



FY24 Budget

A Presentation of the
FY25 Warrant Committee Report to
Belmont Town Meeting
June 3, 2024





Warrant Committee Report

- Warrant Committee Purpose and Duties
- Collins Center Report Recommendations
June 2022 - May 2024 Status Update
- Overview of FY25 Budget Process
- Overview of Recommended FY25 General Fund Budget
- Use of One-Time Funds: American Rescue Plan (ARPA),
Undesignated Fund Balance (Free Cash) and Excess
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- Risks for FY25 & FY26 Budgets
- Longer-Term Concerns



Warrant Committee Purpose and Duties

- The Warrant Committee (many towns use the label “Finance Committee”) consists of up to seventeen members, **15 appointed** by the Town Moderator for staggered three-year terms. One representative from the Select Board and one from the School Committee serve as ex-officio members.
- The Warrant Committee elects its officers: Chair, Vice-Chair and Secretary.
- The **Town By-Laws** give the Warrant Committee responsibility for reporting and making recommendations to Town Meeting on any article that involves the appropriation of money.
- The most significant is the annual Town budget where the Warrant Committee, representing Town Meeting, will present its annual budgetary and capital positions to Town Meeting in the Annual Warrant Committee Report.
- The Warrant Committee also reports on any matter that in the Committee’s judgment significantly impacts the Town’s financial interest.
- In addition, the Warrant Committee reviews and approves all requests for transfers from the Reserve Fund. Established by Town Meeting, the **\$500,000 Reserve Fund** is designed for unbudgeted, emergency expenditures that arise during the year.



High Level Concepts to Guide the Committee

The Warrant Committee has also developed **high level concepts** to guide the Committee through meeting its responsibilities to the Town specified in the **Town By-Laws** for the Warrant Committee. The following are these concepts:

- Balance the level of community services with our dependence on residential property tax revenue.
- Maintain and adhere to the Town's Comprehensive Financial Policies.
- Plan sustainable budgets with a multi-year focus.
- Advise Town Meeting on the budget and other matters that affect the financial interests of the Town.



Collins Center Report Recommendations

June 2022 - May 2024 Status Update

Financial			
Recommendation	Description	Status as of May 2024	Progress
1.3.2	The Town should appoint a Finance Director to lead the Financial Management Team.	Hired May 2022	Done
1.1	Follow DLS guidelines and established best practices during the annual budget process, which includes reaching consensus on all financial forecasts.	FY2024 and FY2025 Budget Summits focused on Revenue as basis for budget development	Done
1.3.1	The Town should formalize a Financial Management Team in accordance with best practices established by DLS.	Progress has been made with transition from Elected to Appointed Treasurer and Board of Assessors.	Underway
2.3	The Town should develop a strategy to build permanent reserves.	Summer 2024 Project - Finance Director	Planned
2.5	The Town should refocus on planning and economic development in order to attract an appropriate level of commercial and/or industrial activity in order to expand levy capacity and relieve the tax burden on residential taxpayers.	Market and Fiscal Impact Analysis projects are underway - Planning Dept.	Underway
2.1.2	The Town should develop other sources of revenue, including PILOT agreements and a comprehensive review of municipal fees and local receipts.	Summer 2024 Project - Finance Director	Ongoing
2.2	The Town should develop a comprehensive strategy to restructure departments, services, employee benefits, fixed and variable expenses, and wages.	Town has restructured Public Works and Community Development, currently considering IT updates.	Ongoing
2.6	The Town should coordinate training programs across finance-related departments and, where relevant, boards and committees.	Townwide DEI training held in March 2024. Finance Team has started monthly meetings with all admin staff to ensure consistent policies and procedures	Ongoing
2.7	The Town should invest in upgrading its CAMA system.	Capital request for FY2025	Planned
2.1.1	The Town should significantly reduce or otherwise end its reliance on free cash and other non-recurring revenues to balance the operating budget and eliminate its structural deficit.	Significant focus of Override discussion. Plan for Override Mitigation fund - need for constrained spending growth going forward.	Ongoing
Powers and Duties			
Recommendation	Description	Status as of May 2024	Progress
1.7	The Town should conduct a classification and compensation study to ensure all relevant positions are up to date.	Implementation pending union discussions.	Ongoing
2.4	The capital plan should be developed by the Town Administrator in conjunction with department leaders and be vetted by the Capital Committee before submission to the Select Board and Warrant Committee.	TA staff have supported Capital Committee for FY2024 and FY2025 projects. What more to say??	Ongoing
1.6.1	The Audit Committee should be appointed by the Moderator to provide a check on the finance officers.	Determined this will not be pursued.	Rejected
1.5	The Town should clearly define and strengthen the powers and duties of the Select Board and Town Administrator through Select Board policy, bylaws, and/or special legislation.		TBD
1.2	The Town should create an organization that is more centralized through Select Board policy, bylaws, special legislation, or Massachusetts General Law.		TBD
1.6.2	The Capital Committee should be appointed by the Select Board and be charged with working alongside the Financial Management Team.	New CCBC is appointed by Moderator. Will not revisit at this point.	Rejected
Appointed Vs. Elected			
Recommendation	Description	Status as of May 2024	Progress
1.4.2	The Town should transition to an appointed Treasurer/Collector who is an integral member of the Financial Management Team.	Done.	Done
1.4.1	The town should seek special legislation to replace all relevant elected non- policymaking boards, committees, and positions with appointed ones, including the Treasurer/Collector and Board of Assessors.	Treasurer and Assessors done. Unclear if further transitions necessary.	TBD
1.8	The Board of Assessors should be appointed and the full-time Assessing Administrator should fill a Board seat.	Done. Transition will take place over next two years.	Done



