

2018 ANNUAL TOWN MEETING

REPORT OF THE BOARD OF SELECTMEN

In accordance with Article II, section 5 of the By-laws of the Town, the Board of Selectmen recommends the fiscal year 2019 operating and capital budget as presented herewith. The operating budget totals \$81,087,969, an increase of \$2,876,318, or 3.7%, over the fiscal year 2018 budget. When including gross debt service exempt from the limits of proposition 2 1/2, that amount totals \$89,829,451, an increase of \$2,712,041, or 3.1%, over the fiscal year 2018 budget including gross exempt debt service.

Table with 5 columns: Category, FY18 Budget, Recommended FY19 Budget, \$ Change, % Change. Rows include Schools, Unclassified & Fixed Costs, General Government, Separate Articles, Total Budget, Gross Debt Service Exempt from Proposition 2 1/2, and Grand Total Budget.

Overview of the Recommended Budget and Financing Plan

The Board of Selectmen began working on the fiscal year 2019 budget in October 2017, when the Board and Town Manager hosted its annual Financial Summit meeting with the Finance Committee and School Committee. At that meeting, the Town’s financial condition was reviewed, and the continuing impact of increased exempt debt service on the tax bill, was discussed, as it has been in previous years. The debt service is the result of twenty years of investing in nearly all of the Town’s schools and municipal buildings.

In the last few years, Weston’s operating budget has benefited from 1) more modest employee salary increases, 2) a lower rate of inflation, 3) relative stability in the rate of increase in health care costs, and, 4) savings in electricity costs of more than \$321,000 as a result of energy generated by solar photovoltaic panels placed on the Town’s closed landfill and the roof of the DPW facility.

The Town also benefits from continued growth in the tax base due to new construction, which resulted in an allowable increase of 1.9% in the tax levy, on top of the increase of up to 2.5% allowed by Proposition 2½. The fiscal year 2019 budget requires an increase in the tax levy of 3.7%.

Most recurring capital costs have been included in the annual operating budget in recent years, rather than using debt to fund those costs. However, in order to fund three capital projects this year, a Proposition 2½ debt exclusion question is proposed. A debt exclusion question allows taxes to be increased temporarily, for the life of the loan, and is consistent with the manner in which the Town has funded capital projects for a number of years.

Selectmen’s Budget Principles

In developing the Annual Operating Budget, the Board of Selectmen has focused on the following

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principles in order to preserve the Town's financial condition:

1. Current revenues should be sufficient to support current expenditures.
2. Debt will not be used to fund current operating expenditures.
3. Expenditures for capital items that recur annually should generally be included in the operating budget.
4. The proposed budget should include adequate reserves and contingency funds.
5. The proposed budget should include sufficient funds for building and other infrastructure maintenance to ensure that capital facilities and equipment are properly maintained.
6. The operating and capital budget will strive to maintain the core services currently provided and recognize that periodically changes in service needs may require that some additional resources be provided.

Key Financial Issues Facing the Town

While the Town's operating and capital budget has many complexities to it, the Selectmen would like to point out certain matters deserving specific attention:

