



Warrant Committee Report Town of Belmont FY 2023 Budget

May 2022

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2021–2022 Warrant Committee Members

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Elizabeth Dionne (Secretary)

Christine Doyle (Vice-Chair)

Jennifer Fallon

Elizabeth Goss

Daniel Halston

Anne Helgen

Andrew Levin

Geoffrey Lubien (Chair)

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Ellen Schreiber

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Ex officio

Jamal Saeh (School Committee)

Mark Paolillo (Chair, Select Board)

Adam Dash (former Chair, Select Board)

Executive Summary

Report of the Belmont Warrant Committee to Town Meeting May 2022

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 FY23 Recommended General Fund Budget

The FY23 recommended [General Fund budget](#) is \$146.9 million, up \$4.75 million (3.3%) from FY22.¹ The majority of the increase is coming from the Town operating budget at \$2.17 million or a 5.1% increase, with the school's general fund portion of their operating budget increasing \$0.78 million, around a 1.2% increase. It should be noted that the overall operating [budget for the school department](#) is up about \$2.3 million or 3.1%, with much of the increase funded through grants and revolving funds, which will be addressed further later in the report. The overall operating budget in FY23 is increasing 2.7% compared to a budgeted increase of 7.0% in FY22 which restored expenditures that were suspended in FY21 during the pandemic to balance the budget². In fact, the growth in the FY23 operating budget is one of the lowest increases going back to FY13. The Town and school departments continue to make the necessary decisions and adjustments to manage an operating budget after the failed override in the spring of 2021. Many departments that are already stretched thin and have minimal increases in their FY23 budgets will continue to struggle to provide the services expected by the residents of the Town.

Continued Use of One-Time Funds

The FY23 budget includes \$5.96 million of unreserved fund balances or 'free cash' to balance the budget like the unprecedented \$7.18 used in the FY22 budget. The free cash balance at the end of FY21 (July 1, 2021), at \$15 million, represented another year of significantly higher than usual free cash balance due to continued COVID-related factors and conservative fiscal management. Table 1 includes the breakdown of the factors that contributed to the significant balance at the end of FY21. The Town and school departments received COVID grant funding that offset COVID related expenses. Therefore, with many vacancies due to turnover and a challenging job market, departments did not spend their full budgets for FY21. The state aid adjustment from FY20 rolled over to FY21 free cash as expected, and the release of old encumbrances also contributed.

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.

² The operating budget does not include capital expenditures and fixed costs (i.e., pension, debt, interest, and other).

Table 1: Free Cash Factors (\$ million)	
FY20 Free Cash Roll Over (per guidelines)	\$4.0
Receipt of FY20 State Aid Adjustment	\$3.2
School: Salaries & Benefits	\$1.3
Expenses	\$1.1
Town: Salaries & Benefits	\$2.3
Expenses	\$0.8
Release of Encumbrances	\$1.5
Prior Year Adjustments	\$0.7
Total	\$15.0

As the Warrant Committee has noted repeatedly, Belmont faces a structural deficit wherein recurring expenditures outpace recurring revenues. The FY23 budget is the third budget cycle in a row to use more than the average \$2 million in free cash that has historically been allocated to the following year's operating budget. This trend will likely continue until the structural deficit is addressed or the amount of free cash can no longer fill the gap caused by the structural deficit, which could happen as soon as FY25 when post-pandemic stability will cause turnbacks to be closer to historical levels.

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 has been appropriated \$7.8 million for combined town and school expenses and \$1.0 million from the 'Elementary and Secondary School Emergency Relief Fund III' to abet school costs. Earlier in the process it was unclear if Belmont would be able to use all the \$7.8 million. However, through outreach by the Town administrator and other Town officials, the Massachusetts Congressional Office on behalf of Belmont and towns like Belmont was able to secure the utilization of the full allocation from the Treasury Department.

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. The funding eligibility period is March 2021 to December 2024 and the funds do not need to be appropriated by Town Meeting but simply by the vote of the Select Board.

Town leaders have and continue to develop plans to use these funds. Table 2 shows the appropriations that have been made and current plans for future use as well as the balance that has not yet been allocated. 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 review its [final report](#) at the June Town Meeting.

Table 2: ARPA Funds (\$ millions)**Appropriated by Select Board**

Public Health	\$277,000
COA - Senior Outreach	\$19,300
Facilities - Filters	\$24,000
COVID - Middle & High School Building Committee	\$1,000,000
Subtotal	\$1,320,300

Remaining Funds

Operating Budget FY23	\$163,303
Operating Budget FY24	\$2,000,000
School ESSER Match	\$1,000,000
Unknown Future Expenses	\$3,316,397
Subtotal	\$6,479,700
Total	\$7,800,000

General Fund Revenues

Expected and projected revenues are summarized below in Table 3. This includes estimated FY23 state aid to Belmont based on the Governor's Budget and recent indications from the state legislature. Table 3 also illustrates another large amount of free cash used to balance the budget that is unlikely to be sustainable in future years.

Table 3: FY23 Expected General Fund Revenues vs. FY22 Revenues (\$ million)

	FY23	FY22 Projected	\$ Change	% Change
Total Property Taxes	\$98.21	\$95.03	\$3.18	3.3%
Allowable 2.5% increase	\$2.46	\$2.38	\$0.08	3.3%
New Growth	\$0.80	\$0.80	\$0.00	0.0%
Debt Exclusion	\$13.16	\$13.19	-\$0.03	-0.2%
Local Receipts	\$9.19	\$8.78	\$0.41	4.7%
State Aid	\$12.79	\$12.44	\$0.35	2.8%
Free Cash	\$5.96	\$7.18	-\$1.22	-17.0%
ARPA	\$0.16	\$0.00	\$0.16	
General Stabilization Fund	\$0.00	\$0.00	\$0.00	
Other Available Funds *	\$4.20	\$2.39	\$1.81	75.7%
TOTAL GENERAL FUND REVENUE	\$146.93	\$142.19	\$4.75	3.3%

* 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, and Ch90 pavement management.

Note: Subject to adjustment when the state budget (including final state aid amounts) is approved. Calculations reflect rounding.

General Fund Expenditures

Table 4 compares the recommended FY23 General Fund budget expenditures to corresponding data for FY22. This FY23 budget is as of May 11, 2022 and is subject to minor adjustments before the June Town Meeting.

Table 4: Summary of FY23 General Fund Budget vs. FY22 (\$ million)

	FY23	FY22 Projected	\$ Change	% Change
Town Operating	\$44.78	\$42.61	\$2.17	5.1%
School Operating	\$66.98	\$66.21	\$0.78	1.2%
Capital Budget	\$3.32	\$1.76	\$1.56	88.6%
Chapter 90	\$0.54	\$0.54	\$0.00	0.0%
OPEB	\$0.58	\$0.05	\$0.53	1058.6%
Fixed Costs	\$30.73	\$31.02	-\$0.29	-0.9%
Total General Fund Budget	\$146.93	\$142.19	\$4.75	3.3%

Note: Data does not include expenses budgeted in Enterprise Funds, or Belmont Light. FY22 data is projected and not necessarily budget as voted by Town Meeting. Calculations reflect rounding.

As shown in Table 4, the FY23 General Fund budget is 3.3% higher than in FY22. The school operating expenditures funded by the General Fund are expected to increase by 1.2%. 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 FY23, to reduce the pressures on the General Fund, the school budget relies more on a 17.8% increase in Grants & Revolving Funds, and the total school budget increases by 3.1% as shown in Table 5. Most of this increase is coming from a drawdown in special education reserves by \$1.5 million. This should be considered a one-time source of funding as there is no guarantee that this is repeatable in future budgets, similar to the use of significant Free Cash in the overall operating budget. Therefore, there is potential risk to the FY24 school budget if this revenue source is not available and cannot be funded from other revenue sources.

Table 5: FY22 Total Belmont Public School Budget (\$ million)

Belmont Public Schools	FY23	FY22	\$ Change	% Change
General Fund	66.98	66.21	0.78	1.2%
Grants & Revolving	10.12	8.58	1.53	17.8%
TOTAL - ALL SOURCES	77.10	74.79	2.31	3.1%

Table 6 breaks out the increases in spending by service area.

Table 6: FY23 General Fund Budget vs. FY22 by Department or Function (\$ million)

	FY23	FY22 Projected	\$ Change	% Change
Belmont Public Schools	66.98	66.21	0.78	1.2%
Public Services	15.54	14.45	1.09	7.5%
Community Development	1.00	1.00	-0.01	-0.6%
Facilities	5.69	4.98	0.71	14.2%
Recreation	1.31	1.03	0.28	26.7%
Public Works	7.55	7.44	0.11	1.5%
Public Safety	13.47	13.34	0.12	0.9%
Police Department	7.46	7.38	0.08	1.1%
Fire Department	5.98	5.94	0.04	0.7%
BEMA	0.02	0.02	0.00	0.0%
General Government	5.08	4.85	0.23	4.6%
Town Clerk	0.53	0.47	0.05	10.7%
Town Administration	1.02	1.05	-0.03	-2.8%
Human Resources	0.27	0.29	-0.02	-6.9%
Information Technology	1.35	1.11	0.25	22.4%
Town Accountant	0.36	0.41	-0.05	-11.4%
Town Treasurer	0.72	0.71	0.02	2.7%
Assessors' Office	0.42	0.42	0.00	0.9%
Human Services	3.49	3.28	0.21	6.4%
Council on Aging	0.48	0.40	0.07	18.2%
Library	2.37	2.28	0.10	4.3%
Health Department	0.64	0.60	0.04	6.2%
Insurance	7.20	6.68	0.52	7.8%
Operating Budget	111.77	108.82	2.95	2.7%
Capital Budget	3.32	1.76	1.56	88.6%
Chapter 90	0.54	0.54	0.00	0.0%
OPEB	0.58	0.05	0.53	1058.6%
Regional School Assessment	1.14	1.76	-0.63	-35.5%
Pension Expense*	10.09	9.66	0.43	4.5%
Debt & Interest	14.49	14.72	-0.24	-1.6%
Other**	5.01	4.87	0.15	3.0%
Fixed Costs	30.73	31.02	-0.29	-0.9%
TOTAL GENERAL FUND BUDGET	146.93	142.19	4.75	3.3%

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

** Includes state charges (e.g., MBTA), roads and sidewalks, and Assessor's abatement reserves. 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 revenues 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 7.

Table 7: Enterprise Funds Expenditure Summary (\$ million)

	FY23	FY22 Revised	\$ Change	% Change
Water	\$8.09	\$7.72	\$0.37	4.73%
Sewer	\$11.06	\$9.53	\$1.53	16.05%
Total Enterprise Funds	\$19.15	\$17.26	\$1.90	10.98%

Note: Calculations reflect rounding.

Risks in the FY23 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. Currently it appears that we are now moving to the post pandemic phase. Given that most of the relief funding has been appropriated, however, another surge of the virus could put additional financial pressure on the Town and school department with further drawing down of ARPA and free cash limiting its use in future periods.

Facilities. As reported in recent years, it has become apparent that Town facilities have not received required maintenance on a timely schedule; although this year, the Town is funding capital projects at a robust \$3.3 million, there is still a significant backlog. Therefore, the risk of unanticipated need for repairs in FY23 is still high.

Compensation costs. All the unions of the Town and schools are still in prolonged negotiations and the outcome of these negotiations could have a significant impact on the FY23 and future budgets.

Healthcare costs. Belmont self-insures for healthcare. If health insurance costs rise more than the budgeted 3.3% due to a bounce back of people returning to their normal healthcare routines with the pandemic easing, there could be more pressure on the Town Health Insurance Trust Fund to cover any overages.

Risks in the FY24 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 ARPA funds currently allocated for the one-time positions at the schools will end at the end of FY23 and any remaining ARPA funds must be used by December of 2024. The loss of these positions will be significant and, combined with a new upper middle school opening in fall of 2023 will put additional pressures on the FY24 budget. School enrollment is also a key budget driver. If a rapid enrollment rebound takes place in FY23-FY24 there could be added pressure on what will already be a challenging 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 FY22 with \$15.0 million in certified Free Cash as of July 1, 2021, compared with \$11.2 million as of July 1, 2020. As was the case in FY22, much of the increase was from department turnbacks due to the pandemic and federal COVID relief funding. The state aid adjustment in the FY20 budget fell to FY22 Free Cash as expected.

Given the override defeat in April 2021 and the continued relatively high free cash balance, an extraordinarily large amount of free cash is being used once again to bridge the gap between recurring revenues and recurring expenses and balance the budget for FY23. 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 FY23 Budget includes \$5.96 million in Free Cash, after already using \$7.18 million in FY22. Free Cash has also been appropriated to fund the OPEB Trust Fund, now back at pre-pandemic levels per the policy with a contribution of approximately \$580,000 in the FY23 budget.

Free Cash (FC) Usage (\$ million)

Fiscal Year	2019	2020	2021	2022	2023
Certified Free Cash (CFC) as of July 1	\$8.41	\$8.11	\$11.24	\$15.00	
CFC Available for FY Appropriation	\$5.65	\$8.41	\$8.11	\$11.24	\$15.00
Less Amount Appropriated:					
Operating Budget	-\$1.61	-\$2.36	-\$3.79	-\$7.18	-\$5.96
General Stabilization Fund	\$ -	\$ -	-\$1.50	\$0.00	\$0.00
OPEB	-\$0.47	-\$0.55	-\$0.05	-\$0.05	-\$0.58
Fire Station	-\$0.60	\$ -	\$ -		
Fire Pumper	\$ -	\$ -	-\$0.35		
Chenery Middle School Modules	\$ -	\$ -	\$ -		
Net Free Cash after Appropriations	\$2.96	\$5.49	\$2.42	\$4.01	\$8.46

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 \$5.96 million in free cash accounts for 4.0% of the overall operating budget and is not a sustainable or prudent financial practice. The amount of free cash generated in FY21 and FY22 is unlikely to recur in future years post pandemic. The known sources of one-time funds at this time are the remaining stabilization balance of \$1.8 million, \$3.3 million currently unallocated from the federal American Rescue Plan Act and a free cash balance of \$4.0 million above the minimum guideline balance. However, these sources cannot indefinitely continue to fill the recurring structural deficit created by contractual compensation rate increases, pension liability amortization, deferred expenditures, and continued needs of the schools.

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

Fiscal Year	2019	2020	2021	2022	2023
FY General Fund Revenue Budget	\$116.23	\$128.32	\$132.31	\$142.19	\$146.93
FC Support of FY Budget	\$1.61	\$2.36	\$3.79	\$7.18	\$5.96
Free Cash Use as % of Budget	1.39%	1.80%	2.90%	5.05%	4.06%
Gen. Stabilization Fund Draw	\$1.34	\$2.40			\$0.00
ARPA					\$0.16
Total Stabilization and FC Usage	\$2.95	\$4.76	\$3.79	\$7.18	\$6.12
Stabilization and FC as % of Budget	2.54%	3.71%	2.86%	5.05%	4.17%

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 \$8.5 million, or 5.8% of General Fund revenues. This is above the maximum recommended Select Board/Warrant Committee guideline of maintaining Free Cash balances of 3-5% of general fund revenues. However, a significant portion of this is expected to be used to offset the structural deficit and balance the budget in FY24.

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

	FY19	FY20	FY21	FY22	FY23
General Fund Budget Revenues	\$116.23	\$128.32	\$132.31	\$142.19	\$146.93
Town Free Cash Minimum Guideline*	3%	3%	3%	3%	3%
Minimum Guideline Amount	\$3.49	\$3.85	\$3.97	\$4.27	\$4.41
Net Free Cash After Appropriations	\$2.96	\$5.49	\$2.42	\$4.01	\$8.46
\$ Net FC Surplus (Deficit) to Guideline	-\$0.53	\$1.64	-\$1.55	-\$0.26	\$4.05
% Net FC Guideline Calculation	2.5%	4.3%	1.8%	2.8%	5.8%

**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 FY23 are summarized below.

PUBLIC SERVICES

Community Development

The Department underwent a reorganization, has staffed its open Planning positions, and hired part-time plumbing and wiring inspectors. The Department is doing a good job while operating at maximum capacity. However, they are unable to proactively serve the Town in ways that result in an opportunity cost. It specifically lacks the capacity to conduct proactive inspections which can save money, time and

effort in the long term or to source grant funding for programs that could benefit the town. The department is also heavily burdened with public records requests which are anticipated to increase.

Facilities

The Department has made significant strides in transitioning from performing solely reactive maintenance and repair work to active preventative maintenance. A new Systems Manager and in-Town Plumber have been hired. Both provide financial and performance benefits to the Town. The in-Town Plumber should be able to reduce the current expense of contracted plumbing services previously paid by the Town. In addition, the in-Town Plumber will also provide preventative maintenance which will help with costs. However, past 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. The risk of ever-increasing large capital expenditures if any unplanned failures occur remains.