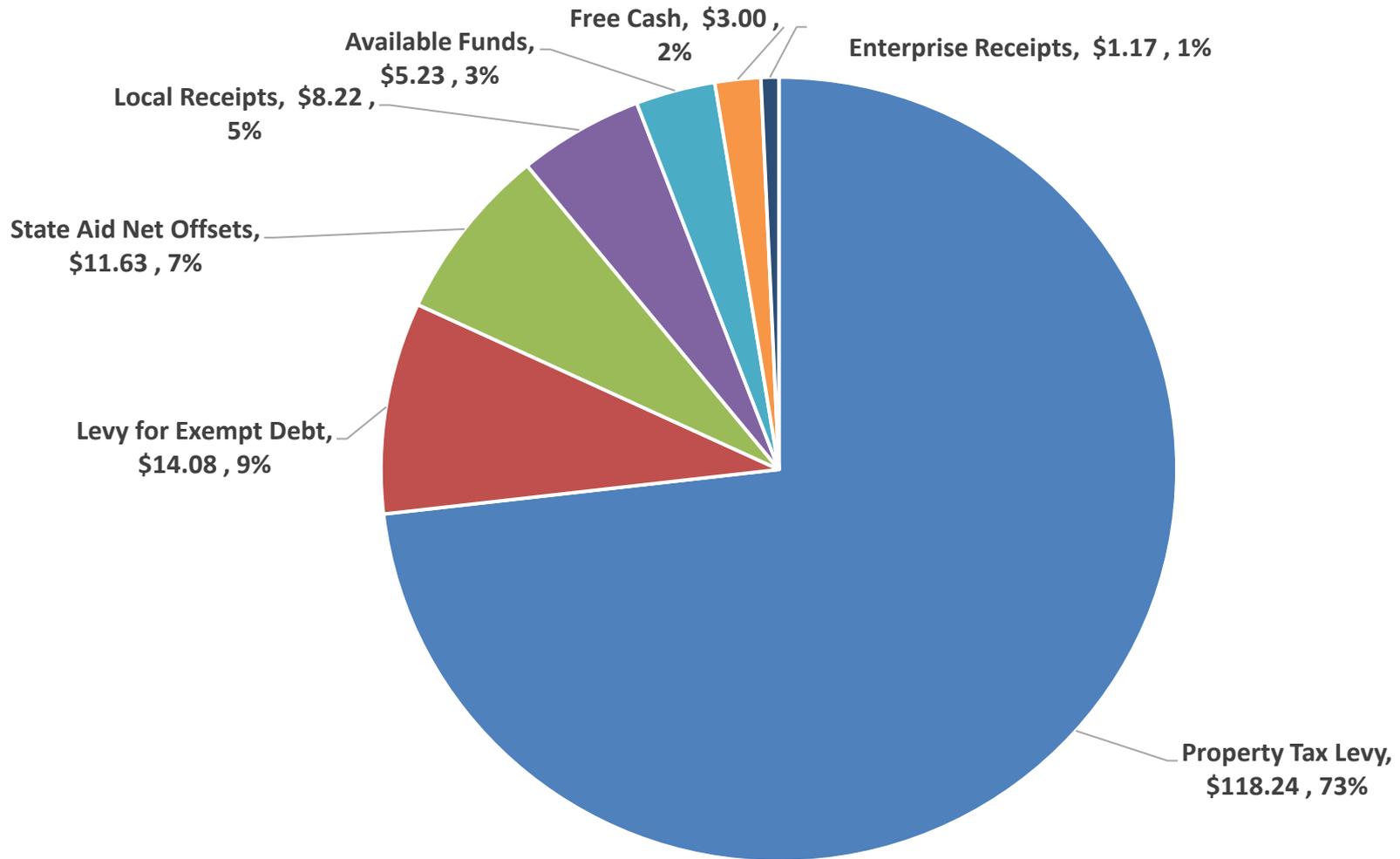
Overview of FY25 Budget Process

- **Host a series of Budget Summits** with increasingly precise revenue projections. Discussions to inform later iterations.
- **Develop budget projections for “core services”** that are funded first – refined alongside revenues.
- **Identify remaining revenue** that the Town Administrator and School Superintendent use to inform their recommended budgets given determined needs.
- **Determine and agree** to the level of one-time funding (or lack thereof) and potential override amounts used to supplement revenues.
- **Create two sets of budgets** for both the municipal and school budgets: one for a successful override and one if the override was not successful.
- **Review multi-year budget forecasts** and the impact of one-time funds, reserve balances, successful or unsuccessful override for FY25 and projected future budget challenges.

And now.... Town Meeting votes to approve FY25 budget, but first...



FY25 SOURCES OF REVENUE \$161.55 MILLION



\$ Millions, rounded Percent of Total



Expected FY25 General Fund Revenues

Notes:

Revenues	FY2025 Projected	FY2024 Estimated	\$ Change	% Change
