

Executive Summary of the
FINANCIAL TASK FORCE

January 30, 2015



*Office of the Board of Selectmen
Belmont Town Hall
455 Concord Avenue
Belmont, MA 02478*

TOWN OF BELMONT FINANCIAL TASK FORCE

EXECUTIVE SUMMARY REPORT – JANUARY, 2015

Purpose of the Financial Task Force:

The Board of Selectman (BOS) established a Financial Task Force (FTF) in December 2013 with the purpose of developing a multi-year financial and capital plan. This plan is intended to allow policy makers and residents to understand current and future expenditure and revenue issues as well as the impact they will have on the ability of the Town to provide quality municipal and educational services and capital improvements.

Membership of the Task Force:

The Task Force was comprised of 13 members, including Town and School officials, elected officials, representatives from various committees, and residents. Some members were selected by the Chairs of their respective Boards or Committees.

- Board of Selectmen - Mark Paolillo
- School Committee - Laurie Graham & Laurie Slap
- Warrant Committee - Anne Helgen
- Capital Budget Committee - Anne Marie Mahoney
- Planning Board - Charles Clark
- Board of Assessors - Charles Laverty III
- Town Administrator - David Kale
- Town Treasurer - Floyd Carman
- Superintendent of Schools – Dr. Thomas Kingston (Thru 6/30/2014) & John Phelan
- School Finance Director - Anthony DiCologero
- Residents - Paul Lisanke & James Williams (Thru 1/15/2015)

In addition, four residents were selected to serve as a focus group to provide feedback and alternative perspectives during the process. These individuals were: Angelo Firenze, Andrew Levin, James Tzouvelis and Justin Amico.

The Task Force was supported by other town and school staff/consultants such as Assistant Town Administrator Phyllis Marshall, Town Accountant Chitra Subramanian, Director of Assessment Daniel Dargon, School and Town Human Resource Directors Mary Pederson and Diane Crimmins, and consultant James Conry.

Working Group Structure:

As part of the process, the Task Force reviewed a variety of programmatic topics for both the Town and Schools and formed Working Groups in each area:

- Group A - Education
- Group B - Revenue Opportunities
- Group C - Capital Projects
- Group D - Town Government (Programmatic Requirements and Opportunities for Structural Changes)
- Group E - Financial Projections

Some of these working groups will continue to meet in the future to provide recommendations to the Board of Selectman and the School Committee.

GROUP A: Education

Eight “Modeling Groups” were formed by the Schools to comprise the overall School Working Group. Participation within modeling groups involved School Committee members, Warrant Committee members, Town officials, School Department faculty and staff, and community members. The modeling groups reviewed financial and programmatic topics related to providing quality education and provided information to the Task Force in the development of the overall plan. The eight modeling groups reviewed the following topic areas; Salary and Compensation, Special Education, Enrollments, Operations and Maintenance, Instructional Modeling and Innovation, Revenue Sources, Student Services and Instructional Technology. A copy of each modeling group report is attached to this report.

GROUP B: Revenue Opportunities

This Group investigated opportunities for the Town to maximize non-property tax revenues. It also analyzed existing fee structures for revenues which fund the budget and will continue to do so in order to make future recommendations for changes, as well as conduct ongoing validation of our current fees in relation to other municipalities.

GROUP C: Capital Projects

The Capital Projects Group reviewed the status of current and future projects, analyzed debt service costs on major capital projects and the impact on the property tax levy, and prioritized major projects. In addition, the Capital Group reviewed allocations for pavement management, non-debt exclusion projects and other pay-as-you-go projects.

GROUP D: Town Government (Programmatic Requirements and Opportunities for Structural Changes)

This Group explored a variety of issues regarding service delivery for Town services. Examples of some of the areas that were discussed included: regionalization, consolidation, alternative service delivery models, establishing enterprise funds for certain activities, staff planning, and review of services that are not currently provided.

GROUP E. Financial Projections

This Group developed a working model to allow financial projections to be made based on data collected and recommendations made by working groups. The model created can be updated annually and used in the future to incorporate revisions in response to various budget assumptions and variables.