- I. **Revenue Growth:** The property tax remains the Town's primary revenue source, making up 85% of total revenues. Because Weston has very little commercial development, residential property owners pay 96% of the total property tax collected by the Town. State Aid, which is 5.1% of total revenues, is also an important revenue source; however, the amount and timing of those funds tends to be unpredictable. Local receipts from motor vehicle excise tax, building permits, and other fees constitute 6.5% of total revenues. Other sources make up the remainder.
- II. **Expenditures:** Following are highlights of key expenditure items impacting the fiscal year 2019 budget. Specifically:
 - a. Construction of Public Ways/Roadway Maintenance: An additional \$500,000 is proposed in order to continue increasing this budget to a more appropriate level, reflecting the average lifespan of a road and the cost to maintain or replace roads. It has been estimated that the Town should be funding roadway maintenance at about \$1.5 million per year. Assuming the same level of Chapter 90 funding from the Commonwealth in FY19, the overall funding for this purpose will be more than \$1.7 million, which puts us in a better position to start catching up with this deferred maintenance.
 - b. Electricity: The Town benefits from a long term lease and power purchase agreement with the firm Ameresco for solar panels that were placed on the Town's capped landfill off Church Street. This installation required no capital outlay by the Town and has decreased the Town's municipal and school electricity budgets by approximately 25%, amounting to more than \$315,000 in savings throughout the budget for electricity. Solar panels have also been placed on the roof of the DPW facility, with an expected annual benefit to the Town of \$21,000.
 - c. Pension Liability: The Town is part of the Middlesex Retirement System (MRS), which serves 39 municipalities and a number of special governmental districts. Both employees and the Town contribute to a fund that is used to pay current and future pension benefits. For fiscal year 2019, the Town's pension assessment is increasing by \$322,149 or 6.7%. As of January 1, 2016, according to an actuarial study, the Town's pension liability was under funded by approximately \$60 million. The funding schedule adopted by MRS must provide for payment in full of the unfunded liability by 2035. In previous years, the Town voted to set aside \$400,000 in a pension reserve stabilization fund to assist in smoothing future large increases, should it be needed.

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- d. Other Post Employment Benefits (OPEB) Liability: Massachusetts General Law, Chapter 32B requires the Town to provide health insurance for its retirees. The Town is required to conduct regular actuarial studies to determine the value of this liability. The most recent valuation as of July 1, 2016 determined Weston's long-term liability to be approximately \$65 million if calculated on a "partial pre-funding" basis. That liability drops to \$50.2 million if it is fully pre-funded. The actuarial study lays out a funding schedule that requires an additional \$2.12 million in fiscal year 2019 beyond what is budgeted for current year health insurance costs for retirees in order to address the Town's long-term liability. An appropriation in that amount will be proposed at annual town meeting. The current balance in the OPEB trust fund is approximately \$16.2 million.
 - e. Health Insurance for Employees and Retirees: A six-year agreement, which began July 1, 2015, governs the Town's participation in the health insurance plans managed by the Commonwealth of Massachusetts' Group Insurance Commission (GIC). There is a welcome and unexpected decrease in this budget for fiscal year 2019 of \$222,278 or 2.1%.
 - f. Salaries: Because local government is a service business, more than 60% of the Town's budget consists of salaries for municipal and school employees. Of the twelve municipal and school employee unions, all have settled contracts through fiscal year 2019. Negotiated rates of increase in compensation range from 1% to 2% in fiscal year 2019. The Board of Selectmen, Town Manager and School Committee remain committed to working with the various employee groups to carefully manage the rate of increase in future salary growth, while still being able to attract good candidates for vacant positions.
- III. **Reserves**: The Town's budget is guided by a comprehensive financial reserve policy to address the Town's unfunded liabilities and the need to maintain prudent financial reserves. This policy addresses operational needs, catastrophic and emergency reserves, and unfunded liabilities (e.g., post employment health insurance benefits, compensated absences). A summary of this reserve policy may be found on the Town's website: www.weston.org, by clicking on Town Services, Financial Information, and Financial Management Policies. The fiscal year 2019 budget presented here includes \$3,515,002 to fund a number of different reserve accounts.

In its analysis of the Town's financial situation related to the most recent debt issuance, Moody's Investor Services stated "*Weston (Aaa stable) has a sizeable and very wealthy tax base... The financial position is stable and bolstered by strong fiscal management while maintaining a manageable debt burden and pension liability. The town also has an aggressive funding strategy towards its unfunded OPEB liability.*" In its report, Moody's went on to list under the category of "factors that could lead to a downgrade" - "*Trend of declines in available reserves.*"

The Fiscal Year 2019 Capital Budget

The Board of Selectmen is recommending a capital budget that will provide for maintenance, replacements and improvements to our buildings, infrastructure and equipment. Time has proven that deferred capital improvements ultimately result in higher repair and replacement costs in the future. Warrant articles 11 and 14-17 represent the capital portion of this year's budget. For fiscal year 2019, a total capital budget of \$5,581,087 (excluding Community Preservation Act projects) is to be requested at the May 2018, Annual Town Meeting, of which \$3,078,387 is included in departmental operating budgets or funded with cash or retained earnings, and \$2,502,700 is proposed to be funded by issuing bonds. Other projects that may be proposed at the Fall 2018 Special Town Meeting could amount to an additional \$17,907,570 to be funded by issuing bonds or CPA funds, if approved. A summary of the Town's debt service for all capital projects previously approved by Town Meeting is shown in the section below.