Property Tax Levy	\$118.24	\$106.23	\$12.00	11.3%
Levy for Exempt Debt	\$14.08	\$13.14	\$0.93	7.1%
Total Tax Levy	\$132.31	\$119.38	\$12.94	10.8%
State Aid	\$14.77	\$14.61	\$0.16	1.1%
Local Receipts	\$8.22	\$10.06	-\$1.84	-18.3%
Available Funds	\$5.67	\$1.86	\$3.81	204.8%
Free Cash	\$2.56	\$9.69	-\$7.13	-73.6%
Revenue Offsets	-\$3.15	-\$3.10	-\$0.04	1.4%
Enterprise Receipts	\$1.17	\$0.94	\$0.23	24.2%
Total Revenues	\$161.55	\$153.43	\$8.12	5.3%

- The FY25 budget is supported by the successful approval by the voters of a \$8.4 million proposition 2½ override
- Combined with the normal 2.5% increase in the tax level and a new growth estimate of \$860,000 results in a \$12 million or 11.3% increase in the overall property tax level
- Local receipts are down due to Recreation Department moving to a Revolving Fund
- Available Funds increase is driven by one-time use of Free Cash to fund the Chenery boiler project and transfer into an Override Mitigation Fund.
- Free Cash to be used in the operating budget decreases by 73.6% from FY24 due to the override and policy change
- Total Revenues increasing 5.3%; driven by the successful override