Key Findings and Recommendations:

The goals of the Task Force were:

- to produce a multi-year financial plan which would illustrate the ability of the Town to provide quality municipal and educational services and capital improvements based on the data and recommendations of the working groups
- provide an opportunity to investigate potential revenue sources and service delivery models
- analyze capital project funding needs and impacts
- collect data on revenue and expenditure historical trends, and project future estimates based on trends and various assumptions.

The following is a summary of Key Findings and Recommendations.

GROUP A: Education

Findings

As the new fiscal year began in July 2014 the Leadership Council of the Belmont Public Schools used the Modeling Group summaries to inform the work for the 2014-2015 school year. This will be the foundation for the next Strategic Plan process beginning in the spring of 2015. These eight modeling group reports have been and will be used as guiding documents for the school district.

The Leadership Council reviewed and analyzed the Modeling Reports in August 2014 over a three-day retreat. Each report was summarized by a small team and presented to the entire group. In the aggregate, the Leadership Council concluded that there were more needs than would be feasible to “ask for” in any single budget year and that a multi-year approach was required.

At the completion of the August review, there was a clear consensus that two of the modeling group reports and challenges were a priority: *Enrollment* and *Student Life (Social Emotional Learning)*. The Leadership Council considered these two areas “pressure points” on the district that needed to be addressed immediately.

With that said, the Leadership Council attempted to keep the suggestions within an “acceptable” parameter, and to suggest a three (3) year plan to address the school department needs. These projections would only maintain our existing programs and supports for students.

Recommendations

1. Belmont Public Schools Projected Staffing Needs

Enrollment needs look different at each of the three levels (elementary, middle school, secondary). At the elementary level, the need to add a strand (another full class) at each grade level over time, with corresponding Unified Arts support, is essential. At the middle school level, the allocation of a grade five teacher will reduce class size in that grade only; a guidance position will address the ineffective 430:1 student:counselor ratio; and last but not most importantly, two Unified Arts teachers, over two years, will begin to address the issue of middle school students not receiving direct instruction and sitting in large study halls each period. At Belmont High School, three teacher positions will be allocated to address the increasing number of students who are not engaged in learning during the school day. The number of unengaged students ranges from 96 to over 800 during certain days and mods (periods) during the week. The number of students not engaged in meaningful learning experiences during the school day is a wasteful and disturbing practice that needs to be addressed immediately.

The three-year staffing chart below also reflects the addition of two English Language Learner teachers. These positions are mandated by the state due to our increasing enrollment of this sub group within our overall student population.

<u>Level</u>	<u>Year One (SY 15/16)</u>	<u>Year Two (SY 16/17)</u>	<u>Year Three (SY 17/18)</u>
Elementary	1.0 Grade 4 Teacher (Wellington) * 1.0 Kindergarten Teacher * 1.0 Grade One Teacher *	1.0 Grade 2 Teacher*	1.0 Grade 3 Teacher*
Middle	1.0 Grade 5 Teacher * 1.0 Unified Arts Teacher(s) *	1.0 Unified Arts * 1.0 Guidance Counselor * #	
High	3.0 FTE's for Reduction of non-engaged/non-scheduled students *	1.0 FTE - Reduction of non- engaged/non-scheduled students * 1.0 Guidance Counselor *#	1.0 FTE - Reduction of non-engaged/non- scheduled students *
DW	2.0 English Language Learner Teachers*		1.0 Technology * 1.0 Instructional Technology Spec.* 1.0 SEL Staff Person *
Total FTE	10.0	5.0	5.0
	(*) Indicates <u>Enrollment</u> need (#) Indicates <u>SEL</u> need		

2. Aligning Budget Expenditures in Key Areas of FY15 Shortfall

Additionally, working with the Director of Finance and the Director of Student Services, areas were identified in the budget that were not fully funded and would need an increased allocation projection. These budget line items make up the majority of the current FY15 shortfall and thus need to be fully funded in FY16.