Recreation

As the pandemic restrictions ease and program participation expands, planning is underway to create a Recreation Enterprise Fund – an independently-operated Town “enterprise” that manages its own revenues and expenses, with the goal of becoming self-funding. Formation of the enterprise fund was originally slated for Town Meeting in Spring 2020 but was delayed due to the pandemic. The Recreation Enterprise Fund is now expected to come to Town Meeting in Fall 2022 or Spring 2023.

Department of Public Works (DPW)

The DPW eliminated two heavy equipment operators (HMEO) positions at the request of the Town with the failure of the override. The staffing reductions higher snow removal contractual costs, additional overtime in certain programs, and reduced services in some programs. The solid waste management program (disposal and recycling program) is the largest part of the DPW budget and in its final year under the current contract. The department is currently preparing for contract negotiations in FY24. PW budget. The disposal and recycling contract (currently with Waste Management) is the single largest contract in the Town budget. The Department has requested CPA funding for a Tree Inventory in the Town to lay a foundation for tree management moving forward.

PUBLIC SAFETY

Given the hiring challenges that both public safety departments have been experiencing, the higher overtime costs due to hiring delays or an inability to fill several vacancies, and the strongly stated preference of the Police Chief, the departments (and the Town more broadly) should consider whether continuing to remain in the Civil Service System is in the Town’s best interests. It may make sense to consider this initially for the Police department where the need to fill open vacancies is greater at present.

The departments should also continue working to make their workplaces more diverse and implement the recommendations of the Town’s Diversity Task Force.

GENERAL GOVERNMENT

In the past five years, the staffing in these seven departments has grown by a little more than one full-time equivalent, from 31.92 in FY18 to 33.15 in FY23. During that time, the demands on these departments have grown and positions have at times gone unfilled. (For example, the constant threat of cyberattacks

has significantly increased the workload and software needs of the IT department.) These staffing levels are at the absolute minimum for delivering required services. Operating at current or lower staffing levels has the potential to cause burnout and difficulty in hiring and retaining staff.

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 legislature 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 nonprofits 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 nonprofits meeting specified asset thresholds to contribute to essential town services.

HUMAN SERVICES

Council on Aging

ARPA Funds have made possible a full-time social worker for the COA at least until December 31, 2023. The age-friendly plan is being implemented and providing new services to our seniors.

Library

The Belmont Library continues to be the 10th highest circulation library in the state. A new Children's Librarian is needed to meet increased demand. The existing library building is well past its useful life and keeping it operational and safe is challenging the Town's resources.

Department of Health

The COVID-19 pandemic has tripled the workload of the Health Department, stressing its staff and limiting its ability to carry out its traditional responsibilities. The Department suffers from unmet capital needs for new technology to administer its many permits and fees.

EDUCATION

- The total FY23 School Department budget (excluding non-recurring COVID-relief funding) is increasing by \$2.4 million, or 3.2%, to \$75.5 million. The General Fund portion of that budget is projected at \$66.8 million, or about 90% of the total, and is only growing by \$644,000, or 1.0%. The slower rate of growth in the General Fund budget versus the total departmental budget is primarily attributable to a greater utilization of accumulated reserves to cover out-of-district special education tuition expenses.

- In addition to the foregoing, the department is also planning to use approximately \$1.5 million in COVID-relief funding to retain 22 FTEs to support students with the transitional needs associated with a return to in-person learning.
- As of October 1, 2021, when the official FY22 enrollment counts are set by the state, Belmont's total school enrollment was down by 87 students (2.0%). That decline was on top of a decline of 262 students (5.7%) the prior year. (However, total enrollment recovered by 49 students between October 1, 2021 and April 1, 2022.) These declines are generally consistent with what other nearby towns are experiencing. Moreover, while total enrollment may have declined slightly, the needs of the student population post-pandemic are shifting, if not increasing. For example, the number of special education students has increased by 20% over the past two years and by 25% over the past three years. Special education services are mandated and generally have high costs per student.
- Total staffing in the department is increasing by 11.91 FTEs from the FY22 budget. However, virtually all of that increase represents the carryover of positions actually added in FY22 to address identified student needs. Moreover, while staff additions in prior years were largely to address enrollment growth, the recent additions have been primarily to address changing student needs for additional services such as academic recovery and behavioral or social and emotional issues.
- The School Department General Fund budget and total budget (excluding COVID-relief funding) has grown by about 13% over the past three years. That rate of budget growth is not sustainable in the future, absent new revenue sources such as a future operating budget override.

Financial Indicators Report & Budget Process Recommendations

The Warrant Committee created a Communication Subcommittee with the charge to improve communications between the Town and residents regarding important matters such as Town Meeting articles and provide information such as a "State of the Town" report. One of the achievements of the subcommittee was the development of a [Financial Indicators Report](#). The report was created with the goal of expanding the breadth of data available to inform budget decision-making and to encourage public conversation about Belmont's financial trends and outlooks. It presents 10 years of history for many financial indicators in categories that include revenues, expenses, capital, reserves, liabilities, and others. The goal is to update the report after the close of each fiscal year to be available for the next budgeting cycle.

There were several recommendations that came from the work on the Financial Indicators Report by the Communications Subcommittee that were adopted by the full Warrant Committee. The primary recommendation is to establish a Fall Budget Summit that leverages the information in the report while also creating a more robust budgeting framework that would inform and engage Town Meeting Members and residents earlier in the budgeting process. While there are multiple separate Town and School Department budget meetings throughout the fall, the determination of how Belmont's scarce resources are allocated between town, schools and capital needs is often unclear to residents. In addition, the overall consolidated budget is disseminated late in the cycle and compresses the time available for review, discussion, and meaningful changes. Over the summer, the Warrant Committee will collaborate with other committees, boards, and the new Assistant Town Administrator/Finance Director to establish the Fall Budget summit, develop budgeting parameters, and establish a process for consensus around total available revenue for the upcoming fiscal year and its allocation between the school department, other Town departments and capital projects.

Longer-Term Issues

Five issues continue to stand out as long-term challenges for the Town: 1) structural budget deficit, 2) employee compensation costs, 3) mandated school costs, 4) capital projects, and 5) unfunded pension and healthcare liabilities.

Structural Deficit

Belmont's expenditure growth has outpaced revenue growth every year since the 2015 Proposition 2½ override. The most significant expenditure increases are due to growing labor costs within both the municipal and school budgets, health care expenditures, and greater non-labor costs such as escalating pension fund payments. Revenue growth in recent years (beyond the Middle and High School Building debt exclusion and the federal COVID relief funds) has been modest. With only four successful operating overrides in the last 35 years and 80% of the Town's revenue coming from property taxes, the Town's operating revenue growth has not kept pace with operating expenditure growth, resulting in a prolonged structural deficit.

As the incremental revenue impact provided by the 2015 override waned, the Town began relying on one-time funds each year to bridge the growing fiscal gap. The Select Board placed a \$6.5 million override on the April 2021 ballot, which was defeated by voters, forcing the Town to further rely on one-time funds including Free Cash and American Rescue Plan Act (ARPA) funding to support the FY22 and FY23 budgets. While Belmont obviously welcomes the federal funding and above average Free Cash levels in recent years, these one-time funding mechanisms do not address the challenge of the underlying structural deficit. Once the federal funds and cash reserves are fully depleted, Belmont will again confront the growing deficit gap as long as recurring expenditures continue to grow more quickly than recurring revenue.

In September of 2020, the Select Board created the Structural Change Impact Group to investigate and recommend a set of key structural changes to improve the Town's economic condition and mitigate the structural deficit. The SCIG's Recommendations to Improve Belmont's Finance and Operations report was published in March 2022, and various Town boards, committees, and administrators are reviewing recommendations and exploring implementation options.

While potential cost savings associated with structural change represent an important step toward addressing Belmont's perennial budget challenges, it is unlikely such reforms alone will fully address the structural deficit. Belmont will likely need to contemplate an override in the coming years or face substantial reductions to Town and School services. Clear and transparent communication to Town residents about the on-going budget challenges and options will be essential in the coming years.

Compensation Costs

Employee compensation represents over 77% 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. These one-year extensions have now expired, and contract negotiations continue for the largest school employee unions. On the Town side, negotiations with the largest municipal unions are also in process. It is difficult to substantially alter the trajectory of contract terms, and there is always a tension between controlling compensation expense 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.

Mandated School Costs

Special Education (SPED) and English Language Learner (ELL) enrollment, which require mandated and sometimes 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 within the annual operating budget allocations each year. For FY23, the CBC’s discretionary budget is an uncharacteristically high \$3.3 million. Nearly \$0.73 million in incremental discretionary capital was available this year as a result of one-time turnbacks from completed capital projects in prior years. Another \$1 million came from the sale of the Cushing Square parking and the proceeds must be used for capital project.

It has been acknowledged for several years now that the Town has not had adequate resources to keep up with its capital investment needs. Prior analysis, corroborated by municipal budget experts, suggests approximately \$3 million is the appropriate level for Belmont’s annual capital discretionary fund. With recent inflation and construction cost escalation, the cost of infrastructure upgrades and critical capital equipment purchases continues to grow. Belmont continues to face the challenge of maintaining our capital infrastructure and roughly 1,000,000 square feet of physical plant with annual discretionary capital investment at current levels.

Belmont must also periodically fund major capital projects investment which is typically done through debt exclusions. One such project is the Belmont Middle and High School building project. The first phase of the project was completed in September of 2021 and grades 9-12 were welcomed to the new building for the start of the school year. Construction on the second phase of the project for the Middle School is underway and expecting completion in the summer of 2023. Two other critical building projects were completed in recent years with the upgrade of the DPW Facility wrapping up in late 2020, and the renovated Police Department building opening 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 Town now has a schematic design for a new library with the next step being the identification of project funding and a potential debt exclusion vote in the Fall of 2022. A Preliminary Rink Design committee has been created by the Select Board and is currently exploring schematic design options for a new or renovated ice-skating rink.

Long-term capital planning for the Town’s on-going capital and infrastructure needs is critical. To support this effort, last year the Select Board created the Long-Term Capital Planning Committee and charged this committee with “assisting the Town Administrator in the preparation and an annual review of a long-term capital improvement program.” It was determined that combining the work of this committee with that of the Capital Budget Committee and forming a unified Comprehensive Capital Budget Committee was the best path forward. This recommendation to merge these two capital committees was approved at the

recent May 2022 Town Meeting. The new CCBC plans to continue developing annual capital planning recommendations for Town Meeting but will also prepare multi-year capital plans to help guide prudent long-term capital allocations.

Unfunded Pension and Healthcare Liabilities

Pension, OPEB (Other Post-Employment Benefits) are discussed in detail beginning on page 68.

DEPARTMENTAL BUDGETS

PUBLIC SERVICES

Community Development

A. FY23 Budget Changes from FY22

	Dollars	Change from FY22	% Change	FY22FTEs
Total Budget	\$996,212	(\$95,538)	-9.59%%	9.13

- The requested FY23 budget for Community Development of \$996,212, represents a decrease of \$95,539 or 9.59% from FY22. The decrease is attributable to the elimination of the Town's Resident Engineer position.
- The department has reorganized and shifted most of the Resident Engineering duties to the Assistant Director.
- The Senior Planner and Staff Planner positions have been filled and are fully operational.
- The position of Code Inspection Officer remains unfilled. The salary for this position is included in the budget request for FY23.
- Belmont has previously shared both of Watertown's plumbing and wiring inspectors' employment part-time (40% salaries). However, those positions are now full time within the town of Watertown. Belmont is no longer able to take advantage of this relationship. The department looked for other such opportunities with neighboring towns, but none would provide the necessary availability of inspectors at key times, such as during storms. The department is in the process of hiring two part-time 20hour/week employees to fulfill these service needs of the town.

B. Budget Impact of Proposed FY23 Budget on Department Operations

- The department underwent a reorganization and eliminated the position of Resident Engineer. Most of these duties were absorbed under the Assistant Director, who is now more involved with the Zoning Bboard of Appeals (ZBA). The department is considering ways to shift that those ZBA functions back to the Planning Division to even out the burden.
- The FY23 budget includes funding for the open position of Code Inspections Officer. The Code Inspector will conduct inspection services to meet the legal requirements and obligations of the Town. Until this position is filled, annual inspections required for varying occupancy types will remain at 2-3 months.
- The permitting application numbers and processing remained consistent throughout FY22 and are expected to remain steady throughout FY23. Expectations for permits processing is 20-25 days.

- Tentative pavement management list for FY 23 is fully funded. The list remains tentative until bids come into the Town. Based on anticipated cost increases, the risk remains that some projects will be pushed to FY24.

FY 23	From	TO
CHESTER RD	OAKLEY RD	COMMON ST
HAMMOND RD	PALFREY RD	GILBERT RD
FLETCHER RD	TYLER RD	CLIFTON ST
HAWTHORNE ST	TRAPELO RD	(Irving ST)CUL-DE-SAC
WASHINGTON ST	WEST ST	GODEN ST
WASHINGTON ST	COMMON ST	WEST ST
WHITE ST	BELMONT ST	TRAPELO RD
MILL ST	McLEAN DR	300' N OF TRAPELO RD
MILL ST	STANLEY RD	McLEAN DR

Notes: Limited sidewalk repair on Hammond and Chester. Hawthorne is sidewalk and curbing only.

C. Budget Risks in FY23

- Public records requests by the real estate agents, land surveyors, insurance companies and individual members of the public have increased dramatically. The required responses have taken a significant amount of time away from day-to-day duties. It is anticipated that the number of records requests and burden will continue to increase. Typically, the Town requires compliance within a 10-day period and that requires the Director who has the most knowledge and access to information to process the request. The time the Director uses to fulfill these mandated requests is a loss of time for the Town.
- Community Development has seen increasing demands from the Town for the economic and business development of the Town. Even fully staffed, the department is stretched thin.
- 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. Although the two positions were filled over the last year, the department cannot be proactive in long-term planning. There is no flexibility in the system to deal with a sudden staff departure or other unforeseen circumstances that may arise.

D. Outlook/Recommendations for FY24

- Community Development has seen increasing demands. Many of the functions of the department are mandated by state and local regulation. Thus, the department is obligated to provide certain

services regardless of the budgetary restrictions. The Town is at risk when employees are expected to provide constant or increased work levels that are realistically unsustainable over the long-term.

- Without more staff Community Development is unable to operate to its full capacity at a strategic level. The Town is most likely losing out on grant opportunities, as there is no capacity within the department to undertake the level of work needed to apply for, administer, or manage grant opportunities within the Town.
- The challenge of public records requests is anticipated to grow over the next year increasing the demand on the department's time.

Facilities

A. FY23 Budget Changes from FY22

	Dollars	Change from FY22	% Change	FY23FTEs
Total Budget	\$5,689,461	\$707,682	14.2%	10.0*

- The requested FY23 Facilities Department budget of \$5,689,461 represents an increase of 14.2%. This includes an increase in salaries of \$89,530 (13.7% increase) and in department expenses of \$618,152 (increase of 14.6%).
- The FY23 Facilities budget adds 1 FTE (a Plumber position) over FY22. The increase in budgeted salaries is largely due to the new Plumber position. This position is expected to provide a net savings compared to contracting out plumbing services. Over the past 5 years, contracted plumbing services averaged over \$100,000 per year.
- The increase in departmental expenses is driven by a) the increase in electrical usage at the new High School, and b) an anticipated increase in the eight service contracts that are up for renewal in the coming year.
- COVID-driven HVAC filtration upgrades will add approx. \$100,000 per year in filtration support costs.
- While recognizing the Department expends significant effort to minimize expenses, it is important to note that approx. 45% of the Department's budget is directed to utility expenses over which the Department has little control.

B. Impact of Proposed FY23 Budget on Department Operations

- The new Systems Manager supporting new technology in several buildings, most notably the new Middle and High School, and that was approved and hired as part of the FY22 budget, has been a success. As the Manager is an in-Town hire, he brings an existing knowledge of the Town's

systems and has come up to speed rapidly. The position is intended to develop in-Town expertise to maintain and manage these systems and to explore state and regional funds to retrofit and update the existing systems. The High School Building Project contract provides for IDS (the outside contractor) to assist/train the Systems Manager on the new systems.