\$ Millions, rounded



FY25 Budget Overview

FY25 General Fund Budget vs. FY24

Notes:

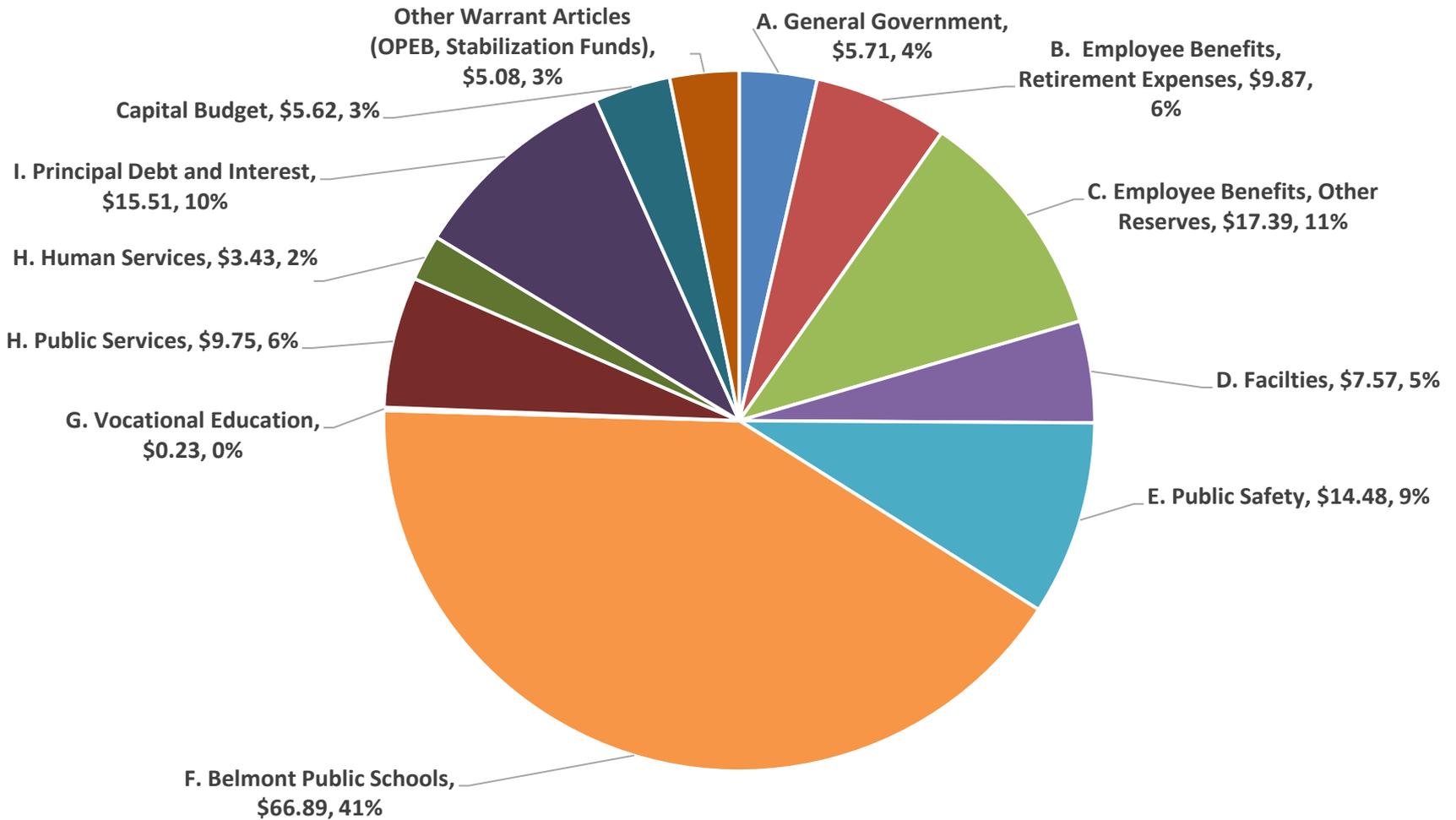
Spending	FY2025 Projected	FY2024 Budget	\$ Change	% Change
Belmont Public Schools	\$66.89	\$62.89	\$4.0	6.4%
General Government	\$5.71	\$5.22	\$0.49	9.4%
Public Safety	\$14.48	\$14.16	\$0.32	2.3%
Public Services	\$9.75	\$10.57	-\$0.82	-7.8%
Health and Human Services	\$3.43	\$3.35	\$0.08	2.4%
Total Municipal Government	\$33.38	\$33.31	\$0.07	0.2%
Regional Schools	\$0.23	\$0.75	-\$0.51	-68.6%
Facilities	\$7.57	\$7.52	\$0.05	0.7%
Pension Assessment	\$9.87	\$10.04	-\$0.17	-1.7%
Employee Benefits	\$16.07	\$15.62	\$0.45	2.9%
Debt Service	\$15.51	\$14.64	\$0.87	5.9%
Other Shared	\$1.33	\$1.17	\$0.15	13.2%
Total Shared Services	\$50.59	\$49.74	\$0.84	1.7%
Capital - Streets	\$1.95	\$1.90	\$0.05	2.5%
Capital - Sidewalks	\$0.50	\$0.24	\$0.26	105.1%
Capital - Discretionary	\$3.17	\$1.79	\$1.38	77.1%
Total Capital	\$5.62	\$3.94	\$1.69	-42.8%
Other Warrant Articles (OPEB, Stabilization Funds)	\$5.08	\$2.96	\$2.12	71.7%
Total Spending	\$161.55	\$152.83	\$8.72	5.7%
Net Budget Surplus/(Deficit)	\$0.00	\$0.00	\$0.00	\$0.00