The areas are:

- **Special Services Contracted Service** budget line has steadily increased over the last several years. These are mandated services provided to our students with financial obligations that will need to be paid. This shortfall has reached approximately \$425,000.
- **Out of District Students** budget line allocated funds on the assumption that the Belmont Public Schools would have 81 students to serve in the 2014/15 school year. By June of 2014 and continuing into the second fiscal quarter of this year (2014/15) that number has risen to 95. Over the past eight years the number of OOD students has fluctuated between these two counts (4 years in the 80's and 4 years in the 90's). The FY15 tuition shortfall is projected to be approximately \$384,000. This amount will increase by approximately \$276,000 in FY16 since LABBB (collaborative) credits used in FY15 to balance this line item will not be available in FY16. In past years, various federal and state grants and entitlement funds have been utilized to offset tuition cost increases, but these funds have either declined or been eliminated by funding agencies.
- **Special Education Transportation** budget line increased correspondingly to the increase in our aggregate enrollment and that of the increase in OOD students. The increase in this item in FY16 will be approximately \$200,000.
- **Temporary Wages** -There are expenditures that exist in the public school budget each year that involve tutors, staff overtime, and stipends that cover work with special education students, summer early childhood programs, and summer programming that have not been budgeted sufficiently. Given the shortfall in this line for FY15 the recommended allocation to cover this line item in FY16 is \$127,000.

3. Space Needs Due to Increased Enrollment

With the increase in enrollment the need for increased classroom space is inevitable. There has been a Space Task Force commissioned and an architectural firm hired to project the needs of the Belmont Schools, as it relates to increased enrollment and corresponding classroom space. There is a concern that at the elementary level, the system will need to increase by at least one additional strand (one more grade level class for each grade level K-4) to provide the capacity and ensure appropriate class sizes, based on School Committee class size guidelines. This would result in the need for modular classrooms and/or a more permanent solution by September 2016 at the elementary level.

Additionally, the space at the Chenery Middle School has been exhausted with the increase in students enrolled. The Chenery currently does not have enough space to support the current level of student enrollment and will not have the capacity to handle the current cohort sizes that are moving up from the elementary schools. As evidenced in the current enrollment chart, the wave of students moving up through the district is concerning. The increase in enrollment coming from the elementary level, combined with the need to provide classes and programs for those students in study halls, will result in the need for modular classrooms by September 2016. The permanent answer to the space needs at the middle school will need to be part of larger conversation of how we organize the district in future years. At this time the middle school presents the biggest concern from a lack of space perspective.

Belmont High School is out of space. Currently there are 31 rooms that are shared by 2 teachers and 4 rooms shared by 3 teachers. Given the need for additional class offerings for students who are not engaged during the day, and a wave of enrollment increases coming each year, the need for space at the High School is becoming critical. By way of example, the graduating class of 2014 at Belmont High School was 260 students. The 2014 entering kindergarten class was 354 and all five grade levels at the elementary level are over 330 students. Historical enrollment trends indicate there is little, if any, net loss of enrollment over the grade spans.

There are teachers who do not have their own classrooms and travel to two or more classrooms to teach. If we want to increase the number of teachers at the middle or high school to reduce the amount of unstructured, non-educational time (“frees”), the district will struggle with the ability to do so, without adding temporary space or building more permanent space.

It should be noted that these staffing projections only provide the needed respite in dealing with the increased enrollment and our communities’ collective concern with our students’ social emotional needs. There are no new programs or initiatives in this projection.

GROUP B: Revenue Opportunities

Findings

The Revenue Opportunities working group created a consolidated fee schedule and found that Belmont’s current fee structure is competitive with those found in comparable municipalities. The working group confirmed the Town is pursuing all potential Payment-in-Lieu-of-Taxes (PILOT) opportunities to the extent possible and also confirmed all cellular towers within the Town are being assessed personal property taxes.

Increases to parking fees and parking permit fees were recommended to the Board of Selectmen this fall, and were approved. Implementation is estimated to achieve a revenue increase of \$50,000.

Implementation of a commuter parking pass program is scheduled to be initiated in Belmont Center by the end of the current fiscal year.

Recommendations

The Revenue Opportunities working group developed the following recommendations:

1. The Town maximize revenue opportunities from Town and School recreational assets, including the Underwood Pool, Higginbottom Pool, and other existing recreation assets
2. Sell town owned parcels for residential development or defining a public purpose. These include:
 - i. 130 Orchard Street 17,716 sq. ft.
 - ii. 781 Pleasant Street 263,538 sq. ft.
 - iii. 248 Mill Street 200,376 sq. ft.
3. Explore whether there is joint support from the Town and School Department for adopting a naming rights policy
4. Examine new growth opportunities at South Pleasant Street and recommend the Town re-zone this area to encourage redevelopment
5. Review building rental fees and recommend identifying opportunities for facilities fees and rentals
6. Upon completion of Cushing Village project, review surrounding parking management issues and opportunities
7. Implement March 2012 Parking Management Plan approved by Board of Selectmen after Belmont Center Reconstruction Project is completed
8. Create additional parking opportunities on Concord Ave (i.e. the vacant town owned lot to the right of JV Soccer Field)
9. Define and document direct services provided by the Town for each non-profit organization
10. Request from each non-profit organization a list of services they provide the Town
11. Seek financial support/partnership for upgrades of facilities used by nonprofits
12. Hire a new full-time professional Recreation Director to manage recreation facilities
13. Consolidate the management of Town and School recreation assets under experienced recreation management.
14. Combine the operation of the Higginbottom and new Underwood pools into an Aquatics Program.
15. Direct the Recreation Department, in conjunction with the Recreation Commission, to generate written policies, and evaluate and expand programming, outsourcing, and rental fees.
16. Create a “Field Management” task force of all stakeholders to determine usage, prioritization, fees, maintenance and upgrades and to coordinate improvements for both Town and School fields.

GROUP C: Capital Projects

Findings

The current Capital Budget operating budget allocation (“Pay-As-You-Go”), has averaged \$1,346,000 over the last three years. This budget funds the purchase of major equipment and vehicles, sidewalk repairs, building improvements/repairs, facilities systems replacements, and

technology systems. The Capital Projects Group examined current and projected future needs and determined this budget is significantly under-funded. For example, the FY15 Capital Budget plan included over \$4.5 million in legitimate (not “blue sky”) requests, not including major library renovations. The budget to fund these requests was \$1,395,000. In addition, another \$1 million in capital repair/ replacement has been identified as a result of a recently completed Facility Study. This does not include any funding for portable classrooms, which may be required due to increasing enrollments and lack of existing classroom space.

The sub-group believes quite strongly that the annual Capital Budget must be increased to a level of at least \$3.0 million a year to adequately keep up with the repairs, smaller renovations, and capital purchases that are necessary to keep all of the Town departments functioning efficiently *and* safely. Road and sidewalk repair alone could use an additional \$3.0 million a year. Without adequate funding, the roads and sidewalks will continue to deteriorate, and equipment and repairs will not keep up with the needs of the departments. These needs are necessary to the efficient functioning of the Town and School departments and service to its citizens.

The annual Pavement Management Program has an allocation of approximately \$1.8 million in FY15. The funding for this program contained in the Capital Budget is derived from Chapter 90 State Roadway improvement funds (\$534,000) and from a property tax allocation (\$1,284,000) based on a “roads override” approved by the voters several years ago, which is increased by 2.5% annually. Based on the limited funds for roadway repair, there is no predicable allocation for sidewalk repairs. A special one-time \$200,000 allocation was approved in the FY15 Capital Budget.

Major capital projects have been successfully completed in recent years including:

- Construction of two new fire stations
- new senior center
- new Wellington School
- Harris Field Complex improvements
- Joey’s Park
- Butler School Playground
- improvements to White Field House (privately funded)

Additional capital projects are in process or scheduled to be underway. These include:

- the new Belmont Light Sub-Station project (in process)
- Underwood Pool (in process)
- Belmont Center Reconstruction Project (in process)
- Trapelo Road Street and Sidewalk Reconstruction Project in collaboration with the State Department of Transportation (in process)
- It should be noted that the debt service for the Chenery Middle School (\$1.1 million) is scheduled to be retired in FY16.

However, there are several major capital projects, most of which will require successful debt exclusions to fund the debt service in whole or in part depending on the project and available grants, Community Preservation Act Funds, donations or other sources. These projects include:

1. Belmont High School – estimated Cost \$70,000,000 in addition to Massachusetts School Building Authority (MSBA) funding. The project has a site, a study, a cost estimate, and an

upcoming application submission before the MSBA. Applications for funding have been submitted for several years but not approved. Unfortunately, this year-to-year approval process makes it difficult to do long-term planning due to the uncertainty of the approval of the project. Please see the Capital working group report for a description of the MSBA approval process. Failure to receive funding in the upcoming round will require the proposed financing schedule to be adjusted, including cost estimates.