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The Board of Selectmen is proposing a Proposition 2½ debt exclusion question to exempt from the limitations of Proposition 2½ the debt service payments for \$2,138,000 in bonds for capital projects to be considered under warrant articles 14, 15, and 17 at the May 2018 Annual Town Meeting. The debt service for the projects to be considered at the May 2018 Annual Town Meeting, if approved, is estimated to be \$42,754 in each of fiscal years 2020 and 2021, \$272,804 in fiscal year 2022, then decreasing each year until the bonds reach maturity. State law establishes the maximum number of years until maturity, which varies between ten and thirty years for the proposed projects.

Debt/Debt Service

The Town of Weston has maintained a Moody’s Aaa credit rating for many years as a reflection of solid financial position, sound financial practices, improving reserves, and manageable overall debt service. This credit rating was reaffirmed by Moody’s Investors Service this past year and it allows the Town to borrow funds at the market’s most favorable interest rates. Only 14 of 351 Massachusetts cities and towns maintain the Moody’s Aaa rating, and nationwide only another 206 communities have earned this rating. Below is a historical summary of the Town’s debt service. A more detailed debt service schedule can be found in Appendix 1 of this document.

Annual Debt Service	FY14	FY15	FY16	FY17	FY18	FY19**
General Fund	46,968	35,640	35,180	33,720	32,280	30,860
Proposition 2 1/2 Excluded*	7,646,500	7,055,822	7,957,743	8,084,603	8,094,771	7,941,707
Water	909,392	444,649	526,613	540,082	537,947	531,098
Community Preservation Fund	714,513	691,739	667,692	603,740	379,751	466,448
Brook School Apartments	<u>245,439</u>	<u>334,473</u>	<u>307,917</u>	<u>282,283</u>	<u>273,773</u>	<u>265,133</u>
Total	9,562,812	8,562,323	9,495,145	9,544,428	9,318,522	9,235,246

* Note: Net of MSBA revenue and premium applied to debt service

** Note: The FY19 amount assumes approval of question 1 on the ballot at the Town election.

At previous Town elections, residents have voted to exclude from the tax levy limitations of Proposition 2½ the debt service costs for a number of capital projects. Assuming approval of the debt exclusion questions this year, the total estimated net debt service to be excluded from the levy limit in fiscal year 2019, including all previously excluded projects, amounts to approximately \$7,941,707. This is a decrease of \$153,064 or 1.9% less than in fiscal year 2018.

History of Tax Increases in Weston

Below is a recent history of Proposition 2½ general operating budget overrides and debt exclusions in Weston:

<u>Fiscal Year</u>	<u>Override</u>	<u>Debt Exclusion (total amount of projects approved)</u>
2019	\$0	\$2,138,000
2018	\$0	\$7,738,000
2017	\$0	\$3,057,500
2016	\$0	\$2,080,000
2015	\$0	\$16,257,200 (includes replacement Police Station)
2014	\$0	\$3,710,000
2013	\$0	\$750,000
2012	\$0	\$45,110,000 (includes Field School & High School Science Labs)
2011	\$0	\$2,526,937
2010	\$0	\$16,020,500 (includes replacement DPW facility)

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Property Tax Impact of Proposed Debt Exclusion

Question 1 on the Town Election ballot requests exclusion of the debt service from the limits of proposition 2 ½ on three capital projects to be considered at the Annual Town Meeting. This vote for the debt service to be excluded allows for a temporary tax increase to take place for the term of the bonds. The impact on the tax bill of the three projects proposed for Annual Town Meeting, for a median valued property (\$1,173,300), is projected as shown below in the peak year of borrowing, which is anticipated to be fiscal year 2022. The Town’s debt service is paid with level principal payments and declining interest payments, so after the peak year, the debt service declines each subsequent year.