- The addition of a dedicated in-Town Plumber will provide both financial and performance benefits to the Town. The Town has spent, on average, over \$100k per year on contracted plumbing services. The in-Town Plumber should be able to reduce this expense by 25-30% annually. In addition, while the Plumber will provide immediate response for back-ups, clogged drains, gas leaks, broken toilets, sinks, drinking fountains, he (or she) will also provide preventative maintenance to the domestic hot water systems and mixing valves. Preventative maintenance will also help to reduce future breakdowns, saving additional monies.
- The Department is, and has historically been, understaffed, and it currently lacks essential plumbing, contracting, custodial, and maintenance staff. Moreover, there are increased demands being placed on the Department specifically:
 - o Since the hiring of a new Facilities Director last year, 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.
 - o While 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.
 - o Facilities is currently engaged in CBC, CPA, and Building Committee projects and CPA projects that represent approx. \$3.5M in previously approved funding. A partial list of existing in-process capital projects within the Town include Butler School Public Address and Fire Alarm Systems and Windows, Winn Brook School Fire Alarm and Public Address Systems, Wellington siding treatment and heat pump repair, Leonard Street fire station repairs. The Town Hall Chimney and Roof Repairs are going out to bid next month. A Town-wide assessment of the security systems was just completed. Initial estimates for improvements are \$610,000. The Butler School Envelope Study came back with three major items recommended: replace the slate roof, replace the gym Kalwall glazing system, and repoint sections of the building. All estimate at \$2.6 million, and the Department will assess what should be the focus of the immediate work.

The Department is also responsible for the maintenance of the new Police Department renovation, and in conjunction with Public Works, the recent DPW project. The new Police station has reached its one-year anniversary and is moving out of warranty. There is a dehumidification issue that is being addressed by the Town over the next several months. The renovation of the DPW building only addressed certain areas of the facility. This year, the Department has serviced failed garage doors, space heaters needing replacement, roof leaks in annex garages, new exterior LED lighting, and a major repair to the building generator.

- o The overtime (OT) reduction will affect the Department's ability to respond to off hour needs Town-wide. Under Town policy, the Department only makes use of OT for emergencies.

C. Budget Risks in FY23

- The Department anticipates that increased electrical consumption by the new High School (approximately 40% more than last year) should be offset in the future once the photovoltaic panels are installed. The FY23 budget also contains no contingency for unanticipated major capital repairs. Moreover, there are limited funds in the budget making it difficult for the Department to choose which repairs should take priority over others.
- Phase 1 of the new high school brought an additional 50,000 sq ft online for maintenance and the middle school will add an additional 150,000 sq ft in 2024 when it opens. The FY23 (and future year) budgets will need to address these additional needs for manpower and supplies.

Ongoing maintenance and repair work and capital projects will continue to require attention and the commitment of extensive resources of the Town.

D. Outlook/Recommendations for FY24

- As noted above, the Department has begun to transition to be more proactive regarding on-going maintenance and repairs. That said, there are limited funds in the budget to address previously identified deferred maintenance needs and very little cushion to address unanticipated capital repairs. There is simply no slack in the departmental budget to absorb any reduction in the budget in future years without jeopardizing even the current level of upkeep of the Town's facilities.
- The Department also anticipates an increase in the general cost of materials and supplies (likely 25% or more) as well as an increased difficulty in accessing needed materials and supplies.
- The Department also believes that there could be longer term savings if there were more personnel who could handle routine maintenance, such as carpentry work, as opposed to relying on outside consultants for much of this work. It would be worth doing an analysis of the costs of the continued use of outside consultants as opposed to adding additional personnel.
- Consider whether there could be redundant training on the Town's systems (currently being provided only to the Systems Manager).
- The Department could use additional space for storing supplies (e.g., filters, ceiling tiles, cleaning products, excess equipment) as the current storage facilities require it to make purchases in fewer quantities, thereby driving up the incremental costs. There are obviously competing demands in Town for the use of modular trailers that need to be assessed, and the Town may want to consider drafting a plan prioritizing their use across Town.

Recreation Department

The mission of the Recreation Department is to offer quality year-round programs 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 among others.

A. FY23 Budget Changes from FY22

	Dollars	Change from FY22	% Change	FY23 FTEs	FTE Change
Total Budget	\$1,305,925	\$275,278	27%*	16.3	1.0

- The total FY23 budget for Recreation is \$1,305,925, an increase of \$275,278 or 27% from FY22. This increase is misleading, however, due to the impact of the pandemic on recreation programs in FY22, when the recreation budget remained low due to the closure of the Underwood Pool and limited capacity in recreation programs resulting from pandemic protocols. As most pandemic restrictions have been removed and residents are increasingly participating in recreation programs, former levels of revenue and expense are returning to the budget.
- Additionally, as part of the transition described below, all Recreation Department program revenue and expenses previously in revolving or special reserve accounts will operate through the FY23 general fund budget, which accounts for the large budget increase in FY23.
- The increase in FTEs reflects the transfer of one staff person from the Department of Health and the conversion of this position from part-time to full-time in preparation for the expansion of revenue-based programs as we transition to an enterprise fund.

	FY22 Budget	FY23 Budget	\$ Change	% Change	FY23 FTE
Total Salaries	\$688,473	\$856,435	\$167,962	24%	16.3
Total Expenses	\$342,174	\$449,490	\$107,316	31%	
Grand Total	\$1,030,647	\$1,305,925	\$275,278	27%	

- **DEPARTMENTAL CHANGES:** A new Acting Recreation Director (formerly Assistant Recreation Director) has assumed leadership of the department from the former Assistant Town Administrator and is continuing to implement the (nearly completed) recommendations from the 2016 Recreation Strategic Plan. Adult Education and the Youth Commission have been consolidated in Recreation from the School Department and Health Department, respectively, and will leverage the expertise in the department. A part-time employee has moved to the department as part of this consolidation, and the plan is to expand the role to accommodate the departmental needs and create longevity as it becomes an independently-operated enterprise fund (see below).
- **PROGRAM PARTICIPATION:** Participation in recreation programs is increasing as the pandemic eases and residents feel more comfortable participating in group programs. Revenue (i.e., program fees) has already exceeded the projected FY22 budgeted estimates as of April 2022.

Demand for Recreation Department camps is at an all-time high, with a substantial waiting list. This is a result of significant work done over the last three years (especially during the pandemic shutdown) to strengthen both the programs and marketing of the programs.

- **ENTERPRISE FUND:** Because of the operational nature of recreation, the department has long planned 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. (Many towns run their recreation departments as either enterprise or revolving funds; they do not have recreation *program* revenue or expenses in the regular operating budget.) Formation of the enterprise fund was slated for Town Meeting in Spring 2020, but the disruption of the pandemic and loss of fields and gyms were a tremendous setback. As participation and revenue increases, plans to create a Recreation Enterprise Fund are now intended for Town Meeting in Fall 2022 or Spring 2023.

The following chart provides a historic view of the net profit/loss when you look at the department as an enterprise (not including allocated costs).

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 Actuals	(\$113,941)	Pandemic impact – 2020 closure of pool & limited capacity for programs; loss of BHS field house & fields
FY22 Estimate	Already reached revenue budget in April 2022; could break even	Limited capacity for programs; loss of BHS field house & fields
FY23 Estimate	Unclear due to formation of enterprise fund	Market-based wage pressure for part-time staff; loss of BHS field house & fields

- **TRANSITION:** The transition plan to become an enterprise fund is currently being developed. Approximately \$150K of recreation revenue previously held in a special revenue account will flow through to free cash in FY22, and the enterprise fund will be seeded with free cash in FY23. To accommodate this transition, contracted services that would have been paid through a revolving fund will instead be integrated in the general fund budget. The detailed plan for transition from the general fund to an enterprise fund is still being created, and, as a result, very conservative estimates have been included in the proposed FY23 budget.
- **PART-TIME WAGES:** Current market conditions for the hiring of part-time staff – especially lifeguards – mean that wages for these positions must be increased in order to staff the pool, camp, rink, and other programs effectively, which has placed pressure on the budget.
- **UNDERWOOD POOL:** After losing the summer 2020 Underwood Pool season due to the pandemic, the summer 2021 season was a tremendous success. Pandemic restrictions were lifted in time for operation of the pool at full capacity. The number of pool memberships was at an all-time high, and pool revenue is close to returning to pre-pandemic levels.

Underwood Pool Comparisons	Summer 2017	Summer 2018	Summer 2019	Summer 2020	Summer 2021
# Memberships <i>(includes individual & family)</i>	1019	1052	1087	0	1265
Pool Revenue	-	-	-	-	-
Pool Memberships	\$218,435	\$263,325	\$318,100	\$0	\$290,328
Daily Fees	\$18,888	\$81,774	\$90,220	\$0	\$50,275
Rentals	N/A	N/A	\$0	\$0	\$4,309
Vending Machines	N/A	N/A	N/A	\$0	\$130
Torpedoes Swim Team*	\$4,500	\$4,370	\$4,375	\$0	\$4,667
Swim lessons*	\$34,242	\$42,305	\$8,750	\$0	\$12,440
*not included in General fund revenue					
Total Revenue	\$276,065	\$391,774	\$421,445	\$0	\$362,148

- **RECREATION ASSETS:** The department continues to be challenged by space constraints to run camps and programs due to the reconstruction of Belmont High School. During the summers of 2019-2023, the Wenner Field House, Higginbottom Pool, and BHS fields are closed for construction, reducing the number of summer camps and programs that can be offered. In response, the department has been creative in establishing partnerships to find space to run programs.

In FY22, the department has worked with the Community Preservation Committee to conduct a Recreational Asset Survey that will be used to plan the sequencing of maintenance and renovations for playgrounds, parks, and other recreation assets.

B. Impact of Proposed FY23 Budget on Department Operations

Described above

C. Budget Risks in FY23

- **BUDGET ADJUSTMENTS:** The integration of contracted services into the general fund budget, the need to increase wages for part-time staff (in order to attract seasonal workers in a very competitive market), and the reduced budget for program expenses puts at risk the ability to run all of the department's programs, which impacts both revenue and expense.
- **PANDEMIC:** Participation in recreation programs is coming back as pandemic restrictions have been lifted, but the pandemic will continue to be a significant background risk for department revenue and expense.
- **RINK:** The rink is on its last legs and could permanently fail at any time, creating both a revenue and expense risk, and work is underway exploring options for either renovating or rebuilding the rink.

D. Outlook for FY24 and Beyond

- The implementation of a Recreation Enterprise Fund will shape the outlook for FY24 and beyond. A plan is expected to come to Town Meeting in Fall 2022 or Spring 2023.

Department of Public Works

A. FY23 Budget Changes from FY22

	Dollars	Change from FY22	% Change	FY23 FTEs	FTE Change
General Fund Budget	\$ 7,551,744	\$190,632	2.6%	25.4	(.5)
Enterprise Budget	\$18,880,075	\$1,878,819	11.1%	24.3	-
Total Budget	\$26,431,829\$	\$2,069,451	8.5%	49.7	(.5)

DPW is a wide-ranging department with 14 program lines broadly divided between General Fund Budget programs and Enterprise Fund programs. (The Enterprise Funds' budgets will not be examined here.) The total FY23 budget for the Department of Public Works (DPW) is \$7,551,744, an increase of \$190,632 or 2.6% from FY22. The Water and Sewer Enterprise Budget (supported by user fees) is \$18,880,075, an increase of \$1,878,819 or 11.1% from FY22. See the breakdown of the General Fund DPW budget by program below.

- With the failure of the override in the spring 2021, the DPW continues to be staffed with two fewer two heavy equipment operators (HMEO) (an estimated \$150,000 in salary and benefits) from the Town's general budget. These staffing reductions have led to higher snow removal contractual costs, additional overtime in certain programs, and modified services in some programs.
- **Forestry** -- With the retirement of the part time Tree Warden, the Director and Deputy Director of DPW have been named co-Tree Wardens for FY23. DPW is reassessing staffing and funding for this role and hopes to fund Tree Warden position for FY24. Contracted tree services are budgeted to rise 14% in FY23 after rising 15% in FY22. These increases are attributable to labor cost increases by contractors. In FY23 the Town is again budgeting that more trees will be removed than planted, as has been the case for the past several years. DPW has asked for capital budget funding for a Tree Inventory for the Town to lay a foundation for tree management moving forward.
- **Solid Waste** -- The solid waste management program is the largest part of the DPW budget at 44% of the General Fund DPW budget. The disposal and recycling contract (currently with Waste Management) is the single largest contract in the Town budget. In the FY23 budget the contract is budgeted at about \$3.2 million. FY23 is the fifth year of a five-year contract. The Town is already preparing for negotiations with the contractor for a new contract for FY24 and beyond.
 - The disposal of recyclables is the most variable element of the Waste Management contract as it depends on the spot market for recyclables. For the past several the Town has had to pay to have recyclables removed as the price for recycled goods is below the cost of managing those recycled goods. In FY23 this cost is estimated at \$200,000, lower than the \$240,000 projected cost for FY22.
 - The SCIG addressed the solid waste management in "Idea #250." Among other things, the SCIG suggested that the Town revisit its requirement that collection occur on a 4-day week cycle (This short schedule demands premium pricing in the range of \$300,000 as of 2018 (year

1 of the current contract)). Another cost saving idea was a reduction in the number of yard waste collection days.

- **Central Fleet Maintenance** – The DPW Central Fleet Maintenance program maintains all town vehicles (approximately 166) across all departments. The budget for this program is only slightly up to about \$558,000.
 - SCIG Idea #54 pertains to the management of the Town’s vehicle fleet and includes detailed suggested “Next Steps” including the naming of a Town Fleet Manager. DPW would need to examine this idea along with the TA and the SB.
- Overall total salaries for the department are up 5.3% with some overtime needed to compensate partially for the staff reductions. Total expenses are up just 1.6% mainly driven by increases in contractual costs and general cost pressures.

	FY22 Projected	FY23 Budget	\$ Change	% Change	FY22 FTE
Total Salaries	\$2046902	\$2156120	\$109,218	5.3%	49.7
Total Expenses	\$5,234,330	\$5315744	\$81,414	1.6%	
Total Outlay	\$79,880	\$79,880	\$0	0%	
Grand Total	\$7,361,112	\$7,551,744	\$190,632	2.6%	

B. Impact of Proposed FY23 Budget on Department Operations

- The continuation of reduced staffing in FY23, following two layoffs in FY22, mean services are under continued strain. The following is a list of those services and the impact to them:
 - The loss of staff has impacted the timeliness of work such as snow plowing, street sweeping, roadway repair, street markings, and mowing. Projects delays are creating a backlog that will increase over time.
 - Town recycling events such as the cardboard recycling have been switched to a fee-based model.
 - Street painting that takes place over night has been reduced with less staff and overtime funds.

C. Budget Risks in FY24 and Beyond

- Solid Waste contract: This very large contract will be renegotiated in FY24 and could have a major impact on the DPW and Town budget.
- The staff reductions from FY22 are maintained in FY23 and represent an ongoing challenge to the consistent delivery of services at the level expected in the Town.

- Snow Removal: a) The continued lower staff level means that snow removal involves increased use of expensive private contractors; b) the new high school layout requires more labor-intensive snow removal and the separate disposition of snow that was previously stored on the old tennis courts.
- Forestry: The temporary removal of the separate tree warden position and the reassessment of this program could lead to the need for restored staffing in FY24.
- The DPW is a lean operation facing significant challenges with more limited staff and with increasing demands for more services especially with the new High School having opened in FY22 and the Upper Middle School opening in FY24. This Department is doing a good job of trying to address all demands, but it is constantly juggling priorities and has a growing backlog. If the requirements of the department continue to increase without additional staffing in the future, further difficult prioritization decisions face the Town.

PUBLIC SAFETY (Fire, Police, Emergency Management)

	<u>FY23</u>	<u>Change from FY22</u>	<u>% Change</u>	<u>FTEs</u>
Fire Department	\$ 5,979,280	\$41,281*	0.7%	54.5
Police Department	\$7,462,852	\$81,528^	1.1%	70.02
BEMA	\$24,144	\$0	0.00%	Within FD

*Salaries up .5%, expenses up 2.4%

^Positive variance a result of deferred capital outlays from FY22 (\$75,000; salaries flat at 0.0%, expenses up .8%)

FY23 Budget Changes from FY22

Fire

- The Fire Department (Department) budget has been essentially flat for the past several years; in FY21 the Department participated in the Town's efforts to reduce expenses to address budget uncertainty due to COVID, and the budget was reduced by \$88,315 or 1.5% from FY20; in FY22, the budget was essentially flat, and the Department reduced staffing by 1 firefighter.
- The proposed FY23 Fire Department budget remains essentially flat compared to the prior years' reduced budgets (a modest \$41,281 increase).
- The budgeted amount for salaries is up slightly \$25,231 (.5%). Budgeted expenses are down \$12,300 (2.4%). Overlay is up \$3,750 (3.9%).
- Overtime (OT) is already \$300,000 over budget due to the continued vacancies this year.
- The Department has provided additional revenue to the Town through the increase in pricing (and number of calls, including across towns) for ambulance services (approx. \$250,000 more in FY22 than FY21).