2. Incinerator Site – the site is ready to be permanently capped and built on for DPW, municipal or recreational uses, subject to conveyance to the Town by the State. The process of finalizing the conveyance of this site continues in collaboration with the Massachusetts Department of Capital Asset Management and Maintenance (DCAMM).

Options under consideration include; multi-purpose recreational fields, ball fields, combination recreational/ball field use, solar farm, and a new police station. Estimated cost of athletic fields at this site is \$2,000,000. All options for the site will include DPW materials and equipment storage use, since the current DPW site cannot accommodate this use.

3. DPW Facility- estimated cost is \$28,000,000 if the project is constructed at the existing location. A plan and a reasonably updated cost estimate are required to proceed.
4. Library – estimated cost is \$18,000,000 in addition to Grant and private funding. A decision to renovate/construct on existing site or elsewhere needs to be made by the Library Trustees for the next Massachusetts Library Board of Commissioners grant round. This includes planning and updating the previous feasibility study and cost estimates.
5. Police Station - estimated cost for new building is \$20,000,000. Needs a site, a plan, and a cost estimate to suit the site. Program specifications from a prior study are defined but need to be updated to consider a new building instead of using the current library building. The Incinerator site is an option, which allows the project to be ready to proceed. Otherwise, the current site, which includes the Light Department building, is not ready for 4-5 years until the sub-station located in the Light Department building is decommissioned.

Inadequate parking at the existing site will not be resolved unless underground parking is considered as part of the project.

Additional conversations with the Historic District Commission need to take place to explore options for existing buildings (Light Department building and existing Police Station). This includes renovations for a new police station or sale of the current site with the buildings for a commercial or residential use.

The total of these projects is approximately \$138,000,000. The total debt service cost is estimated at \$206.6 million from FY16 through FY43. In addition, the Town may be faced with the cost of funding renovations or new construction of a Minuteman Vocational High School.

Recommendations

1. We are recommending that \$500,000 in additional funds from property taxes - \$300,000 for roadway improvements and \$200,000 for sidewalk repairs - be added to the Task Force Financial Model to address these needs. This will allow a regular annual \$200,000 allocation for sidewalk improvements within the plan, in addition to \$1.8 million annually for roadway improvements. If approved, these additional allocations will be coordinated by the Community Development and Public Works Departments and can be completed within the normal construction cycle.
2. The estimated FY16 Capital Budget available funding totals approximately \$1 million. We are recommending that additional funds for debt service payments on \$1 million in bond financing (\$500,000/5-Year term in FY16 and \$500,000/5-Year term in FY17) be added to the Task Force Financial Model to address capital budget needs, and also provide permanent ongoing funding in the future, once the 5-year bond issues are paid-off.
3. Based on the fact that another application must be submitted for the High School Project to the Massachusetts School Building Authority (MSBA) in spring 2015, and state funding may still be several years away, it is recommended that;
 - a.) a decision on the post-closure use of the former Incinerator Site be made as soon as possible. This will determine the possible location and timing of a new Police Station and the potential (or not) of an athletic field installation or other uses at the site.
 - b.) otherwise, the DPW facility should be the next major project to be funded and initiated, which has a location and should move forward with planning.
 - c.) a decision to renovate/construct on existing site or elsewhere needs to be made by the Library Trustees for the next grant round. This includes planning and updating the previous feasibility study.

GROUP D: Town Government (Programmatic Requirements and Opportunities for Structural Changes)

Findings

Across the state, local aid in the last thirty years has declined by 58% from 1982 to 2012; in Belmont, that drop was even more pronounced at 63%. The Town has tried to provide the same levels of service to residents despite cuts in funding which have led to reduced staffing levels and resources.

Town departments have incurred staffing reductions over the years and are continuing to do more with less. Over the last 20 years Public Works permanent staff has been reduced by 26% and seasonal staff by 58%. This has led to a reduction of service over the years, including reduced maintenance, street sweeping, litter collection, and roads and sidewalks minor repairs. In addition, Fire and Police staffing have been reduced by 10 positions. Further reductions will require elimination of core services.

Town departments currently participate in many collaborations and regionalization efforts with other municipalities, collaboratives and state agencies to increase efficiencies and cost savings. Grant funding is also explored by Town departments. For example, the Fire Department recently received a Federal SAFER Grant to fund two firefighter positions for two years to allow the department to deal with significant vacancies due to retirements that will occur in the next few years.