- FY25 General Fund budget 5.7% higher
- School General Fund operating budget expected to increase by 6.4% with investment in in-district special education services
- General Government is up due to a shift in technology costs with the transition of the Police Department to the Town network
- Increase in Debt Services payments represents the beginning of the Rink and Library funding
- Increase in sidewalk funding is the result of the override
- FY25 Discretionary Capital up due to one-time funding of \$1.6 million for the Chenery boilers

(\$ Millions, rounded)



FY25 Budget (\$161.55 million) by Article,



\$ Millions, rounded Percent of Total



Allocation of American Rescue Plan Act (ARPA)

ARPA Funds

State ARPA Fund Allotment \$7,806,251

Allocated by Select Board - Completed Projects

FY2021-22 COVID Response Activities	\$202,783
FY2023 COVID Stipends	\$269,000
Pre-Construction Work for Rink	\$350,000
BMHS PV Project	\$1,290,633
FY2023 Operating Budget Support	\$981,989
CCBC - Security Projects (Schools)	\$245,000
Salt Shed - DPW Yard	\$490,533
White Field House - Demolish via BMHS	\$346,554
	<hr/>
	\$4,176,492

Allocated by Select Board - Open Projects

DPW Yard Fuel Tanks	\$466,187
CCBC - Repairs Butler School	\$892,214
Grove Street Project Bid Results	\$70,000
Updated website implementation	\$44,755
Market Analysis & Fiscal Analysis	\$75,000
FY24 Town Operating	\$63,648
FY24-25 Schools Operating	\$1,876,000
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	\$3,487,804
Combined Total	\$7,664,297
Remaining Balance	\$141,954

- Most of the ARPA funds have been allocated; only \$141,954 and must be allocated by December 31st, 2024.
- These one-time funds will not be available for future years, putting additional budgetary pressures on the Municipal and School budgets in FY26 and beyond
- The funding for nine ARPA positions at the schools will be ending at the end of FY25.