Police

- The Police Department (Department) budget has been essentially flat for the past several years; 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 number of 47 patrol officers (PO) for FY23 is now one less than it was for FY21 as a result of the Department reducing one PO as part of the FY22 budget cuts.
- The budgeted amount for salaries is slightly up \$1,228 in dollars (0%). Budgeted expenses are slightly up \$5,300 (0.8%).
- In FY22, Police Department capital outlay of \$75,000 for one cruiser is the final outlay to make up for deferral of 4 cruisers in FY20-21; 3 of the 4 deferred cruisers were funded in FY22, and the 4th cruiser could not be deferred again. Thus, in FY23, the Department is to receive \$75,000 for the 4th cruiser. The modest increase in the Department's budget over FY21 (\$81,528) is due to primarily to this urgent capital expense.
- Salaries savings are in part due to continued vacancies that could not be filled, and the resulting overtime (OT) was somewhat offset by savings in salary. OT is already \$100,000 over budget due to the continued vacancies this year.

Impact of Proposed FY23 Budget on Department Operations

Fire

- Because of unfilled vacancies and an unusual number of long-term sick leaves in the Department, the Department was required to make use of a significant amount of OT to meet the various shifts. The Department expects to spend \$600,000 in increased OT for FY22.
- The Department anticipates being nearly fully staffed (at the reduced staffing of 55.5) by May of this year; the Department has filled 5 vacancies due to retirements or transfers this year, many of which took nearly one full year to fill (extended, in part, due to delays associated with COVID and the temporary closing of The Mass. Fire Academy and the cumbersome civil service process). The Department is in the hiring process for the 6th vacancy. None of the new hires, however, were diverse or women and it continues to be a challenge to diversify the Department's workforce.
- The Department responded to 3280 incidents, as compared to 2648 in 2020 and 3007 in 2019 (the average for the prior 7-year period (2014-20) was 2852 per year).
- Morale at the Department has been lower due to the budget cuts and delays in filling the open positions, but there is hope that morale should pick up now that the Department has filled the open positions and the excessive hours borne by the current firefighters should be reduced and be more evenly distributed.
- 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

- Although the budget is essentially flat (the modest increase of \$81,528 due mainly to replacement of a cruiser deferred from FY20-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, vacant positions going unfilled, and growing morale issues.
- The Department has only been fully staffed in 1 year over the past 15 years and would like to see a budget for 50 POs.
- The Department has gained a contracted Social Worker through a grant from the state Department of Mental Health. The Social Worker is an employee of Advocates and is temporarily being shared jointly with Watertown until a fulltime social worker is selected for Belmont. The Social Worker will assist in dealing with the many mental health calls the Department responds to, including assisting in de-escalating calls with people in crisis.
- As noted above, OT usage will be higher for FY22 and likely FY23.
- Morale at the Department is low due to impacts of criminal justice reform, continued vacancies suppressing promotions, and a perceived lack of investment in the Department.

Budget Risks in FY23; impact on Town services

Fire

- The Department believes there should be a decrease in the use of OT for FY23 given the recent hires. The Department, like fire departments in other municipalities, has been experiencing higher rates of turnover during the past several years. A portion of the applicants pursue the fire

academy process through the Town, and then transfer post-training to other municipalities closer to where they want to live or for higher pay in larger municipalities.

- The continued use of Civil Service is a significant barrier to increasing the diversity of the Department, which is currently 100% white, as documented in the report of the Diversity Task Force.
- The Department saved approx. \$91m in property value due to its intervention through fire suppression activities in response to Code 111 structure fires (estimate of potential dollar loss to fire obtained from value of the property listed on the Belmont Assessors Office website).
- The Department is launching an EMS Bike Unit to respond to medical emergencies through the Department's paramedics and EMTs at community functions such as Town Day, etc. and as a mobile unit around Town.

Police

The Department is facing 4-6 vacancies this year. Two supervisors have been called to the National Guard; there are 2 other current vacancies; and 2 retirements are expected around January 2023. Three future officers are expected to enter the Academy on August 1, 2022. At the time of this report, the Department plans on requesting an additional list from Civil Service for the hiring of 3 additional candidates who would enter the academy in late 2022 or early 2023. Any significant delay in filling the 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 increase in OT can also impact the health and safety of the Patrol Officers. Vacancies also delay promotions, hurting morale, and could impact the delivery of continued public safety service.

- The continued use of Civil Service raises significant barriers to filling vacant positions, including a deficit of eligible candidates, which inflates the use of overtime and delays promotions.
- In addition, the continued use of Civil Service is a significant barrier to increasing the diversity of the Police force, which is currently 98% white, as documented in the report of the Diversity Task Force.
- The essentially flat budget for 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 continue to be affected by court duty as courts reopen and officers are required to appear in person for trials, etc.
- The lack of crossing guards remains an issue for the Town; now that schools have returned to fulltime in-person learning, this could put a strain on crossing guards and general traffic control.
- The Department expects to use \$25,000 of its operating budget for costs related to the new building, including new trash barrels, rehabilitating the range, including soundproofing and carpentry work, and time clocks.

Outlook/Recommendations for FY24

Fire

- The Chief has prepared a SWOT (strengths, weaknesses, opportunities, threats) analysis, which he intends to update annually; it would be helpful if the Department could prepare a benchmarking study comparing the Department to comparable towns (similar to what the Police Department prepared two years ago).
- The Department has been creative in seeking grants and has been successful in obtaining an Emergency Management grant (\$6500); DFS rescue equipment grant (\$19,000); a safe and senior

safe grant for student awareness (\$8,000); an AED grant for the Bike Unit (\$2,500); and is seeking a large grant for Airpacks.

- The Department may want to consider a continuous or forecasted hiring process where the application process is open year round to generate a standing list of applicants so as to mitigate the delays associated with the Fire Academy and Civil Service.
- The Department should work to make it a more diverse workplace and consider the recommendations of the Town's Diversity Task Force report and whether to remain a member of the Civil Service System. Withdrawal from the Civil Service System may also result in a faster hiring process (and thereby potentially reduce OT costs).
- The Department has generated a series of reports on its services, including an [Annual Report for 2021](#), that are available on the Town web site and worth reading.

Police

- Given the lack of a reasonable number of qualified Police candidates from the Civil Service list, the Town can expect vacancies and excess OT to continue.
- The Department was successful in obtaining a \$100,000 grant to fund the Social Worker position and \$12,000 to replace its bullet proof vests.
- The Department should continue to seek funding for the Social Worker position going forward.
- The Department should continue working to diversify and consider the recommendations of the Town's Diversity Task Force report and whether to remain a member of the Civil Service System. Withdrawal from the Civil Service System may also result in a faster hiring process (and thereby potentially reduce overtime costs).
- The Department has generated a series of reports on its services, including an [Annual Report](#) for 2021, that are available on the Town web site and worth reading.

The Warrant Committee notes the extensive hiring challenges faced by the Town's Police and Fire Departments in recent years. These challenges have led to several lengthy vacancies, which in turn have driven high OT costs in both Departments. Among the many contributing factors to the hiring difficulties is the Town's participation in the state civil service system. The Structural Change Impact Group (SCIG) included a lengthy review and analysis of the civil service system in Belmont in its final report. (See "Idea #33". https://www.belmont-ma.gov/sites/g/files/vyhlf6831/f/uploads/scig_recommendations_report_220331-final.pdf)

- The Warrant Committee will not repeat the excellent review of civil service from the SCIG; however, the Warrant Committee supports the "Next Steps" outlined in the SCIG Report (page 53) for the Select Board and the Town Administrator:
 1. Continue discussions with unions with the goal of withdrawing from Civil Service with union support. Priority should be given to renegotiating the Police Department contract and moving towards withdrawal from Civil Service.
 2. As part of negotiations, continue the discussion of terms and conditions for an alternate system for hiring in Police Department and Fire Department.
 3. Hire an outside consultant in FY23 to forecast savings and costs to determine the net benefit/loss for the Town.

4. In FY23 develop a plan to leverage existing work done in non-civil service communities to develop exams, and other necessary guidelines.

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 FY23 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.

	FY22 Budget	FY23 Budget	\$ Change	% Change	FY23 FTE	Change from FY22
Town Clerk	\$474,572	\$523,208	\$48,636	10.2%	4.5	0
Town Administration	\$1,085,341	\$1,033,234	(\$52,107)	(4.8%)	5.0	0
Human Resources	\$290,567	\$308,172	\$17,605	6.1%	2.75	0
Information Technology	\$1,105,172	\$1,347,693	\$242,521	21.9%	5.4	0.4
Town Accountant	\$411,903	\$444,460	\$32,557	7.9%	4.0	(0.4)
Town Treasurer	\$705,713	\$724,774	\$19,061	2.7%	7.5	0
Board of Assessors	\$420,410	\$424,098	\$3,688	0.88%	4.0	0

In the past five years, the staffing in these seven departments has grown by a little more than one full-time equivalent, from 31.92 in FY18 to 33.15 in FY23. During that time, the demands on these departments have grown and positions have at times gone unfilled. These staffing levels are at the absolute minimum for delivering required services. Operating at current or lower staffing levels has the potential to cause burnout and difficulty in hiring and retaining staff.

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, licenses, meeting minutes and postings. 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 all elections, Town census, voter registrations coordination with Board of Registrars of Voters and verifying residency.

- Legislative responsibilities for managing Town Meeting in coordination with elected Moderator, submission Town Meeting votes to various 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, in recent years the Office has shifted to enable more online operations for staff and customers (for example, payment online for pet licenses and vital records). Early Vote by Mail and Absentee voting once again put additional burdens on the Office staff. There were no grants to cover additional voting costs during FY2022. Such grants tend to be available during years in which presidential elections occur.

The budget of the Town Clerk's office, in the Elections and Registrations program, varies from year to year based on the number of required elections. The FY23 budget has increased by 10.2% for three elections (September 2022 State Primary, November 2022 State Election, both with Early Voting obligations, and the April 2023 Annual Town Election) over FY22, in which two local elections were budgeted.

The Clerk's Office once again orchestrated seven successful online Town Meetings in May and June 2021. In 2022 Town Meeting will again be held online, which the state has authorized through July 15, 2022. Online Town Meeting includes the additional cost of technology support and overtime or comp time for various staff members on the Remote Town Meeting Team that consists of 17 people. In all instances, use of the mobile version of our electronic voting system, TurningPoint, was deployed at no additional charge.

An additional challenge in 2021 was the 2020 Federal census data-based reprecincting effort, which required redrawing of boundaries to balance the population and Town Meeting representation. Boundary lines for Precincts 1, 2, 6, and 8 were changed and approved by the State. The 2020 Federal Census shows Belmont's total population as 27,295, up from 24,729 residents in 2010, representing a 10.38% increase. The increase in Belmont's population likewise increased the target precinct population from 3091 per precinct in 2010, to 3412 per precinct in 2020, adding more than 300 residents to each precinct.

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

The revised state law providing access to public records in the last few years has put a substantial burden on the Clerk's Office, which manages the portal for incoming records requests. Fortunately, since 2017, the Office has utilized a vendor software system, NextRequests, that has enabled the Town to timely process an average of up to 120 requests per month. The Police Department receives and fulfills the most public records requests, mostly crash reports, followed by the Town Clerk's Office, which has received and fulfilled 410 public records requests since 2017.

In the light of COVID, and the additional burdens on the Office, the Town Clerk and School Superintendent suspended the Clerk's role in residency verification for school registration, turning it back to the School Department, where it remains.

The federal and state governments have still not finalized requirements for additional security protections in new voting. However, the Office will be issuing a request for proposals for voting tabulators, an already-approved capital project and expenditure. Any such contracts will include upgrade or buy-back provisions if the machines do not meet subsequently imposed state or federal cybersecurity mandates.

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.

- **RESTRUCTURING:** Beginning in FY19, the Assistant Town Administrator role has been used to address a specific strategic need, in addition to general Town Administration needs. With the departure of the Assistant Town Administrator – who also served as Recreation Director and reshaped the Recreation Department offerings and operation – a new Assistant Town Administrator is being hired who will also serve as Finance Director and assist in managing the town's financial modeling and budgeting process. With the addition of the financial management experience of the new ATA, the Budget Director position will be changed to a Budget Analyst position.
- **BUDGETING:** The department worked with the town and school departments to create an FY23 budget that uses significant amounts of one-time funds (namely, free cash and ARPA funds) to supplement recurring revenue sources, including property taxes, state aid, local receipts, etc. Similar use of free cash and ARPA funds is expected in FY24, but without these one-time funds, the structural deficit will leave a tremendous fiscal cliff in FY25.
- **SUPPLEMENTAL REVENUE:** The Town Administrator continues to make the pursuit and use of grants or other supplemental funding sources a priority for the department. This past year, the Town Administrator worked with our State Senator and State Representative to secure \$1.1 million in additional state funds earmarked for four projects – construction of a new library and new rink, affordable housing, and economic development.
- **UNION CONTRACTS:** The department is currently in active negotiations with all of the town unions while the town is operating under very difficult financial constraints due to the large and growing structural deficit.
- **RECREATION ENTERPRISE FUND:** The department and Select Board is moving forward on the longstanding goal of creating a Recreation Enterprise Fund – an independently-operated town “enterprise” that manages its own revenues and expenses, with the goal of becoming entirely self-funding. This transition – originally planned for 2020 but delayed due to the financial impact of the pandemic on recreation – is expected to be brought to Town Meeting in FY23. The creation of an enterprise fund was a key recommendation of the Recreation Strategic Plan.

- SELECT BOARD INITIATIVES: Several important projects will be a significant focus for the Town Administrator's office in FY23:
 - The Structural Change Impact Group is creating recommendations for the Select Board to improve the delivery of Town services and find cost efficiencies, and the evaluation and implementation of these ideas will begin in FY23.
 - The Economic Development Committee is working on grant-funded and state-funded initiatives to enhance the Trapelo Road Corridor, create a Small Business Grant Fund, reach out to landlords of vacant properties, and other recommendations from the Belmont Business Study and community and business center meetings.
 - The department is working with many departments, committees, and community organizations to make deliberate progress on the town's Climate Action Plan, including a focus on electrifying the fleet, managing the energy efficiency of our buildings, continuing the renewable energy transition at Belmont Light, pursuing Green Communities grants, and addressing resiliency through the Municipal Vulnerability Program, among other activities.
- The Community Path Project Committee has submitted 25% designs to the Mass DOT (Department of Transportation) and is pursuing TIP construction funding for the project. The committee is beginning the process to request CPA funding for phase two design. The committee is continuing the work to secure right-of-way easements needed for the project to proceed.
- The Preliminary Rink Design Committee has been created to begin the feasibility and design work for a renovated or rebuilt rink in anticipation of the creation of a Rink Building Committee.
- 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.

Human Resources

The Human Resources Department is responsible for the following areas:

- Administering employee benefits for all Town and School employees
- Negotiating contracts with seven public non-school employee unions (plus assisting the Light Department with their union negotiations) and managing relations with union employees
- Pay and position classification, including maintaining job descriptions
- Staff recruitment and retention

The Human Resources department operates at a staffing level of 2.75 FTEs, which includes the full-time HR Director, full-time Assistant HR Director, and part-time Administrative Assistant. The Assistant HR Director also acts as Benefits Coordinator, managing the benefits programs for current and retired staff. In previous budgets, the Benefits Coordinator responsibilities were assigned to a separate Benefits Coordinator/HR Generalist position, with the salary for that position paid from the Health Insurance Trust Fund. However, that position remained unfilled. Starting with the FY23 budget, 50% of the Assistant HR Director's salary will be paid from the Health Insurance Trust Fund.

During the COVID-19 pandemic, the department has needed to update and implement employment policies specified by the state and federal governments. As the pandemic evolves in FY23, further shifts in employment policies should be anticipated.

Contracts with six of the seven public employee unions with whom the HR department negotiates expired on June 30, 2020. The primary goal of the department in FY23 will be to conclude negotiations with these unions on new contracts.

Information Technology

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

- Desktop Services - Help Desk, Printer, PC and mobile services
- Enterprise Resource Planning (ERP) System administration
- Geographical Information System (GIS) and Database Administration
- File Server and Communications Administration - email system, systems security, and related systems
- Technical Training

The IT Department budget in FY22 is increasing by \$242,521, or 21.9%. This increase is attributable to rising costs of existing software licenses and network security systems, plus the addition of a .4 FTE administrative assistant. With this change, the staffing of the IT Department will be 5.4 FTEs.

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. Printers are replaced as needed, typically after six to eight years. The department implemented a Town-wide upgrade to Microsoft Office 2021, which might be the final non-subscription upgrade available for that software suite.

The Department maintains two essential systems, MUNIS and GIS, for all Town departments. MUNIS is an Enterprise Resource Planning (ERP) system that provides a common repository for all financial and personnel data. The Geographical Information System (GIS) provides the ability to spatially display information, which increases efficiency for planning, utility work, property analysis, pavement management, and public safety.

Cyber threats targeting government networks continue to rise and overwhelm IT Department resources. Ransomware and other threats are a serious concern and require multifaceted efforts, including training for town staff to avoid email phishing attacks and network security tools to detect unusual activity on the network. Because of the threats, upgrades to more sophisticated security systems are needed and the cost of these systems is one of the main reasons for the increase in the department budget. Because the integrity of the town computer network is so crucial and the risk of financial cost to the town is so significant, the security work done by the department is absolutely essential and money well spent.