Proposed Project	Cost in Peak Year (FY22)- Median Tax Bill	Cost over Life of Project Median Tax Bill
Surface Drains	\$4	\$96
Fire Pumper	19	154
Route 30- Transportation Improvement Plan	15	195
Total Debt Exclusion	\$38	\$445

Note: The cost in peak year is calculated using a combination of the total appropriation and the maximum borrowing term, which is determined by state law. The borrowing terms for the above projects range from ten years to thirty years. This also only includes projects to be voted on at May 2018, Annual Town Meeting.

Tax Rate Estimate

It has been customary to provide an unofficial estimate of the tax rate that might result if the financial plans presented in this report are adopted and the assumptions with respect to State aid prove reasonably accurate. Without assuming any increase in assessed valuations for fiscal year 2019, a tax rate of \$12.81 is estimated compared to the tax rate of \$12.51 for fiscal year 2018.

The table that follows provides a summary of components of the property tax bill for a home assessed at \$1,173,300, which is the median property value in Weston in fiscal year 2018.

	FY14	FY15	FY16	FY17	FY18	FY19 <i>(estimated)</i>
Base Property Tax	\$10,999	\$11,572	\$11,907	\$12,262	\$12,506	\$13,117
Allowable 2.5% increase/new growth	486	545	508	570	593	364
Excluded debt (prior and new)	1,459	1,376	1,593	1,582	1,579	1,549
Proposition 2 1/2 override	-	-	-	-	-	-
Community Preservation Act surcharge	350	368	384	395	403	412
Total Tax Bill	\$13,294	\$13,861	\$14,392	\$14,809	\$15,081	\$15,442

Elderly/Low Income Property Tax Relief

The Board of Selectmen continues to provide programs for financial relief to low income and elderly Weston residents. Currently, the Town provides the following options:

- **Transfer Station Sticker Waiver:** For a full waiver, there is a household income requirement. There is a reduced fee for seniors not meeting the income requirement. Transfer Station stickers are issued at the Treasurer’s Office, 1st Floor, Town Hall.
- **Water Discount Program:** To receive a 75% discount on water and meter charges if consumption for billing period is less than 5,000 c.f., participants must meet household income requirements as set forth in Community Preservation Surcharge Exemption program. The application process is overseen by the Assessors’ Office, 1st Floor, Town Hall.

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- **Weston Service Program:** Participants earn up to \$1,100 per fiscal year toward their property tax bills. Funding is available in the fiscal year 2019 budget to allow up to 13 participants. There is no income requirement to participate in this program, but participants must be at least 60 years old, disabled, or Veterans. This program is coordinated through the Council on Aging.
- **Community Preservation Surcharge Exemption:** This program provides a property tax exemption of the 3% property tax surcharge after the first \$100,000 of valuation. Participants must meet household income requirements. The application process is overseen by the Assessors' Office, 1st Floor, Town Hall.
- **Property Tax Exemption Program:** This program provides property tax exemptions for categories such as age, veteran status, and disability, as set forth annually by the Legislature. Town Meeting has voted each year to double the allowed amount. Credit is applied to the 3rd quarter tax bill. The application process is overseen by the Assessors' Office, 1st Floor, Town Hall.
- **Property Tax Deferral Program:** This program allows taxpayers 60 years old and older with annual household incomes less than \$82,720 to defer property taxes at an interest rate adopted by the Board of Selectmen, currently 4%. The deferral is repaid in full to the Town, with accrued interest, upon sale of the property. The application process is overseen by the Assessors' Office, 1st Floor, Town Hall.