Update: Undesignated Fund Balance (Free Cash) Sources

Free Cash Sources (Millions)

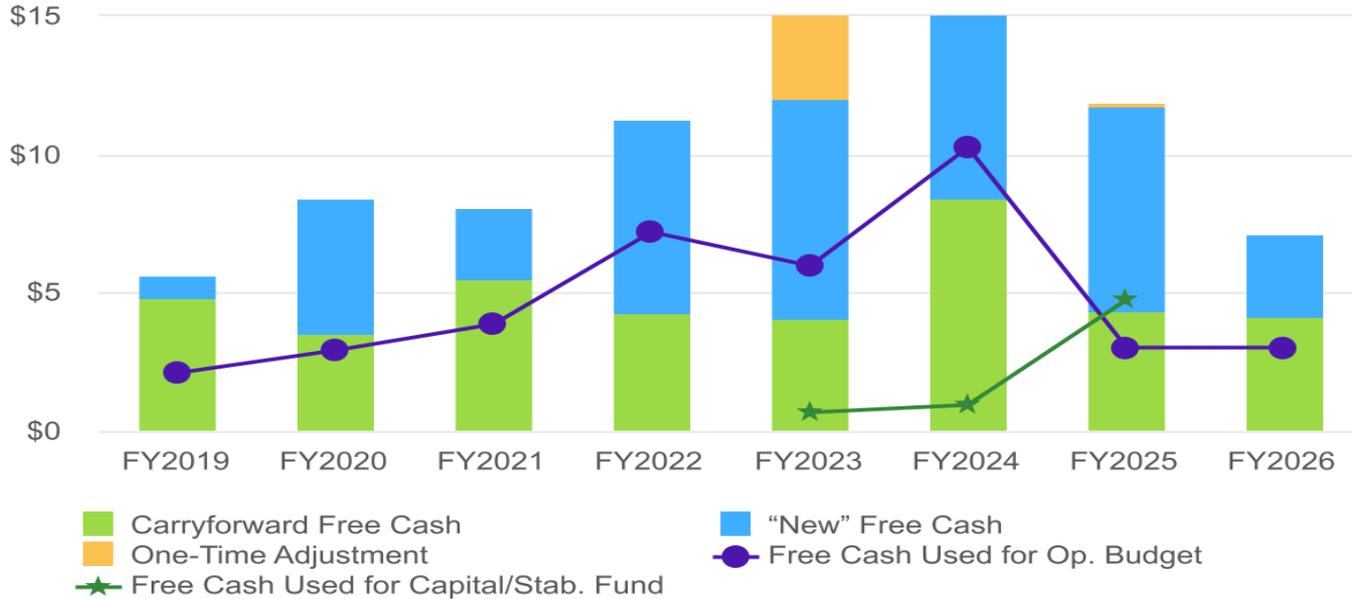
Category	FY2020	FY2021	FY2022	FY2023
Carryforward	4.03	4.13	7.84	4.36
Excess Revenues	0.94	3.84	1.49	2.12
Town Salaries	1.16	1.71	0.55	0.46
Town Expenses	0.71	1.18	1.25	1.11
Town Benefits	0.10	0.82	0.84	0.25
Subtotal Town	1.97	3.72	2.64	1.82
School Salaries	1.27	1.32	0.65	0.17
School Expenses	(0.80)	0.88	(0.36)	(0.43)
School Benefits	0.35	0.19	0.40	0.62
Subtotal School	0.82	2.39	0.69	0.35
Facilities	0.52	0.40	0.47	0.18
Debt Service	0.16	0.76	0.19	0.07
Prior Year Encumbrances	1.01	0.79	0.65	1.15
Other Misc. Factors	1.80	(1.00)	1.58	1.81
Total Free Cash	11.24	15.03	15.55	11.87