Town Accountant

The Town Accountant maintains fiscal records and internal controls for all departments of the Town and Schools. Responsibilities include: a) preparation and maintenance of key financial records including the Financial Statements and the General Ledger; b) maintain internal controls by monitoring revenues and expenditures of all departments; c) certify availability of funds prior to entering into contracts and prior to payment of invoices; d) assist in providing financial reports to departments, in preparation of the Town budget, in Tax Rate setting and in preparing any other information or reports as requested by the Town. The department ensures that all financial reporting requirements are in accordance with federal and state laws and town by-laws.

The past year has been successful for the Town Accountant's Office. Glen Castro has been appointed as the permanent Town Accountant. The Department has continued to operate in Compliance with the Government Accounting Standards Board (GASB) standards and by the Generally Accepted Accounting Principles (GAAP) as certified by an outside auditor. The books for FY21 were closed on August 10, 2021 in record time, making possible timely certification of free cash by the DOR, a significant help to the town's budget process.

The most significant change in the Accounting Department for FY23 will be the reduction in staff by .4 FTE to allow the creation of the position of Purchasing Agent, who will work across all departments. The Town has been in need of a Purchasing Agent. This is a position most other towns rely on. By statute, the Town Accountant is responsible for certifying that there is adequate appropriation for and approving all contracts. The Purchasing Agent will be a standalone position, possibly located in the Town Administrator's Office or in Facilities, responsible for managing contracts, doing detailed work for the procurement process, following the implementation and looking for cost savings. Automation and streamlining of some accounting tasks have made it possible for the Town Accountant to agree to reduce staff to 3 FTEs to accomplish creation of this new position. Although the salary for the Purchasing Agent is reflected in the Accounting Department's budget for FY23, in future years the position will be moved.

In addition to reducing staff to help cover the cost of the new position, the Accounting Department has carefully reviewed all of its non-salary budget items. Lines where money has typically not been used fully year-to-year have been reduced, for an overall reduction of 18.7%.

The Accounting staff continued to work with other departments to develop procedures and train staff to use available financial software for increasing efficiency and transparency, saving both time and paper. Changes were implemented to allow Department Heads to approve invoices in MUNIS, and new content manager and contract manager software was implemented, allowing storage and management of contracts, as well as invoices and related documents within MUNIS.

Building projects have continued to add to the workload for the Accounting Department. In FY21 the Department processed 22,693 invoices for payment by the Treasurer. The number of invoices has decreased marginally (4.7%) so far in FY 22 with the closing out of the Police/DPW project.

Goals for FY23 include continuing to implement and track use of additional functions in MUNIS to increase efficiency in financial recordkeeping among departments while maintaining the security of the data, and submitting the Town's balance sheet for FY22 to the DOR by August 10, 2022.

Town Treasurer

The Treasurer is the cash manager of the Town responsible for deposits, investments and disbursements of Town funds. The Treasurer's Office has maintained 7.5 FTEs for the last several years. Part of Treasury Management is the authority vested with the Treasurer to issue debt on behalf of the Town. Recognizing that interest rates will likely rise, the Treasurer is adroitly in the process of borrowing the remaining \$12.8M for the middle and high school building projects. We are fortunate that the Treasurer has maintained an AAA bond rating for Belmont with both Moody and S&P rating agencies. There are only approximately 30 other municipalities in the United States that have the AAA rating from both rating agencies.

The Treasurer is responsible for the collection of real estate taxes, personal property taxes and excise taxes. Last year, the Treasury Department sent out approximately 8,600 tax bills. A substantial amount of time is spent on the collection of taxes, but the effort has shown very successful results. The overall tax collection was 99.3%. With that said, the Treasurer has noted that in recent years, there has been an increase in published liens and taxpayers working out payment plans with the Treasurer's Office.

The Treasurer is also responsible for processing of all parking violations and the Treasurer's Office responds to inquiries and arbitrates parking violations with requests for dismissal.

The Treasurer's Office maintains a high guard against fraud, which includes reconciling balances every day. The Treasurer noted that one of his biggest concerns is cybersecurity and he closely manages his FTEs to recognize potential malware and phishing attacks.

The Treasurer's Office issues Municipal Tax Lien Certificates required when real estate is sold. In performing this function, the Treasurer had noted that decades ago, residential real estate was turning over with people who had been residents of the Town for 30+ years. Recently, the Treasurer comments that the average turnover now appears to be in the 6 to 10-year timeframe. Is Belmont becoming a transient community?

Belmont has been fortunate in benefitting from the skill and competency of the present Treasurer. The Treasurer is currently an elected office. There is no guarantee upon the present Treasurer's retirement that his successor will be as competent and skillful as the incumbent. It is recommended that a study be undertaken of the experience in other municipalities to be informed of the respective advantages and disadvantages of an elected Treasurer versus an appointed Treasurer. Shifting to an appointed Treasurer was a recommendation in the 2011 Financial Management Review of the Town of Belmont that was conducted by the Division of Local Services of the Massachusetts Department of Revenue, but that recommendation has not been acted upon.

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 FY23 is expected to be \$840,000, largely driven by residential additions or renovations. No large developments are expected to contribute to new growth this year. Projects in Waverley Square are now fully on-line, as is the residential portion of The Bradford in Cushing Square. The commercial portion of The Bradford is still tied up in private litigation. Typical new growth figures are in the range of \$800,000 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 total property tax revenue. (The Commonwealth typically approves a range of 1-5%. Consistent performance by the Assessors' Office justifies a reserve at the low end of the range.) During FY2022, abatements and exemptions totaled \$650,000. 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, and it represents a growing percentage of CAMA market share. The Assessors' Office plans to enter into another three-year software contract with J.F. Ryan.

Increased assessments in recent years are attributable to limited supply and increased demand for entry-level, single-family homes within walking distance of schools and shopping centers. 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, although there was a drop-off in FY2022. (FY2023 abatement requests were due this year on February 1, 2022.)

Year	# of requests
2019	200
2020	556
2021	408

FY23 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 its focus on business-friendly policies and 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 western 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 (and which in April 2020 sold significant land on the Lexington side of its property for senior housing).

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 legislature 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 nonprofits 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 nonprofits meeting specified asset thresholds to contribute to essential town services.

HUMAN SERVICES

Human Services Subcommittee is responsible for the Council on Aging, Library and Health Department.

The FY23 budget numbers for the three Human Services Departments are listed in the table below. The details about each department are included in the sections that follow.

	FY22 Budget	FY23 Budget	\$ Change	% Change	FY23 FTE	Change from FY22
Council on Aging	\$403,536	\$477,140	\$73,604	18.2%	6.6	1.0
Library	\$2,275,877	\$2,374,315	\$98,438	4.3%	26.9	0.6
Health Department	\$604,961	\$642,336	\$37,375	6.2%	5.9	-0.5

Council on Aging

Budget Overview

The Council on Aging has eight primary programs:

- *Transportation*: transportation for seniors and disabled persons, 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, education and arts programs
- *Volunteer Services*: recruits, screens and places volunteers to help the COA
- *Senior Trips*: organizes trips and outings for seniors or 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

The sub-budget overview for the Council on Aging is as follows:

	FY22 Budget	FY23 Budget	\$ Change	% Change	FY23 FTE
Total Salaries	\$366,761	\$378,233	\$11,472	3.1%	6.6
Total Expenses	\$36,775	\$98,907	\$61,132	169.0%	
Grand Total	\$403,536	\$477,140	\$73,604	18.2%	

Narrative

With the defeat of the override last year, the long-requested need for a full-time social worker was denied. However, the 2023 budget includes receipt by the Council on Aging of ARPA funds. This is in the budget as a contract expense which explains the above-referenced 169 percent increase in next year's expense budget to fund this position. Unless funded in the Town's budget, the position will terminate on December 31, 2023. The COA continues to share .4 FTE with the Health Department, with the Health Department responsible for the administrative supervision, keeping track of benefits, etc.

Transportation continues to account for approximately 30 percent of the budget, but transportation has always been an essential service provided to seniors. The COA applied for and was awarded a grant of \$7,880 to partner with Belmont Taxi to provide cab rides to medical destinations outside the COA service area. The COA closely supervises access to the taxis to avoid abuse at public expense. Users are questioned as to the availability of other options, such as rides by family members or friends, general status or ability to pay and limitations on the number of rides per month followed up by request for donations by users. When the grant was exhausted, the Friends of the COA authorized an additional \$10,000 to cover the cost of the taxi program pending hopefully a \$5,000 appropriation from Town Meeting to approve the Uber/Lyft revenues for FY23.

As the COVID scourge lessened, the Beech Street Center opened part time in July of 2021 and finally five days a week by November. Usage at Beech Street Center, however, is still substantially below pre-COVID levels.

Similarly, although the Springwell lunch program was reinstated with the opening of the Beech Street Center, the participation is far less than pre-pandemic times and generally runs ten or less attendees. The grab-and-go lunch program established during the pandemic has continued along with some door-to-door deliveries.

Last year after Belmont was designated as an age-friendly town, an age-friendly council was appointed which drafted an age-friendly plan which has been accepted by the AARP. A new committee has been appointed to implement the plan. Among the innovations referenced in the plan is full-scale tutelage for seniors of how to live in your home with everything from repairs, permits, energy conservation, possible tax exemption, etc. all to help seniors remain in their homes.

The advent of parking meters in Belmont with the obligation to find the payment receptacle and navigate the payment has proven difficult for many seniors. The age-friendly plan spawned a very popular senior parking permit that allows seniors over the age of 65 for a \$5 annual fee to receive a sticker that allows them 2 hours of free parking at any municipal meter.

The Beech Street rental program is re-open for business but obviously receipts were off from last year.

The use of Zoom during the pandemic for delivering many of the COA services to seniors is here to stay as a hybrid addition to many of its in-person programs.

Library **Budget Overview**

FY23	\$ change from prior year	% change from prior year	FY23 FTEs
\$2,374,315	\$98,438	4.3%	26.9

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	\$1,482,102	62.4%
Technology and Technical Services	\$369,516	15.6%
Plant Operations	\$316,751	13.3%
Administration	\$205,946	8.7%
Total	\$2,374,315	100%

The Belmont Public Library continues to be the 10th highest circulating library in the state, and has continued to provide highly used programs and services to the community throughout the pandemic. This year the Library's budget request represents an increase of 4.3% - a larger increase than has been typical in recent years. This is driven primarily by the addition of a new Children's Librarian, an increase to support necessary technology and the fee for membership in the Minuteman Network and absorbing the full cost of the cleaning contract which has been partially funded by the Facilities Department in the past.

The Library Trustees have been focusing attention on three major areas recently.

The first is Programs and Services. It is clear that new investment in technology will be necessary. In FY21 digital circulation rose by 10% in one year, representing 36% of total circulation. The COVID shutdown accelerated the change to delivery of programs and services remotely, and this will not totally revert. Following reductions during the COVID budgets, this year the capital outlay budget for Technical Services will increase \$14,000 to \$26,500 for investment in equipment to support these growing services. Increases are also necessary to cover fees for access to online resources for patrons.

Second is Management, Governance and Oversight. Over the past few years there has been significant staff turnover, including many retirements. The Trustees and the Director have taken the opportunity to review the staff structure and job descriptions to be sure that the staffing is as efficient and effective as

possible. Through this work certain needs have also been identified. This year a Children's Librarian will be added, meeting a crucial need arising from an increase in Belmont's under 18 population and the increase in Children's Room hours to include four nights and Sundays. This position will be partially funded by leaving a .4 FTE position from the Library Tech Services Department unfunded. It has also become clear that in the next few years the Trustees must ask for the position of Assistant Director to be added to the staff. The Library is the only Town department currently without such a position. Most other municipal libraries rely on this position for maintaining their operations and necessary oversight.

Third is the need for a new building. The Library building continues to age and its infrastructure systems are failing. The Town has a schematic design for a new Library on the current site, and a debt exclusion question to support construction will be on the ballot for voters in November of 2022. The balance of keeping the current building operational and safe, while minimizing investment of resources, is a constant challenge. If the residents do not support construction of a new building, the Town will have to grapple with how to fund the enormous cost of rehabilitating the current building.

Health Department

Budget Overview

FY23	\$ change from prior year	% change from prior year	FY23 FTEs
\$642,336	\$37, 375	6.2%	5.9

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	\$75,796	11.8%
Environmental Health	\$217,110	33.8%
Youth & Family/Veterans	\$219,037	34.1%
Disease Control	\$43,037	6.7%
Administration	\$87,358	13.6%
Total	\$642,336	100%

In FY22 the Health Department continued to meet the high demand placed upon it by the COVID-19 pandemic including (i) to develop and implement Town and School COVID-19 safety protocols, (ii) to conduct routine testing and testing after events and holidays, (iii) to perform contact tracing for over 1,000 Belmont residents and staff, and (iv) to schedule, staff and hold vaccination clinics. In the first months of 2021, the Department ran a local call center to help residents register for state vaccine services. Throughout the pandemic, 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 continued to work on pandemic services. The Department shares a Social Worker who works 20 hours per week for the Department and 20 hours per week for the Council on Aging. As forecast in FY21, the Social Worker continued to face increasing demand for social services to residents struggling with food insecurity, housing expenses and needing personal services. Overall, the workload of the Health Department has at least tripled compared to pre-pandemic workload, and full-time staff members made themselves continually available on evenings and weekends throughout the fiscal year. The elected Board of Health likewise contributed its expertise over long hours, on a volunteer basis.

Because COVID response consumed most of the Department's staffing resources, it limited the Department's 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. Food establishment inspections were outsourced to a qualified inspector in an effort to reduce the backlog, but some backlog remains. The need for inspections to respond to reports of deficiencies in rental housing and hoarding in homes increased during FY22.

The Department received some federal funding for its COVID response. In a joint effort, the Select Board and the Department expended \$60,000 for COVID testing that has been reimbursed and another \$60,000 still to be reimbursed by federal funds. Rapid testing for seniors, schools, Housing Authority residents and Town employees was funded with \$32,287. For contact tracing during FY22, \$79,135 will ultimately be covered by federal FEMA funding covering Belmont's full-time Public Health Agent/Data Analyst and two contract tracers 20 hours per week.

The Department also sought and received grants from other sources, including a \$5,000 grant from Mt. Auburn Hospital to host community seminars about teen stress and vaping and a \$3,000 grant for a decluttering program for all ages. It participates in a tobacco control program shared with seven nearby towns.

The Health Department has future capital needs to invest in an electronic payment system for the many permit fees administered by the Department. Such a system would free employees to provide health services needed throughout Belmont.

In FY23 the demands on the Health Department will remain high, to continue to help Town and school officials adapt to the longer-term outcomes of the COVID-19 pandemic. In addition, the Department faces an increase in public health challenges including complex housing issues, nuisance complaints, and youth tobacco use.

EDUCATION

Budget Overview

	FY23	\$ Change from FY22	% Change	FY23 FTEs	Change from FY22
General Fund Budget	\$66,982,926	\$777,368	1.2%	548.73	12.03
Total Budget (Recurring Sources)	\$75,597,935	\$2,495,035	3.4%	584.57	13.91
Non-recurring COVID-Relief Funding	\$1,500,360	(\$187,161)	(11.1%)	22.00	(1.00)
Total Budget (All Sources)	\$77,098,295	\$2,307,874	3.1%	606.57	12.91

A. FY23 Budget Summary

As shown in the table at the top of this page and below, the total FY23 School Department General Fund budget is \$66,982,926, an increase of \$777,368 (or 1.2%) from FY22. Factoring in traditional recurring grants and revolving funds, the departmental budget is \$75,597,935, an increase of 3.4% from FY22. The total FY23 School Department budget from all sources, including non-recurring COVID-relief funding, is \$77,098,295, an increase of 3.1% from FY22.

The table below shows the FY23 General Fund School Department budget and the total FY23 School Department budget, broken out by the major budget categories and compared to the FY22 budget. The total budget includes various recurring outside sources of revenue such as grants and revolving funds but excludes the non-recurring COVID-relief funds shown in the table above, which are covered in a separate section later in this FY23 Budget Summary. While Town Meeting only votes on the General Fund portion of the School Department budget, it is still important for Town Meeting members to understand the total School Department budget because those additional recurring sources of revenue represent over 10% of the departmental budget and they fund essential departmental expenses – particularly special education and student activities.

