,139,582

Warrant Committee Recommendations

1. We support the active collection, monitoring, and isolating of the retirees' healthcare costs in the annual budget and quarterly over the course of the year to build a more reliable database on anonymized OPEB costs.

2. We also support the full loading of proportional OPEB costs onto the enterprise funds.
3. The Warrant Committee will continue to communicate with the Town administration as it undertakes periodic OPEB actuarial reports. Given the extension of full funding of the BRS to 2031, the Town should revise its OPEB funding schedule accordingly.

Debt

The Town's General Fund budget includes \$14,723,230 for debt service in FY22, down by over \$800,000 from the FY21 debt service of \$15,560,211. Debt service is split between principal (47%) and interest (53%) and does not include the debt service of the Light, Sewer, and Water enterprises. Debt service will comprise about 10% of the Town budget in FY22, down from 12% of the budget in FY21. About 90% of the Town's debt service (\$13,191,991) relates to so-called "exempt debt" – debt that is supported by debt exclusion votes. Such exempt debt is "serviced" by separate, specific slices of property tax revenues that are only levied after project-specific debt exclusion votes of the Town residents. Only the 10% balance of debt service (\$1,531,240) is funded through the regular town operating budget, under the Proposition 2.5% cap.

To assist in funding its capital plan, the Town has often issued "replacement" non-exempt debt after prior non-exempt debt has matured. The Warrant Committee is supportive of this prudent debt management policy and observes that it is used in many other communities. For example, \$107,000 of the current non-exempt debt service supports debt that funded a new Harris Field in 2014. That slice of non-exempt debt service is informally "reserved" to fund the inevitable next replacement of Harris Field that will arise in about two or three years. In addition, about \$554,000 of the non-exempt debt service is linked to the recent renovations of the Police Station and the DPW yard. This debt replaced non-exempt debt that matured in FY20.

The Town's water and sewer enterprise funds also issue debt to support their capital projects; this debt is serviced by user fees paid to the Town enterprises. The Warrant Committee notes that the Belmont water and sewer enterprises often take advantage of zero interest loans offered by the MWRA. The Warrant Committee strongly support full and maximal use of the zero-interest loan program to assist in funding the utility capital plans.

The table below presents the Town's debt service, separated between exempt and non-exempt, for FY20-FY22.

	FY20	FY21	FY22
Exempt Debt Service	\$8,762,711	\$13,812,473	\$13,191,991
Non-exempt Debt Service	\$1,585,962	\$1,747,738	\$1,531,240
Total Debt Service	\$10,348,673	\$15,560,211	\$14,723,231

Town's Bond Rating

The Town's debt carries two ratings, Aaa from Moody's (as of May 21, 2020) and AAA from Standard & Poor's (as of May 26, 2020). The agencies' reports on Belmont indicate support for the Town's financial

position and confidence in the Town's financial management. Maintenance of the Aaa/AAA ratings could be regarded as a burden when viewed in isolation, but this burden needs to be considered in conjunction with the debt service savings the Town achieves by virtue of these high ratings. Currently, in an extremely low interest rate environment, when credit spreads are compressed, the interest rate difference between a AAA and AA rating is low; but, as rates rise, the interest rate differential builds, and the AAA rating quickly becomes considerably more cost effective than lower ratings on both cash and present value bases. The Town will have debt to issue in the future to support capital projects and thus, the Aaa/AAA ratings merit support through prudent financial planning.

Warrant Committee Recommendations

1. The Warrant Committee supports maintenance of the Town's Aaa/AAA bond ratings.
2. The Warrant Committee support the use of replacement non-exempt debt to support capital projects.
3. The Warrant Committee supports full use of the 0% loan program of the MWRA for the water and sewer enterprises.

Note

This report is a collaborative report that reflects many hours of work by all members of the Warrant Committee with assistance from the Town Administrator, the Town Treasurer, the Town Clerk, the School Committee, School Superintendent and Finance Director, and each of the department heads. The Chair of the Warrant Committee takes responsibility for the content 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.