Collective Bargaining

Of 636 benefit-eligible Town of Weston municipal and school employees, 483 (or 76%) are unionized. In accordance with Chapter 150E of Massachusetts General Laws, the Town must bargain wages, benefits and working conditions with each union. The contract between the Town and the Union is called the collective bargaining agreement (CBA.) Each union has its own CBA with the Town. In accordance with state law, the CBA cannot exceed a three year term, but can be for a lesser period of time. The process for negotiating successor agreements with the unions is called collective bargaining.

The School Committee bargains with School unions. The Town Manager bargains with municipal unions on behalf of the Board of Selectmen. When bargaining with municipal unions, the Town Manager seeks guidance from the Board of Selectmen regarding the parameters for compensation and contract language changes. In addition, comparable communities are surveyed to determine how Weston's compensation level compares to towns with similar demographics or geographic location. The Town Manager leads the bargaining team, which includes the Assistant Town Manager/Human Resources Director and the pertinent Department Manager. For example, the Police Chief is part of the team during negotiations with the Police unions. The Finance Director serves as a resource. Once a tentative agreement is reached between the Town bargaining team and the union team, the Town Manager presents the tentative agreement to the Board of Selectmen for approval prior to finalizing the agreement. If the Board of Selectmen approves the tentative agreement, then the union is advised, and they will often vote for ratification. If the agreement is ratified and signed by the union, the Board of Selectmen executes the agreement by signing the successor CBA. Once fully executed, the terms of the agreement are put into place either prospectively or retroactively, depending upon timing. If the union does not vote to ratify the contract, various outcomes can occur; however, in the interim, the terms of an expired contract must be followed.

The CBA is in effect for one or more fiscal years (July 1 through June 30). When a CBA is due to expire, the union approaches the Town Manager expressing the desire to begin the collective bargaining process. However, the unions often will allow the contract to expire prior to initiating collective bargaining for a successor agreement. The Town cannot compel the unions to begin the collective bargaining process, and must adhere to the terms of the existing CBA until a new agreement is approved.

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There are collective bargaining agreements with twelve municipal and school employee unions. Eleven are settled through June 30, 2019, and one will expire on June 30, 2020.

Employee Benefits

Health Insurance: Health Insurance for Town and School employees and retirees is governed by Chapter 32B of the Massachusetts General Laws.

There are 636 benefit eligible employees, of which 75% take advantage of health insurance through the Town - 72% are in family plans and 28% are in individual plans. Prior to switching to the Commonwealth's Group Insurance Commission (GIC) plans in fiscal year 2010, the utilization rate hovered between 86-87%. In addition, there are 34 family plans and 446 individual plans for retirees, retiree spouses, retiree surviving spouses and retiree dependents.

In order to join the GIC originally, which saved the Town \$2.1 million in the first year, the Town and the unions agreed to a six year agreement for fiscal year 2010 through fiscal year 2015. A six year successor agreement was subsequently negotiated with the unions, resulting in a reduction of the Town's premium share of 2% across the board from the original agreement. The FY19 annual cost to the Town for the most utilized plan, Harvard Pilgrim Independence POS, is \$20,031 for a family plan and \$9,920 for an individual plan. Contribution rates by the Town of 83% for PPO and POS plans, 85% for HMO plans, and 65% for indemnity plans went into effect on July 1, 2015 and are fixed until June 30, 2021.

The Town's successor agreement continues an "Opt-Out" program for employees who have been enrolled in a Town plan for a minimum of two years. Employees who opt-out of an individual plan will receive a \$2,000 annual stipend and employees who opt-out of a family plan will receive a \$4,000 annual stipend. Currently 25 eligible employees have elected the Opt-Out program for an estimated \$304,151 savings to the Town. (Employees in the program who lose outside insurance coverage are able to re-enroll in the Town plan, but must forfeit the stipend.)

Pension Benefit: Pensions for Town and School employees are governed by Chapter 32 of the Massachusetts General Laws. The Town's employees are not covered by Social Security. This is significant because the Town is not responsible for paying the employer share of 6.2% of wages earned.