What became clear throughout the process of examining town government in Belmont is that departments are stretched extremely thin in terms of resources. Many are operating at staffing levels that are significantly reduced from 10 or 20 years ago with facilities that are long past their useful lives. This has, in many cases, led to a slow erosion of services. Another conclusion is that Belmont has been fortunate to have senior leadership in a number of key departments that have become adept at making the most of those resources. A number of these experienced people have recently retired or are approaching retirement.

Recommendations:

- Establish an incentive bonus pool for department heads and other employees to reward them for the development and implementation of innovative and cost saving ideas.
- Continue to explore opportunities for collaboration and/or regionalization with surrounding communities in the delivery of Town services.
- Establish a working group of town administrators/managers with comparable communities to enable the sharing of innovative ideas and solutions to the common challenges we face in the delivery of town services, effective management of our increasing cost infrastructure and the generation of additional non-property tax revenues.
- Work more closely with and join our state legislators to lobby for changes at the state level in the current pension system and for additional healthcare reform to more effectively manage our burgeoning Other Post Employment Benefit (OPEB) Liability.

GROUP E. Financial Projections

Findings

Over 80% of the annual Belmont budget is funded from property taxes. An additional 9% is funded from state aid. The remainder is funded from other local revenues, free cash, and other available funds. The Town's ability to maintain town and school services and invest in its infra-structure (capital) will require additional property tax resources beginning in FY16.

Generally, over the past five years, actual revenues have slightly exceeded budget estimates and actual expenditures have fallen slightly below budget estimates. This has resulted in the Town having the ability to maintain a prudent free cash position and add to some reserves, such as the OPEB Trust Fund. Based on projections for the next five years, it does not appear this condition will continue without significant new revenues and/or major program and service reductions.

The School budget has been structurally insufficient for the past few years. As evidence, the following was noted;

- the School budget for FY14 was in deficit and required supplemental funding from the Reserve Fund
- the FY15 budget is projected to be in deficit by at least \$500,000. This has resulted in freezes in staff hiring and the purchase of materials in this year (as well as FY14). While the deficit amount is a net amount of \$500,000, it is actually higher since monies are frozen in various accounts to internally reallocate to cover expenditures in excess of budget in other areas, primarily in the Special Education category
- the ability in previous years to use school reserves from revolving funds, Special Education (SPED) State Circuit Breaker funds, and Special Education Collaborative credits has been fully depleted and exhausted
- in the last three years, school enrollments have increased by over 300 students. It is projected that enrollments will further increase by 300 students over the next three years. Average elementary class sizes have increased to 24 in the current school year
- state-mandated SPED services, including contracted services, SPED tuitions from increased enrollments, and related transportation services have increased beyond budget estimates.
- the number of SPED tuitioned-out students has increased by 14 since June 2013. Also, the enrollment of English Language Learner (ELL) students requiring services has increased by 105 since 2013.

The Financial Modeling Group received information provided by the working groups and analyzed past and current year expenditures and revenues. It developed revenue and expenditure assumptions in order to develop a financial plan for FY16-19.

As a result, it is projected that there will be a total funding shortfall (a “funding gap”) of \$7,743,000 by FY19. There are projected shortfalls of \$2,870,000 in FY16, and \$4,448,000 in FY17 after accounting for available revenues to fund the budgets. Note that these are cumulative shortfalls.

The accompanying financial tables detail the revenue and expenditure assumptions underlying the Five-Year Financial Projections (FY15-FY19). Generally, the assumptions are based on a posture of maintaining existing programs and service levels in town departments and the schools. New initiatives and programs, except where funded through internal reallocations and efficiencies, are not projected, with the exception of items 1 through 3 below;

1. \$500,000 added to the Capital Budget beginning in FY16 to fund an additional \$300,000 for roadway improvements and \$200,000 for sidewalk repairs.
2. \$120,000 added in the FY16 Budget, and an additional \$120,000 in FY17 to fund debt service costs to issue \$500,000 in municipal bonds each year to support capital projects. The result of these additions will mean \$1,000,000 in capital improvements can be funded, still well short of the annual requests.
3. \$650,000 added to the FY16 School budget for the addition of 10 teaching positions to address the recommendations of the School working group relative to enrollment increases over the past three years and projected for FY16; \$325,000 is proposed as an addition to the

FY17 School budget and an additional \$325,000 in FY18 for 5 additional teaching positions each year. The additional costs of 5 positions is continued in FY18 and FY19.