- The Free Cash balance at the end of FY23 (July 1, 2023), are at \$11.87 million.
- While down from the prior year this represented another year of elevated Free Cash due to:
 - Challenges filling open positions - especially on the municipal side
 - Conservative fiscal management as well as increases in revenues greater than anticipated from ambulance receipts, building permits and interest income



Free Cash Use in the Operating Budget Going Forward

Chart 1: Free Cash Experience in Recent Fiscal Years and Projected



- A detailed analysis was also done to determine that the amount of one-time funds(Free Cash) to be utilized from one year to the next for the operating budget should be **\$3 million**.
- This is a significant reduction in one-time funds that had been used over the last several budget cycles, which ranged from **\$5-\$10 million**.
- Going forward, any additional one-time funds received **above** the \$3 million that will be used in the operating budget will be used for capital projects or appropriated to either a General or Capital Stabilization Fund.
- All allocations are contingent on sufficient Free Cash reserves that comply with the Town's Financial Policy of **3-5%** of the previous year's operating budget.



Overall Free Cash Appropriation for FY25

For FY25 the total allocation of free cash is **\$7.74 million** and the remaining balance of **\$4.14 million** will remain which is in within the **3-5%** of the previous year’s operating budget per the guideline of the Town’s financial policies

Fiscal Year	FY2021	FY2022	FY2023	FY2024	FY2025
Free Cash Available (Millions)	\$8.11	\$11.24	\$15.03	\$15.55	\$11.87
Operating Budget	\$3.79	\$7.11	\$5.38	\$9.69	\$2.56
OPEB	\$0.05	\$0.05	\$0.58	\$0.55	\$0.44
General Stabilization				\$0.95	
Opioid Settlement					\$0.11
Capital Stabilization					\$1.50
Override Offset					\$3.13
Fuel Tanks			\$0.65		
Total Uses	\$3.84	\$7.16	\$6.61	\$11.20	\$7.74
Remaining Balance	\$4.26	\$4.08	\$8.42	\$4.36	\$4.14

- **Operating Budget & OPEB** – This reflects the recently decided policy to dedicate \$3M in total Free Cash operating budget (\$2.56 million) and Other Post Employee Benefits OPEB (\$.44 million)
- **Opioid Settlement** – This is the FY2023 Opioid Settlement embedded in Free Cash – must be transferred to Opioid fund per Massachusetts Settlement Agreement.
- **Capital Stabilization** – This is for the replacement of the Chenery boilers to take place during the summer of 2025.
- **Override Offset** – An override mitigation fund will be established in June 2024 Town Meeting and the \$3.13 million will be allocated to this Fund along with excess revenues from the override of \$.93 million for a total of \$4.06 million to be used in the FY26 and FY27 operating budgets and possibly beyond.



Risks for FY25 Budget

FY24 Schools Budget. As of May 2024, the School Department is estimating a potential deficit of **\$1.3-\$1.5 million** in the operating budget. There are mitigation plans in place including Emergency Circuit Breaker funding but there could be spill-over impact for FY25.

Covid / ARPA Funds. Most of the Covid relief and ARPA funds have been appropriated. Thus, these funds are no longer available to help cover one-time and recurring costs nor any additional unforeseen financial pressure on the municipal and/or school departments.

Facilities/Capital. As reported in recent years, it is apparent that Town facilities have not received required maintenance on a timely schedule and there is still a significant backlog. Therefore, the risk of unexpected needs for repairs in FY25 and beyond remains significantly high.



Risks for FY26 Budget and Beyond

Schools & ARPA. The ARPA funded positions of **\$1,004,369** at the schools will end at the end of FY25. The School Department has indicated that it would like to keep these positions for FY26 and beyond but will need to be funded from other sources as the ARPA will be done. This will put added pressure on an already stretched budget projection.

Schools & Union Contracts. The current teachers' union contract will expire in August of 2025. Given the current environment and recent events in other towns and municipalities, the results of negotiations could have a significant impact on the school budget and put additional pressure on balancing a budget where expenses significantly outpace recurring revenues.