General Fund Budget and Total Budget by Program Category (in \$000s)

Program Category	General Fund Budget			Grants & Revolving Funds			Total Budget (All Sources)		
	FY22	FY23	% change	FY22	FY23	% Total Budget	FY22	FY23	% change
Regular Instruction ¹	\$25,117	\$26,450	5.3%	\$368	\$323	1.2%	\$25,486	\$26,773	5.1%
Special Instruction ²	\$17,908	\$17,335	(3.2%)	\$3,035	\$4,759	21.6%	\$20,943	\$22,093	5.5%
Student & Instructional Services ³	\$7,190	\$7,549	5.0%	\$3,286	\$3,319	30.5%	\$10,476	\$10,868	3.7%
Operations ⁴	\$1,192	\$1,259	5.6%	\$180	\$181	12.6%	\$1,372	\$1,440	4.9%
Leadership & Administration ⁵	\$3,823	\$4,191	9.6%	\$29	\$34	0.8%	\$3,852	\$4,224	9.7%
Contract Allowances & Benefits ⁶	\$10,975	\$10,200	(7.1%)	--	--	--	\$10,975	\$10,200	(7.1%)
TOTAL	\$66,206	\$66,983	1.2%	\$6,897	\$8,615	11.4%	\$73,103	\$75,598	3.4%

Note: Excludes COVID-relief funds.

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.

As stated in the first paragraph, and as shown in the above table, the FY23 General Fund budget is increasing by a total of about \$777,000, or only 1.2%. However, the total FY23 departmental budget, including grants and revolving funds (but excluding COVID-relief monies), is growing by \$2.5 million, or 3.4%. The different growth rate in the General Fund FY23 budget versus the total departmental FY23 budget is essentially driven by a \$1.7 million (57%) increase in the utilization of grants and revolving funds in the Special Instruction program category, the majority of which is attributable to the department's anticipated reliance on existing reserve balances to cover special education expenses. The increased utilization of reserve funds decreases the FY23 General Fund budget for Special Instruction expenses by \$573,000, even though the total Special Instruction program expenses are increasing by \$1.2 million (5.5%). (See the Special Education section below for additional detail.)

Other noteworthy observations about the FY23 General Fund budget and the total FY23 departmental budget include the following:

- The Regular Instruction program category represents approximately 40% of the total General Fund Budget and it is projected to increase by \$1.3 million, or 5.3%, over the FY22 General Fund budget. A significant portion of this increase is the annual step-and-lane salary increases for teachers and other staff. In addition, as discussed more fully in the Departmental Staffing section below, budgeted staffing in this program category is increasing by 1.95 FTEs over the FY22 budget, consisting of 0.75 unbudgeted fractional positions increased in FY22 and being carried over into FY23, plus another 1.2 unbudgeted FTEs that were hired in FY22 with no expectation that those positions would be carried over into FY23.
- The Special Instruction category represents a little over 25% of the total General Fund budget and almost 30% of the total departmental budget. As with the Regular Instruction category, a significant portion of the \$1.2 million (5.5%) year-over-year increase in the total departmental expense for this program category is the step-and-lane salary increases for teachers and aides. In addition, though, and again as discussed more fully in the Departmental Staffing section below, the FY23 budget includes the anticipated hiring of two SPED behavioral specialists at the elementary school level, as well as the carrying forward of 2.5 unbudgeted SPED aides hired in FY22.
- The Student & Instructional Services program category represents 11% of the FY23 General Fund budget and 14% of the total departmental budget. Total budgeted expenses in this program category are increasing by about \$400,000, with 90% of that total increase contained within the General Fund budget. The budgetary increases in this program account are primarily attributable to the planned addition in FY23 of a 1.0 FTE mental health professional (either a guidance counselor or a social worker) at the high school, the roll-forward of two unbudgeted fractional positions that were added in FY22 (a 0.4 FTE nurse at the middle school and the restoration of the athletic director position to a 1.0 FTE from the original budgeted 0.5 FTE), and a return of certain athletic and student activities fees (such as high school league fees) to pre-pandemic levels as extracurricular activities see a return to normal.
- The Leadership & Administration program category only represents about 6% of the FY23 General Fund and total departmental budgets. However, the General Fund and total departmental budgets in this program are both increasing by about \$370,000, or just under 10%. This increase is primarily due to both contractual and discretionary salary increases for the existing staff, as well as the carry-forward of an additional unbudgeted 2.7 FTE elementary school lunch aides that were added in FY22 to accommodate lunchtime scheduling changes (prompted by the COVID-driven need to reduce

cafeteria densities) and the carry-forward of a 1.0 FTE campus monitor at the high school to help provide oversight at the expanded new high school campus. In addition, about 20% of the year-over-year increase is due to increased software costs to support students and staff.

Budget Changes, FY20-FY23

In addition to the year-over year change in the School Department budget between FY22 and FY23, it is instructional to look at the longer-term trends in the department's budget. The table below provides a summary-level overview of the General Fund and total departmental budget beginning with the actual FY20 expenses.

FY20 – FY23 General Fund Budget and Total Budget (in \$000s)

	FY20 Actual	FY21 Actual	FY22 Budget	FY23 Budget	% change FY20 – FY 23
General Fund	\$59,159	\$59,094	\$66,206	\$66,983	13.2%
Grants & Revolving Funds	\$7,365	\$8,638	\$6,897	\$8,615	17.0%
TOTAL	\$66,524	\$67,732	\$73,103	\$75,598	13.6%

Note: Excludes COVID-relief funds.

As shown in the above table, the School Department's total budget has grown by \$9.1 million, or about 13%, since FY20. And, while the share of the total budget funded by outside revenue sources has grown by a slightly higher 17% growth rate (about \$1,250,000), the General Fund portion of the budget accounts for \$7.8 million, or 86%, of the three-year growth. In looking at the three-year trend by program category:

- The Regular Instruction category accounts for about \$2.6 million, or almost 30%, of the growth in the total departmental budget. The vast majority of this increase is attributable to step-and-lane and contractual salary increases for teachers and aides. Total FTEs in this budget category actually declined slightly by 4.3 FTEs versus the FY20 budget. Looking at just the General Fund budget alone, the \$3.5 million three-year increase in the Regular Instruction category of the General Fund budget is even larger than the total departmental increase, and accounts for about 45% of the three-year increase in the General Fund budget. The higher growth in the General Fund budget versus the total departmental budget is primarily related to the decision the School Committee made in FY21 to transition full-day kindergarten from a voluntary program funded via user fees through a revolving account to a program for all families supported by the General Fund.
- The Special Instruction category accounts for about \$3.7 million, or 41%, of the growth in the total departmental budget and about \$2.4 million, or about 30%, of the General Fund budgetary growth. This growth has been predominantly fueled by an increase of 20.7 FTEs over the FY20 budget, 17.7 of which have been funded through the General Fund. This growth in special education funding is related to a 20% two-year increase in the number of special education students between FY20 and FY22 and a 25% three-year increase in special education students between FY19 and FY22. (See Student Enrollment section below for additional detail.) Special education services are mandated and generally have high costs per student.
- Contract Allowances & Benefits accounts for about \$1.6 million, or 18%, of the total budget growth, all of which is allocated to the General Fund. This growth is predominantly attributable to increased health insurance costs.

COVID-Relief Funding

The COVID-19 pandemic had a significant impact on the School Department operations, arguably more so than any other town department, as the department was forced to transition first to fully-remote learning, then to a hybrid model, before eventually returning to full in-person learning. Fortunately, there have been, and continue to be in FY23, a number of non-recurring federal and state sources of funds to assist the department in managing the technological, academic recovery, and social and emotional learning needs that the department has had to address since the outset of the pandemic. The revenues provided by, and the associated expenditures covered by, those various state and federal sources of funds are not included in the numbers that have previously been presented in this chapter. Instead, the sources and uses of those funds are summarized below.

FY21 – FY23 COVID Relief Funding by Source

	FY21 Actual	FY22 Budget	FY23 Budget
<u>Federal Grants</u>			
ESSER I ¹	\$ 127,474	--	--
ESSER II	--	\$456,001	\$456,001
ESSER III / ARPA	--	\$1,002,359	\$1,002,359
IDEA ARPA ²	--	\$ 207,006	\$ 42,000
Other IDEA	\$18,110	\$22,155	--
<u>State Grants</u>			
CvRF ³	\$1,043,100	--	--
SCPF ⁴	\$146,863	--	--
ECSE ⁵	\$2,157	--	--
TOTAL	\$1,337,704	\$1,687,521	\$1,500,360

1. ESSER stands for Elementary and Secondary School Emergency Relief. ESSER I funds were required to have been expended in FY21. ESSER II and ESSER III funds are eligible to be used in FY22 and FY23.

2. IDEA stands for Individuals with Disabilities Education Act. ARPA stands for American Rescue Plan Act.

3. CvRF stands for Coronavirus Relief Fund. These funds were required to have been expended in FY21.

4. SCPF stands for State Coronavirus Prevention Fund. These funds had to be used in FY21.

5. Early Childhood Special Education Targeted Grant.

As shown above, the cumulative non-recurring federal and state sources of COVID-relief revenue has ranged from \$1.3 million to \$1.7 million per year between FY21 and FY23, totaling \$4.5 million.

It is important to note that the School Department has indicated that \$1 million of the \$1.45 million in ESSER II and ESSER III funds shown above are contingent on the Select Board allocating \$1 million of the Town's ARPA funding to the School Department. That allocation of ARPA funds has not been formally approved at the time of this write-up.

FY21 – FY23 COVID Relief Funding by Use

	Budget \$		
	FY21 Actual	FY22 Budget	FY23 Budget
Staff Salaries & Associated Costs	\$364,555	\$1,483,320	\$1,410,360
Contract Services	\$24,078	\$184,046	\$90,000
Professional Development	--	\$2,000	--
Instructional Supplies	\$311,986	\$18,155	--
Medical/Building Supplies	\$16,547	--	--
Technology Equipment & Software	\$292,297	--	--
Building Equipment	\$328,240	--	--
TOTAL	\$1,337,704	\$1,687,521	\$1,500,360

As the table above shows, in the initial year of the pandemic (FY21), about 70% of the COVID relief funds were used for supplies to support in-home learning (Instructional Supplies and Technology Equipment & Software categories above) or to prepare for a return to in-person learning (Medical/Building Supplies and Building Equipment categories). However, in FY22 and FY23, virtually all of the COVID-relief funds have gone towards salaries and services to support students and teachers with the transitional needs associated with a return to in-person learning.

B. Departmental Staffing

Total Departmental Staffing (FTEs) by Program Category and Funding Source

	FTEs				<i>Change</i>	<i>Change</i>
	FY20 Budget	FY21 Budget	FY22 Budget	FY23 Budget	FY22- FY23	FY20- FY23
<u>Budget Category:</u>						
Regular Instruction	284.35	282.99	277.17	280.06	2.89	(4.29)
Special Instruction	132.48	143.45	147.98	153.19	5.21	20.71
Student & Instructional Services	81.01	80.46	80.01	82.07	2.06	1.06
Operations	19.300	19.3	20.30	20.30	0.00	1.00
Leadership	43.87	44.76	45.2	48.95	3.75	5.08
Total	561.01	570.97	570.66	584.57	13.91	23.56
<i>change</i>		9.96	(0.31)	13.91		23.56
<u>Funding Source:</u>						
General Fund	506.41	515.49	536.7	548.73	12.03	42.32
Grants & Revolving Funds	54.6	55.48	33.95	35.84	1.89	(18.6)
Total	561.01	570.97	570.66	584.57	13.91	23.56
COVID/One-Time Grants	0.00	3.00	23.00	22.00	(1.00)	
GRAND TOTAL	561.01	573.97	593.66	606.57	12.91	45.56

FY22 Budgeted Staffing

The FY22 School Department budget projected the layoffs of 5.83 FTEs (two elementary school teachers, two kindergarten teachers, and 1.83 FTE kindergarten aides) as well as the hiring of three new administrative positions that the department viewed as critical – a director of diversity, and two special education chairs at the elementary school. (One of those two SPED chair positions was budgeted to be funded through the repurposing of the Town’s federal IDEA grant allocation).

FY22 Actual Staffing

As the FY22 year unfolded, the School Department was able to add 6.85 fractional FTE positions funded through the General Fund to address student needs. It also was able to reallocate funds within the FY22 General Fund budget to authorize an additional 13.1 positions intended to last only through the 2021-2022 school year. But the Department was only able to fill 4.1 of these 13.1 FTE positions due to the tight labor market (Those 4.1 FTEs included 1 HS campus monitor; 0.2 Music FTE, 1.0 Math Specialist, 1.0 Social Worker at CMS; 0.1 Reading Specialist at Winn Brook and 0.6 Guidance Counselor at Wellington; and 0.2 EL Support district-wide).

The School Department also used federal and state COVID relief funding for 23 FTEs for FY22 (not included in the General Fund budget) to address needed academic recovery and social and emotional learning.

FY23 Budgeted Staffing

The School Department FY23 General Fund budget anticipates a total staffing level of 548.73 FTEs, an increase of 12.03 FTEs from FY22. That staffing plan includes the 6.85 FTEs added during the summer and fall of 2021, and 2.2 of the other 4.1 FTE positions (0.2 Music Teacher, 1.0 Math Specialist Teacher at CMS, and a 1.0 Campus Monitor at the high school) that were added in FY22 but intended to only last for the 2021-2022 school year. The proposed General Fund budget also includes an additional 3.0 FTEs that the Department and School Committee believe are critical to meet existing student needs (2.0 FTE Elementary Behavior Specialists and 1.0 Mental Health Professional at BHS). In FY23, the Department will use the federal IDEA (Individuals with Disabilities Education Act) grant to fund an Elementary SPED Team Chair that was funded in FY22 through COVID relief funds.

COVID-Relief Funding

In FY22, the School Department also used federal and state COVID-relief funding to hire 23 FTEs (not included in the General Fund budget) to address needed academic recovery and social and emotional learning. COVID relief funding through ARPA and ESSER is again available for FY23 and the School Department will use these funds for the same positions as in FY22 (less 1.0 SPED Elementary salaries). The positions being funded using COVID-relief funds include 2 Elementary Math Specialists, 4 Social Workers, 4 Building Substitute Teachers, 8 METCO Aides and 1 district-wide Nurse. It is important to note that ARPA/ESSER funding will expire at the end of calendar year 2024.

Budgeted Staffing Changes, FY20-FY23

It is important to note that the School Department has added staff in recent years to address student needs even though enrollment has declined since the start of the pandemic. As shown in the table above,

total FTEs have increased by 45.56 from FY20 to FY23, when one includes the 22 temporary positions funded through federal and state COVID-relief grants. As explained by the School Department, these positions are critical for students' academic and mental health recovery and to address weaknesses that were more fully exposed due to the pandemic. (For example, some students' struggles with math have worsened over the past two years and additional math specialists can help bring them back to grade level proficiency.)

Additions of Unbudgeted FTEs

As noted above, in FY22, the School Department added fractional positions that totaled 6.85 FTEs to meet student needs that had not been identified at the time its General Fund budget was presented to Town Meeting last June. The table below (which includes all funding sources except COVID grants) shows that this is typical practice. In some years, those additions are modest, while in other years they can be quite substantial. The number of FTEs has grown from 561.01 in the FY20 budget to 584.57 in the FY23 budget and only 2.67 of these 23.56 FTEs were highlighted in Town Meeting presentations as specific "adds". The others were hired to address student needs as they arose, and then rolled forward as part of the Department staffing from one budget to the next. These unbudgeted additions merit careful attention as fiscal pressures mount.

Unbudgeted Staffing Increases FY20 – FY23

	FTEs				<i>Change FY20-FY23</i>
	FY20 Budget	FY21 Budget	FY22 Budget	FY23 Budget	
Funding Source:					
All (General Fund, Grants, Revolving Funds)*	561.01	570.96	570.66	584.57	23.56
<i>change</i>		9.95	(0.30)	13.91	
'Additional positions' per Town Meeting presentations		0.00	(2.53)	5.20	2.67
Unbudgeted FTEs added during the prior fiscal year		9.95	2.23	8.71	20.89

* Does not include COVID-relief funding

C. Student Enrollment

Until last year, a consistent trend had 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 had been a significant cost driver in the Belmont budget, as more staff were required to meet the needs of these additional students.

Starting in FY21, that trend has reversed, and total enrollment has declined by a total of 349 students in the past two years. This decline is likely the result of the COVID pandemic, during which some parents have appeared to transfer their children from public schools to alternative arrangements, such as private schools or home schooling. Our nearby peer communities have also experienced drops of comparable size in public school enrollment in the past two years. Public school enrollments in Arlington, Lexington, and Winchester have declined between 3.0% and 6.8% percent over the past two-year period. During that time, Belmont enrollment has declined by 7.3%.

Between October 2020 and October 2021, District enrollment declined by 87 students (2.0%), from a total of 4,372 last year to 4,285 this year. This decline was greatest in the elementary schools, which

experienced a 3.6% (59 students) drop in enrollment. Enrollment at the middle school declined by 3.5% (49 students) while high school enrollment actually increased by 1.6% (21 students). Of all grades, kindergarten (which last year experienced the steepest decline among all grades) showed the largest increase – up 36 students (14.3%). However, even after this increase, kindergarten enrollment is 60 students less than two years ago and has dropped by 7 students over the past 10 years.