In addition, the following items have been added to deal with insufficient funding for specific items in the School budget over the past few years, primarily in Special Education accounts. These amounts are needed to correct this situation and pay the bills.

1. \$642,000 added to the FY16 School budget to adequately fund the cost of Special Education (SPED) tuitioned-out students based on FY15 estimated costs and an increase in the number of students. This included accounting for one-time funding of \$276,000 from LABBB credits (a special education collaboration of which Belmont is a member), which was used in the FY15 budget but will not be available in FY16.
2. \$205,000 added to the FY16 School budget to adequately fund the cost of Special Education Transportation budget related to the number of SPED Tuitioned-out students based on FY15 estimated costs and an increase in the number of students.
3. \$425,000 added to the FY16 School budget to adequately fund the cost of Special Education Contracted Services to provide required services to students who are on an Individual Education Plan (IEP) based on FY15 estimated costs and an increase in the number of students serviced.
4. \$127,000 added to the FY16 School budget to adequately fund the cost of Temporary Services. The Temporary Services Budget covers the cost of items such as tutoring services, overtime, substitute teachers and staff development.

Major Revenue assumptions, in addition to the 2 ½% increases in the property tax levy, include the following and are contained in the financial projections model:

1. \$207,000 in additional Motor Vehicle Excise Tax Revenues in FY16, with a 2.5% increase thereafter
2. \$205,000 in estimated additional building permit fees in FY16, with a 2.5% increase thereafter
3. \$50,000 increase in FY16 meter fees and parking permit fees as a result of the recommendations made by the Revenue working group and approved by the Board of Selectman
4. \$221,000 in estimated additional property taxes in FY17 as a result of new projects (Cushing Village and Uplands); in addition, \$328,000 in FY18 and \$430,000 in FY19.

Recommendations:

1. The Financial Working Group recommends that the Board of Selectmen, School Committee, Town Officials, Warrant Committee, Capital Budget Committee, Town Meeting Members, Town Departments, and the Schools Administration utilize the FY15-19 Financial Projections as a framework for future budget planning, subject to annual adjustments and updating of assumptions as future events unfold.

2. The recommendations of the Revenue Opportunities Group be considered and implemented after review. Some recommendations may not be implemented until FY18 or beyond but could serve as a source of additional revenues.
3. The Financial Working Group is well aware that an override to provide an additional \$7.7 million in operating funds would result in a major increase to property taxes to homeowners. It is estimated that a \$1 million increase to the property tax levy translates into approximately \$150 increase to the average single family home owner. Further, residents will likely be asked in the future to consider funding major capital projects such as the High School, DPW facility, Police Station and Library.
4. The Financial Working Group recommends that a \$4.5 million operating budget override would provide stability to Town and School budgets for the next two fiscal years, FY16 and FY17, with an opportunity to extend budget stability to FY18 with prudent spending practices, positive changes in estimated revenues and expenditures and the raising of the total \$4.5 million in FY16. A \$4.5 million increase in property taxes is a solution which allows the Town to budget adequately to cover its actual costs for Special Education services, deals with increased enrollments and class sizes in a phased approach, provides additional funding for street and sidewalk reconstruction and capital improvements and the maintenance of Town services, which have been reduced over several years, while being sensitive to the taxpayer.
5. If an Override is approved, it is important to enable the portion of the override funding (approximately \$1,630,000) to be set aside and reserved. A means of accomplishing this is to establish an "Override Stabilization Fund", into which those funds ("excess levy capacity") can be placed until needed. Any funding from this reserve would require a vote of Town Meeting in order to be authorized for expenditure. This Stabilization Fund might also be a vehicle to reserve other available funds, such as one-time revenues or revenue/expenditure "windfalls", for future budget use, all subject to Town Meeting authorization. Therefore, the Financial Working Group recommends establishing an "Override Stabilization Fund" to enable excess levy capacity and other savings to be used in future years.
6. Therefore, it is recommended that the Board of Selectmen vote to include a \$4.5 million override on the ballot.