Facilities/Capital. The Chenery roof and the rooftop HVAC units have reached the end of their useful life and will need to be replaced in FY26 with a current estimate of \$5.4 - \$7.0 million. Combined with other capital needs there is funding gap of about \$10 million for FY26 and FY27.



Longer-Term Concerns: Underlying Structural Deficit Still Exists

Revenue Budget (\$M)	FY23 Actual	FY24 Estimated	FY25 Projected	FY26 Projected	FY27 Projected	FY28 Projected	FY29 Projected	24-'29 CAGR*
Total Available Revenue	\$131.24	\$139.15	\$133.98	\$137.80	\$141.72	\$145.78	\$149.97	1.5%
Expense Budget (\$M)	FY23 Actual	FY24 Estimated	FY25 Projected	FY26 Projected	FY27 Projected	FY28 Projected	FY29 Projected	24-'27 CAGR
Schools	\$55.90	\$63.49	\$67.04	\$70.83	\$74.80	\$78.62	\$82.85	5.5%
Municipal	\$32.47	\$33.31	\$33.38	\$34.21	\$35.06	\$35.94	\$36.84	2.0%
Shared Services	\$33.05	\$37.11	\$35.54	\$36.78	\$38.06	\$39.40	\$40.78	1.9%
Capital	\$5.08	\$5.25	\$5.59	\$5.71	\$5.83	\$5.95	\$6.08	3.0%
Total Expense	\$126.50	\$139.15	\$141.54	\$147.53	\$153.76	\$159.91	\$166.55	3.7%
Net Budget Surplus/(Deficit)	\$4.74	\$0.00	(\$7.57)	(\$9.73)	(\$12.03)	(\$14.13)	(\$16.58)	
Approach to Closing Deficit (\$M)			FY25 Projected	FY26 Projected	FY27 Projected	FY28 Projected	FY29 Projected	25-'29 CAGR*
Override Increase to Tax Levy			\$8.40	\$8.61	\$8.83	\$9.05	\$9.27	2.5%
Override Mitigation Fund			\$0.00	\$1.17	\$3.26	\$0.00	\$0.00	
Net Budget Surplus/(Deficit) with Override			\$0.83	\$0.05	\$0.05	(\$5.08)	(\$7.31)	
* CAGR = Compound Annual Growth Rate								

- Even with a successful \$8.4 million override the underlying structural deficit still exists.
- The override has provided the town with a reprieve to the structural deficit but only for the short term.
- Unless expense growth is brought in line with revenue growth the Town could face another significant shortfall as early as **FY28** of an estimated **\$5.06** million and **\$7.31** million in **FY29**.
- The only way to avoid another sizable override in the not-too-distant future is to curtail expenses within available revenues.



Fiscal Compact For Belmont

- The Warrant Committee is leading the development of a Fiscal Compact with the residents of Belmont to address our underlying fiscal challenges, an initiative which many other towns have implemented.
- The goal is to strengthen Belmont's long-term fiscal planning, effectively balance the needs of all residents and minimize future tax increases.
- The Committee established guiding principles for a Fiscal Compact that a newly formed advisory group will follow toward the development of a formal Fiscal Compact during the summer and early fall, ahead of the FY26 budgeting process.



Guiding Principles for Fiscal Compact

The following are some of those guiding principles for the advisory group which consists of representatives from the Select Board, Town Administration, School Administration, Warrant Committee and School Committee. The Fiscal Compact will be completed in advance of the Fall FY26 budget summits.

- No additional Proposition 2½ override request for at least three years after a successful override.
- Reduce annual expense growth rates to bring expenditures in closer alignment with revenue.
- Develop policies to spur revenue and growth, diversify our tax base and promote economic development and business growth.
- Reduce the reliance on one-time sources to fund the operating budget and place excess Free Cash generated each year by turnbacks or excess revenue into specific stabilization funds and capital projects.
- Protect against future fiscal shocks by maintaining adequate financial reserves and a strong bond rating.



Thank You