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
FY22	1,594	1,361	1,330	4,285	(87)
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
<hr/>					
5-Yr. Change					
#	(190)	4	66	(120)	
%	(10.7%)	0.3%	5.2%	(2.7%)	
<hr/>					
10-Yr. Change					
#	(7)	150	247	390	
%	(0.4%)	12.4%	22.8%	10.0%	

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

The expectation that enrollment in the Belmont Public Schools would recover quickly from FY21's decline has not been borne out by the numbers. However, the fact that this year's decline is smaller might be a hint that enrollment may be slowly recovering. This may be also indicated by the increase in total enrollment of 49 students experienced between October 1, 2021 and April 1, 2022, including 40 in-district students, of which 21 are at the elementary level, 14 at the middle school and 5 at the high school. It's notable that the small increase in high school enrollment coincides with the opening of the new high school building, although it's not clear whether, or to what extent, the new facility is behind that increase. In FY 24, a new upper middle school will open, and the K-8 grades will be reconfigured. Whether those changes result in any increases in enrollment remains to be seen.

English Language Learners and Special Education Enrollment

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

- English language learners (EL) – 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) or other services.
- Out-of-district special education (OOD) – students who are enrolled in facilities outside of Belmont because the district cannot meet these students' needs internally.

These subgroups affect the school budget because the students in these groups require a higher level of service than students in the general population.

This year continues a trend where EL and SPED enrollments continue to grow faster, both in numbers of students and in percent of total enrollment.

Special Education and English Language Learner Enrollment

	English Language Learners		Special Education Students		Out-of-District SPED Students	
	#	%	#	%	#	%
FY22	362	8.4%	604	14.1%	104	17.2%
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
5-Yr. Change						
#	83		146		0	
%	30%		32%		0%	
10-Yr. Change						
#	256		207		24	
%	242%		52%		30%	

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

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

It is notable that while student enrollments in the general population have declined over the past two years, the number of SPED students has continued to increase and has, in fact, increased more rapidly in the past two years than the trend before that. That recent increase in Belmont SPED enrollment doesn't match the trends in our peer communities, where SPED enrollments have generally declined in the past two years. It is not clear why Belmont is seeing these increases. However, taken together, the decreasing

general enrollment and increasing SPED enrollment paint a picture of a student population that, proportionately, has an increased level of need for special services. In fact, as noted in the earlier Departmental Staffing section of this report, the vast majority of the additional FTEs added over the past few years have been to address the needs of this portion of the student population. The trend of a student population that requires more mandated resources needs to be watched closely, because of the impact it has on the total budget.

Vocational Technical Education Enrollment

Although vocational education expenditures are not part of the School District budget, it is worth commenting on due to the impact on the General Fund budget and on overall enrollment. As shown below, the vocational technical education enrollment numbers for Belmont students have been declining over the past few years. There is currently one Belmont freshman (class of 2025) at Minuteman Regional Vocational Technical High School and there are none at Medford Vocational Technical High School, which is the other vocational technical school that Belmont students currently attend. In all four grades at both schools, there are a total 36 Belmont students, but those students are almost all in the top three grades. The numbers of students by year of graduation are displayed in the table below.

Belmont Vocational Technical Enrollment by Year of Graduation

Year of Graduation	Minuteman RVTHS	Medford VTHS	Total
2025 (9th grade)	1	0	1
2024 (10th grade)	9	1	10
2023 (11th grade)	13	2	15
2022 (12th grade)	10	0	10
Total	33	3	36

CTVE Enrollment, reported October 1, 2021

Another way of looking at how vocational technical enrollment is to review the enrollment history of Belmont students at Minuteman. Belmont withdrew from the Minuteman district in 2020 and at that time lost the guarantee of placing students in the school that is provided to member towns. Since then, the number of students at Minuteman has declined as the number of graduating seniors exceeds the number of incoming freshmen. And although some students have enrolled at Medford, the number is small. Belmont's enrollment at Minuteman in the past 10 years is shown in the table below.

Belmont Enrollment at Minuteman

	Students
FY23 (projected)	23
FY22	33
FY21	45
FY20	44
FY19	28
FY18	22
FY17	28
FY16	26
FY15	31
FY14	31
FY13	34
FY12	41

The enrollment history at Minuteman shows a decline in enrollment of Belmont students around five years ago, with that number then recovering to a high of 45 just three years later. The long-term average of Belmont students is closer to 25 students. But it is difficult to predict whether the current decline in vocational technical enrollment is a sustaining trend.

D. Special Education

Total Special Education (SPED) Costs

Special Education (SPED) expenditures include all SPED teachers, aides, occupational therapists, tutors, and contracted and other services for over 600 students with a wide variety of individual learning, behavioral, physical, developmental, social, and emotional, and other specialized educational needs. For most students, these needs are met within the Belmont School system. The SPED budget also includes mandated SPED transportation and out-of-district (OOD) tuitions for students whose needs cannot be met by the Belmont school system. These expenditures are analyzed separately due to their variability and the resulting impact on the General Fund budget.

In-district SPED expenditures are budgeted to grow by 8.1% in FY23. As noted above, the number of students with disabilities and/or on IEPs has grown significantly during the pandemic, requiring additional mandated services. For FY23, the School Department has budgeted an increase of 3.1 General Fund SPED FTEs, 2.0 grant-funded SPED FTEs and 0.6 ESSER/ARPA SPED FTEs for a total of 5.7 incremental FTEs. The School Department reports difficulty placing students out-of-district due to staffing shortages at private special education and collaborative schools, which has required additional in-district personnel to meet student needs. From FY20 through FY23, the School Department has added 16.6 General Fund SPED FTEs and 18.6 total SPED FTEs, not including additional FTEs funded through ESSER/ARPA grants.

Total FY23 General Fund and grant-funded SPED expenditures are budgeted at \$19.8 million, a 5.3% increase over FY22 SPED budgeted expenditures. In FY23, total SPED expenditures represent approximately 25% of the total FY23 School Department budget. However, the General Fund portion of SPED expenditures is budgeted to *decrease* by approximately \$650,000, from FY22 budgeted expenditures of \$16.1 million to \$15.4 million in FY23. The decline in the FY23 General Fund budget for SPED expenditures, when total SPED costs are increasing, is due to the School District is expecting to rely more

heavily on OOD reserves to fund FY23 tuitions. As discussed below, there will be full funding of the increase in total tuitions in FY23, but the proportion funded by the General Fund will decrease by \$1.3M and the amount funded by reserves will increase by like amount.

OOD Tuitions and Funding

Out-of-district 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. 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.

In FY23, total OOD tuitions, including General Fund and grant-funded tuitions, represent 44% of total FY23 SPED expenditures. These tuition expenses are budgeted to increase by \$0.2 million to \$8.8 million over the prior year. The small budget-to-budget increase partly reflects the recent history of lower-than-budgeted actual tuitions, as shown in the table below. Additionally, because the District assumes full funding of total tuitions in the budget, the difference between actual and budgeted tuitions can impact the level of OOD "reserves". (See below.)

Budgeted versus Actual OOD Tuitions (in \$000s)

	FY18	FY19	FY20	FY21	4/11/22 Forecast FY22 Budget	FY23 Budget
Budgeted Tuitions	\$7,340.4	\$8,145.8	\$8,941.5	\$8,569.6	\$8,644.8	\$8,802.0
Actual Tuitions	\$7,545.0	\$7,518.4	\$7,841.1	\$8,083.0	\$8,382.8	n/a
\$ Surplus/Deficit	(\$204.6)	\$627.4	\$1,100.4	\$486.6	\$262.0	n/a
<i>% incr. budgeted tuitions</i>		<i>11.0%</i>	<i>9.8%</i>	<i>(4.2%)</i>	<i>0.9%</i>	<i>1.8%</i>
<i>% incr. actual tuitions</i>		<i>(0.4%)</i>	<i>4.3%</i>	<i>3.1%</i>	<i>3.7%</i>	<i>n/a</i>

Out-of-district placements are funded by the General Fund, federal IDEA funds, federal funds allocated through state Circuit Breaker grants, and LABBB credits representing surpluses repatriated to member towns each year. External funding sources vary from year to year and not necessarily in tandem with placements. The following chart shows the breakdown of tuitions by type of school and the funding sources for the district for FY19-FY23. Note that total FY23 tuitions are budgeted to increase 5.0% from forecasted FY22 actual tuitions—higher than the 1.8% budget-to-budget increase shown above.

Tuitions by Type of Placement and by Funding Sources
(in \$000s)

	Actual FY19	Actual FY20	Actual FY21	Budget FY22	4/11/22 FY22 Forecast	Budget FY23
Total No. of Placements (as of October 1)	107	93	96	95	102	102
Tuitions by Type of Placement:						
LABBB and other Collaboratives	\$3,591.4	\$3,483.5	\$4,026.0	\$3,914.5	n/a	n/a
Private Placements	\$3,687.2	\$4,213.7	\$4,016.0	\$4,434.2	n/a	n/a
Out-of-State	\$239.8	\$144.0	\$33.6	\$296.1	n/a	n/a
Total Tuitions	\$7,518.4	\$7,841.2	\$8,075.6	\$8,644.8	\$8,382.8	\$8,802.0
Funding Sources:						
General Fund	\$5,113.1	\$4,593.6	\$3,362.8	\$6,029.6	\$6,029.6	\$4,731.1
<i>Circuit Breaker</i>	<i>\$1,314.5</i>	<i>\$1,847.1</i>	<i>\$3,018.0</i>	<i>\$1,552.3</i>	<i>\$1,387.6</i>	<i>\$3,170.9</i>
<i>IDEA</i>	<i>\$808.3</i>	<i>\$623.1</i>	<i>\$1,694.8</i>	<i>\$1,062.9</i>	<i>\$799.3</i>	<i>\$800.0</i>
Federal Funding Sources	\$2,122.8	\$2,470.2	\$4,712.8	\$2,615.2	\$2,186.9	\$3,970.9
<i>LABBB tuition credits/Reserve</i>	<i>\$282.2</i>	<i>\$777.3</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$166.3</i>	<i>\$100.0</i>
<i>SPED Reserve</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>
Non-General Fund Sources	\$2,405.0	\$3,247.5	\$4,712.8	\$2,615.2	\$2,353.2	\$4,070.9
Total Funding Sources	\$7,518.1	\$7,841.1	\$8,075.6	\$8,644.8	\$8,382.8	\$8,802.0
General Fund as a % of Total OOD Tuitions	68.0%	58.6%	41.6%	69.7%	71.9%	53.8%

*detailed below

Notes:

- FY22 4/11/ Forecast is subject to change.

- Circuit Breaker and IDEA funding sources include prior year carryforwards (i.e., reserves) and current year grants.

- Subsequent to the FY22 budget, \$166,339 in LABBB credits were issued and were required to be used in FY22.

- FY23 LABBB credits are estimated.

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

The chart above also shows that the FY23 General Fund portion of total tuitions will **decrease** by \$1.3 million from \$6.0 million in FY22 to \$4.7 million in FY23, reflecting the School Department's decision to access reserve balances from state Circuit Breaker, federal IDEA grants, and other sources to fund a larger portion of OOD tuitions in FY23. (This is similar to the budgeting decision the department made in FY21 as well.) As OOD reserves accumulate (discussed below), the School Committee has voted to fund a higher portion of total tuitions with reserves and reduce the portion of OOD tuitions covered by the General Fund. This lowers the School Department's overall General Fund budget, while keeping the total School Department budget (including grants and revolvers) at the same level. Put another way, the tuitions are

fully funded at the budgeted amount, but a larger portion is funded by grants provided for that purpose. The chart above illustrates the FY21 dip in General Fund tuition charges, a “replenishment” of those funds in the FY22 General Fund budget, and a reduction in General Fund tuition expenditures in FY23. In each of these years there is a corresponding increase or decrease in use of non-General Fund sources to support the tuition expenditures.

OOD Reserves

OOD reserves, or “carry-forwards,” represent unspent federal, state and other funds that are specifically designated to fund OOD tuitions. Accumulation of reserves is based on several factors, including the difference in actual-to-budgeted tuitions, the amount of grant funding, the lag in receipt of state Circuit Breaker funding relative to eligible OOD expenditures, and unbudgeted LABBB credits. Because the School Department budgets funding for total estimated tuitions, any tuitions funded with unbudgeted LABBB credits increases reserves available for future usage.

For FY22, a combination of a replenishment of reserves used in FY21, lower-than-budgeted actual tuitions, an inflow of higher-than-expected grant receipts, and unbudgeted LABBB credits result in the School Department forecasting FY22 year-end reserves of \$2.2 million. (Note, given the unpredictability of out-of-district placements, this is still subject to change during the remainder of the fiscal year.)

In acknowledgement of the Town’s fiscal stresses, the School Committee adjusted the OOD reserve levels in FY21 and will do so again in FY23. In both years, the use of reserve balances has reduced the School Department General Fund budget and, correspondingly, the overall Town General Fund budget, which, in turn, reduces the amount of non-recurring funds used by the Town to support operations. In each case, the School Department’s overall budget, including grants and revolving funds, has remained the same, but the source of funding has been changed to rely more heavily on grant funding.

For the FY21 General Fund budget, the OOD tuition budget was reduced by \$1.3 million from FY20 and the School Department tapped accumulated reserves to fund this reduction. In addition, late in the fiscal year, the School Committee voted to target a year-end reserve balance of \$1.3 million, which resulted in a further reduction in FY21 General Fund OOD tuitions and a return of approximately \$572,00 in free cash to the Town. In FY23, the School Committee has also budgeted to a \$1.3 million OOD targeted year-end reserve level. General Fund OOD tuitions, as well as the overall General Fund will be \$1.3 million lower than budgeted in FY22. The targeted year-end balance of \$1.3 million still provides the department with a buffer to fund unanticipated OOD tuition variances that may occur intra-year.

The chart below shows the components of the reserve or “carry-forward” balances. Each year, the carry-forward represents the beginning reserve balance to which current year grants are added. Total Circuit Breaker and IDEA grants vary year-to-year based on prior year placements and state and federal allocation formulas. Both the Circuit Breaker and IDEA funds may be carried forward for one additional year after receipt. LABBB credits are unbudgeted surpluses issued by the consortium to reflect the difference between the amount assessed to member towns and the actual costs. LABBB credits are issued after the budget is prepared and are required to be spent within the fiscal year in which they are issued. Appropriation of funds from the SPED Reserve Fund requires the joint approval of the School Committee and the Select Board.

Total OOD Funding Usage and "Carry-Forward" Reserves
(in \$000s)

	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Actual	4/11/22 FY22 Budget Forecast	FY23 Budget
Total Reserves - Beginning Balance	\$1,574	\$1,462	\$2,291	\$3,114	\$1,300	\$2,172
<i>Current Year Total Grants and LABBB Credits</i>	\$2,670	\$3,220	\$3,398	\$2,875	\$3,226	\$3,273
<i>SPED Reserves</i>	\$0	\$0	\$673	\$0	\$0	\$0
Total Available Grants/Reserves	\$4,244	\$4,682	\$6,362	\$6,662	\$4,526	\$5,445
<i>Current Year Reserve Expenditures</i>	(\$2,828)	(\$2,405)	(3,248)	(\$4,713)	(\$2,353)	(\$4,070)
Carry-Forward/Ending Reserve Balance	\$1,416	\$2,277	\$3,114	\$1,300	\$2,172	\$1,375
Year-to-Year Increase/Decrease		\$861	\$837	(\$1,814)	\$872	(\$797)

Note:

- In FY21 and FY23, accumulated reserves were used to fund a higher portion of OOD tuitions, resulting in lower General Fund OOD tuition appropriations.

- To meet state "Maintenance of Effort" requirements, the School Department appropriated \$672,900 to the General Fund SPED Reserve in FY20. These funds require approval of the Select Board and the School Committee to be appropriated.

E. Summary and Recommendations

The FY23 School Department General Fund budget of \$66.8 million is growing by only 1.0% over the FY22 General Fund budget. That is in contrast to a higher General Fund budget that had initially been proposed by the School Department. In light of the fiscal pressures facing the Town and the extent to which the total town budget relies on non-recurring revenue streams like free cash and federal and state recovery funds, the School Department and School Committee deserve credit for responding to the initial feedback from the Warrant Committee and others and reducing the budget from that which had first been proposed. Furthermore, the current proposed budget includes some additional measures that reduce the department's reliance on the General Fund, such as prioritizing the use of outside funding sources to cover special education expenses and incorporating an estimate of budget savings that are customarily realized when departing staff are replaced by new staff at somewhat lower salary levels. These efforts to reduce reliance on General Fund sources of funding may not be sustainable and need to be scrutinized carefully before going forward.

There are important elements of the School Department budget and recent trends that are potential sources of concern and that bear close watching. Specifically:

- The collective bargaining contracts with a number of the School Department's unions are currently being negotiated. It is unclear how the resolution of those contracts could impact the budget in FY23 and beyond. Compensation increases are a significant driver of the District's budget and compound over time.
- As noted in this write-up, the School Department is expecting to use up to \$1.5 million in COVID-relief funds to support an additional 22 FTEs to address needs such as academic recovery and behavioral or social and emotional issues. The expectation is that those 22 positions will be one-time positions that will end when their funding expires. However, there is a possibility that the department could propose

in the future that the needs being addressed by those one-time funds continue beyond the expiration of that funding and advocate that some of those positions should be covered by the General Fund going forward.

- As shown in the FY23 Budget Summary section, the School Department's General Fund and total budgets have grown by approximately 13% since FY20 alone. This level of budget growth is not sustainable without new revenue sources such as a future operating budget override – something that Belmont voters rejected in April 2021.
- As shown in the Departmental Staffing section, the School Department has added about 21 additional unbudgeted FTEs since FY20 to address certain areas of need. It's important to note that those unbudgeted additions are added to the FTE staffing base that gets rolled forward in the following year's budget, resulting in staff increases that have not been readily observable to Town Meeting members or the public. This trend is exacerbated by the fact that, previously, the School Department's budget presentations have only presented data on budgeted FTEs, not actual FTEs. Moreover, this additional hiring is a notable driver of the 13% growth in the department's General Fund and total budgets since FY20.
- A significant part of the lower growth rate in the FY23 School Department General Fund budget is achieved by the projected use of \$4.1 million in SPED reserves to cover special education costs. We readily acknowledge that fully utilizing those reserves is the appropriate budgetary decision and applaud the School Department for doing so. However, we also point out that the ability for the School Department to utilize that level of reserves to cover out-of-district tuitions is likely not sustainable in future years, which will presumably necessitate an increase in the General Fund allocation to cover those costs in the future.

In addition to the foregoing observations, we have several recommendations going forward:

- The School Committee and the School Department should develop a timetable to overhaul budget documents using "best practices" exhibited by numerous surrounding communities, with the goal of providing relevant information in a way that is understandable and easily readable to town residents. Some of the information may be relatively easy to provide; other information, such as expanding the data provided on the significant budget drivers, such as compensation, FTE changes, and OOD tuitions, may initially require more thought and detail. (Note, this recommendation has previously been made by the Education Subcommittee of the Warrant Committee and is consistent with a similar recommendation that has also been made by the Structural Change Impact Group.)
- The Warrant Committee has previously requested data on actual FTEs. While the department's budget books have historically shown actual dollars spent by program category, previously they have only shown budgeted FTEs for prior years. That said, the day before this write-up was completed, the School Department did distribute budget materials that included information on actual FTEs for prior years. We applaud the department for generating those materials and look forward to seeing that information contained as a regular component of future budget materials. In addition, though, we recommend that the School Department also provide a quarterly update on additional staffing throughout the year, simultaneous with the quarterly spending updates that the department already provides.

Pension, OPEB and Debt Liabilities

Introduction

Approximately 20% of the Town's FY23 budget (\$145 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 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 funds its OPEB obligations on a "pay-as-you-go" basis, making healthcare payments to current retirees and making very 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 (pension, OPEB, debt) 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 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 is not a municipal department, but a separate and autonomous legal entity. 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 Mr. 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 an employee, a retiree, or a Town government official. In January 2021 the BRS Board reappointed Mr. Tom Gibson as the fifth member, without interviewing any other candidate. (There is no requirement that BRS interview other candidates.)

The BRS engages an outside auditor to produce audited financial statements of the BRS. In addition, the assets of the BRS appear as "fiduciary funds" in the Town's audited financial statements, meaning that the BRS funds are resources held for the benefit of parties outside the government and are not available to support the Town's own programs.

Every two years the BRS Board commissions an independent actuarial report that determines the actuarial position of the BRS as well as providing a potential annual pension contribution schedule for the Town. 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 and is expected to be submitted to the BRS Board in the fall of 2022.

For FY23, the Town's appropriation to the BRS increased 4.45% over FY22 or \$501,245 to \$11.765 million for all components (General Fund, non-teaching School Department, Enterprises, Housing Authority, Belmont Light). This compares to an appropriation of \$11.263 million in FY22 for all Town components. The portion of the \$11.765 million appropriation related to the Town's enterprise funds is

paid by those enterprise funds and is not part of the Town's General Fund. Of the \$11.765 million appropriation, the FY23 pension cost for the Town General Fund and the non-teaching School Department is \$10.092 million which is about 6.81% of the non-enterprise fund Town budget in FY23. The chart below presents the total pension contribution in FY22 and FY23, along with detail about some components of the pension funding requirement. For example, about 20.5% or \$2.409 million of the FY23 \$11.765 million requirement is calculated to cover the Town's projected pension costs for the current employees (the so-called "Employer Normal Cost"); the 79.5% balance of about \$9.356 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 funding schedule provided in the January 1, 2020, actuarial report. Due to the fiscal pressures of the COVID pandemic, and in consultation with the Town Administrator, in 2020 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 approved this revised schedule, which is now locked in place until fall 2022 when the new actuarial report will be submitted to the BRS. For FY23 that extension from 2029 to 2031 reduced the annual funding requirement for the Town by about \$250,000.

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%

Rate of Return

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.) The current assumed rate of return is 7.15%. According to PERAC, Belmont’s assumed investment return of 7.15% is at about the mid-point of assumed returns among the 105 systems in the state.

	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 in fall 2022	11.1%*

*2020 net market return from NEPC report from 12/31/2020.

Investment Management and Returns

The BRS Board engages an investment advisor (currently New England Pension Consultants, “NEPC”) to provide guidance on investing the System’s assets (about \$137.9 million market value as of 12/31/20). The BRS Board develops an investment policy and hires investment managers for the approximately 12-15 mandates that its policy delineates.

The retirement systems of 61 Massachusetts cities, towns, and agencies direct the investment of their own retirement assets, as does Belmont. The remaining 44 Massachusetts cities, towns, and agencies 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 \$98.5 billion (as of 9/30/21) and it benefits from the low investment fees and access to investment options that come with PRIM’s considerable scale. In addition, PRIM has a staff of investment professionals who evaluate portfolio strategy, investment managements, and risk management. Local retirement systems that engage PRIM benefit from its staff expertise and resources. Coincidentally a Belmont resident, Michael Trotsky, currently serves as PRIM’s Executive Director and Chief Investment Officer.

It should be noted that improved investment earnings for the BRS benefit both members of the BRS (employees and retirees) as well as the Town. Current employees and retirees benefit from a better

funded System: a better funded System supports current employees' direct contributions to the System, and it supports retirees' confidence in the BRS. Thus, the potential benefits of improved investment earnings to all stakeholders of the BRS (current employees, retirees, and the Town) combine to strongly encourage the BRS to actively and continually examine opportunities for improved investment returns, whether those might come from selection of its own investment managers, or from the full outsourcing of investment management to PRIM/PRIT.

Over the past 35 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, the BRS is potentially missing higher investment earnings from PRIT, and the BRS is paying moderately higher associated management fees than they would be otherwise. (All BRS managers are selected competitively in accordance with state requirements.)

Comparing investment returns is challenging. The Warrant Committee has elected to use the performance metrics included in PERAC's annually prepared report which compares the performances of every retirement system in the State in a common and standardized manner over set time frames every year. Based on this source, from 1985-2000 PRIT's annualized return was 9.62%, while BRS's return was 9.38%. From 2011-2020 PRIT's annualized return was 8.97%, while Belmont's was 8.75%. In 2020, PRIT's return was 12.61%, while Belmont's was 11.3%.³

Apart from the PERAC annual report, during certain select time frames, particularly some notable market downturns such as the Financial Crisis of 2008, the BRS has outperformed PRIT (by 7% in 2008 for example). However, these select time frames of episodic superior performance of the BRS are all **included** in the long-term comparison of returns of BRS, and PRIT noted in the paragraph above. So, even taking occasional BRS superior performance into account, PRIT has still outperformed BRS on a long term and regular basis. This potential missed opportunity for BRS and for the Town translates into a more burdensome funding schedule for the Town and for Belmont taxpayers.

Note: It is important to note that outsourcing investment management to PRIM/PRIT does *not* alter in any way the responsibility for BRS to manage and serve current employees and retirees regarding their retirement benefits. These services always sit with BRS. Nor does outsourcing investment management to PRIM/PRIT change in any way the benefits to which current employees and retirees are entitled.

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 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.

³ 2020 Public Employee Retirement Administration Commission Annual Report (July 2021). BRS's profile is on page 20, and PRIT's profile is on page 119.

Other Aspects of the System

As of the last actuarial report, the total unfunded liability for the Retirement System was \$79.5 million, meaning the Retirement System was about 60% funded. When compared to other communities in the State, Belmont ranks about 75th out of about 105 systems in terms of its funding level. It is important to note that the relative ranking of communities by their level of funding is impacted by the assumed investment return that each retirement system has elected to adopt. Each retirement system establishes an assumed rate of return, in consultation with its actuary, and that assumed rate of return is submitted to PERAC for its approval. BRS has been fairly conservative in its choices of assumed rate of return and its selections have always met with PERAC's approval.

In 2022, 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

The Warrant Committee recommends that the BRS Board make an annual presentation to the Warrant Committee and the Select Board that includes the status of the System and a comparison of the investment performance of the BRS to that of PRIM/PRIT. The Warrant Committee recommends that BRS returns should consistently outperform PRIT to justify ongoing active management by the BRS Board of assets that are not already invested in PRIT.

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 and sending it to PERAC. The Warrant Committee recognizes that the adoption of the actuarial report and an attendant funding schedule is the sole responsibility of the BRS, but we still think this communication would foster public trust and improved understanding of the BRS.

Other Post-Employment Benefits ("OPEB")

In addition to pensions, Belmont provides its employees with healthcare and life insurance benefits upon retirement. OPEB benefits are provided to all employees, regardless of department, including the School Department. (In contrast, the State maintains the pension system for teachers, as discussed earlier.) 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 for the current year; the Town does not have meaningful reserves upon which to draw for current year retiree health costs.

In FY23, the Town estimates that it will fund the current Town and School retiree healthcare and life insurance costs of an estimated \$4,132,377 on a pay-as-you-go basis. (This excludes the Light and Water/Sewer enterprises.). Since 2016 the Town has separated budgeting for retiree healthcare costs from current employee healthcare costs, which provides better visibility on this budget item. Beginning in about 2015, the Town began to fully attribute OPEB costs for enterprise funds to those enterprises. See the chart below.

Although the Town has successfully covered costs of current retirees' OPEB benefits on a pay-as-you-go basis each year, 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, 2021 and was presented to the Town on February 18, 2022. As of June 30, 2021, the Town's unfunded OPEB liability was \$91,339,148, which is lower than the unfunded liability of \$95,366,839 as of the prior report dated June 30, 2019. (These liabilities include all departments and the enterprise funds.) The liability decrease from 2019 to 2022 is the net result of factors that lowered the liability (lower healthcare claims, experience gain, investment gain, and health plan changes that increased the out-of-pocket limit) and a factor that increased the liability (lowering of discount rate from 6.50% to 6.25%). The unfunded liability remains substantially lower than the actuarially determined unfunded liability of \$186 million from the report of June 30, 2015.

The Town created an "OPEB Trust Fund" several years ago to segregate funds for future OPEB obligations owed to retirees. The OPEB Trust had a balance of \$6.1 million as of June 30, 2021. The Town Treasurer manages these funds using an investment advisor. The current asset allocation for this Fund is about 70% equities and 30% fixed income. The bond rating agencies have viewed the establishment of the OPEB Trust and its periodic funding, albeit at modest levels, as a positive financial management practice.

Town Funding of OPEB Obligation

In FY23, the Town proposes to allocate \$579,000 to the OPEB Trust. This marks a return to the pre-COVID level of funding for the OPEB Trust Fund, after the Town contributed only \$50,000 in FY21 and FY22 due to constraints on the budget related to the COVID pandemic. The Town's OPEB funding policy calls for the Town to contribute 5% of its excess undesignated fund balance to the OPEB Trust each year. If the Town had followed this policy in FY21 and FY22 it would have contributed an estimated \$1 million to the Trust.

The Town has indicated that it plans to make annual contributions to the OPEB Trust in compliance with its OPEB funding policy (which leads to contributions in the range of \$250,000 - \$600,000 per year) until after the pension system is fully funded (projected to be 2031 under the current pension funding schedule). At that point the Town's Financial Policies call for OPEB contributions to increase dramatically (to approximately \$12 million annually). The OPEB obligation is projected to be fully funded in 2043.

	Actual	Budget	Budget	Budget
	FY20	FY21	FY22	FY23
Health Insurance Retired Town Employees	\$1,646,109	\$1,560,949	\$1,746,357	\$1,798,748
Health Insurance Retired School Employees	\$1,536,463	\$1,724,811	\$1,924,571	\$1,982,309
Medicare insurance	\$308,197	\$220,354	\$323,800	\$331,895
Life Insurance Premiums	\$19,425	\$10,234	\$19,425	\$19,425
Contributions to OPEB Trust	\$552,695	\$50,000	\$50,000	\$579,275
TOTAL OPEB BUDGET	\$4,089,889	\$3,566,348	\$4,064,153	\$4,711,652

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 allocating to the Town's enterprise funds those portions of the OPEB obligations that can be linked to those funds (so-called "full loading"). The Town has undertaken this practice since about 2016 and the Warrant Committee endorses its continuation.
3. The Warrant Committee will continue to communicate with the Town administration as it undertakes periodic OPEB actuarial reports. Upon the receipt of each new OPEB actuarial report, we encourage the Town to present the results of such reports to both the Select Board and the Warrant Committee.

Debt

The Town's General Fund budget includes \$14,487,153 for debt service in FY23, down by over \$236,000 from the FY22 debt service of \$14,723,230, a decrease of 1.6%. Debt service is split is between principal (49%) and interest (51%), up from a 47% / 53% split in FY21, and does not include the debt service of the Light, Sewer, and Water enterprises (which is considered "self-supporting" debt). In the absence of other debt issuance, the percentage of debt service comprised of principal will rise each year as more principal is paid off.

Debt service will comprise about 9.8% of the Town budget in FY23, down from 10% of the budget in FY22. About 90% of the Town's debt service (\$13,164,839) 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 (\$1,696,139) is funded through the regular town operating budget, under the Proposition 2.5% cap. (Ref: pg 19 of the Warrant Committee Financial Indicators Report 02-09-22 https://www.belmont-ma.gov/sites/g/files/vyhlf6831/f/uploads/wc_financial_indicators_final_2-9-2022.pdf).

To assist in funding its capital plan, the Town will often issue "replacement" non-exempt debt after the 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, 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 "self-supporting" and is serviced by the user fees paid to the Town enterprises. The Warrant Committee notes that the Belmont water and sewer enterprises often take advantage of zero interest (0%) loans offered by the MWRA. The Warrant Committee strongly supports full and maximal use of this zero-interest loan program to assist in funding the town's utility capital plans.

The table below presents the Town's debt service, separated between exempt and non-exempt, for FY22-FY23.

	FY22Budget	FY23 Budget
Exempt Debt Service	\$13,191,991	\$13,164,839
Non-exempt Debt Service	\$1,531,240	\$1,696,139
Total Debt Service	\$14,723,231	\$14,860,978

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 town's Aaa/AAA ratings could be regarded as a burden if viewed in isolation, but these ratings need to be reviewed in conjunction with the debt service savings the Town achieves by virtue of these high ratings.

Currently, in the low interest rate environment that has been in place for several years, when credit spreads are compressed, the interest rate difference between a AAA and AA rating is low. But, if interest rates rise, the interest rate differential between rating categories builds, so the AAA rating quickly becomes considerably more valuable than a lower rating on both cash and present value bases and can provide the town significant savings over the life of the debt. The Town plans to issue debt for \$12.8M by mid-2022 to continue the three-part debt-exclusion funding plan for the high school and middle school project. Updated rating reports will be issued at that time.

The Town might issue voter-approved debt in the future to support future approved capital projects (e.g., library, new hockey rink), so maintaining the Aaa/AAA ratings through prudent financial planning merits the Town's support.

Warrant Committee Recommendations

1. The Warrant Committee supports maintenance of the Town's Aaa/AAA bond ratings through careful financial planning. In addition, the Committee supports the issuance of prior authorized debt in 2022.
2. The Warrant Committee supports the continued use of replacement non-exempt debt to support capital projects.
3. The Warrant Committee supports collaboration between the Treasurer and the Select Board on the use of debt to fund the Town's capital needs.
4. The Warrant Committee supports full use of the 0% loan program of the MWRA for its 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.