Permanent employees who are hired to work 20 hours or more per week are enrolled in the Middlesex Retirement System (MRS). The age for retirement eligibility is different for public safety and non-public safety employees currently enrolled in the system. In addition to certain age criteria, in order for a person to become eligible (vested) for a MRS pension, the person must have a minimum of 10 years of pensionable service in the Commonwealth. Eligible teachers are enrolled in the Massachusetts Teachers' Retirement System, which is funded by the state.

Public Safety: Current employees can retire at age 55 with 10 years of service at a rate of 25% of his/her top 3 years of earnings. With 20 years of pensionable service, these employees can retire at any age, but the calculation for determining the amount of the pension will vary based on age. As an example, an employee retiring at age 40 will receive 20% of his/her top 3 years of earnings. The youngest an employee can retire at the 80% maximum is age 52, providing the individual has 37 years of service.

Non Public Safety: Current employees can retire at age 55 with 10 years of service at a rate of 15% of his/her top 3 years of earnings. With 20 years of pensionable service, these employees can retire at any age, but the calculation for determining the amount of the pension will vary based on age. As an example, an employee retiring at age 50 will receive 20% of his/her top 3 years of earnings. The

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youngest an employee can retire at the 80% maximum is age 60 providing the individual has 40 years of service.

Recent pension reforms enacted by the legislature affect employees hired on or after April 2, 2013 by increasing the minimum retirement age for non-public safety employees to 60 and changing age factors for pension calculations.

There are currently 236 Town of Weston retirees/surviving spouses collecting a pension. The 236 represent superannuation retirees, surviving spouses and disability retirees.

The annual pensions received by Weston retirees are, for the most part, modest. Retiree data provided by Middlesex Retirement System shows that, as of December 2017, 52% or 123 of 236 retirees were collecting an annual pension of less than \$20,000; 37% or 87 retirees were collecting an annual pension between \$20,000 and \$49,999; and 11% or 26 retirees were collecting pensions between \$50,000 and \$125,000. The average annual allowance for retirees is \$24,961 and the median is \$18,850.

Pension Contribution by Employees: Employees contribute a percent of their base salaries and other qualified compensation toward their pension. Contribution rates by employees are as follows:

Teachers hired after 7/1/01	11%
Hired 1996 to present	9% + 2% of compensation over \$30,000
Hired 1984-1996	8% + 2% of compensation over \$30,000
Hired 1979-1983	7% + 2% of compensation over \$30,000
Hired 1975-1978	7%

The annual assessment paid to the Middlesex Retirement System by the Town is primarily to pay for Weston’s share of the unfunded pension liability for its employees and not to pay for benefits earned by current employees, since current employees, for the most part, fund their own pensions through their contributions.

If an employee works in various municipalities over the course of his or her career, the pension contributions made follow the employee from municipality to municipality. More information can be found on the Middlesex Retirement System’s website at www.middlesexretirement.org.

Energy Savings

Weston has been designated by the Commonwealth of Massachusetts as a “Green Community.” In being so designated, the Town committed to ongoing efforts to conserve energy, including a 20% reduction in energy consumption over a five year period, and is eligible for grant funding to help achieve this goal.

The Facilities Department, working with the Permanent Building Committee, has undertaken various energy projects totaling \$2,415,077, of which state grants through the Green Communities program and rebates paid for \$732,637, or 30% of the cost of the projects. The estimated annual cost savings from these projects is \$374,746.

- The purchase of streetlights from Eversource, replacement of fixtures and bulbs, and contracting for maintenance on our own has resulted in a reduction of cost from a budget of \$129,000 in FY10 to a budget of \$38,805 in FY19.
- As a result of work by the Solar Photovoltaic Panels Exploratory Committee, the Town entered into a long term lease and power purchase agreement with the firm Ameresco to place solar panels on the Town’s capped landfill off Church Street. This installation required no capital outlay by the Town and has produced savings in the Town’s municipal and school electricity costs of more than \$315,000 or approximately 25%. In addition, solar panels have been placed on the roof of the DPW facility, with an expected annual savings of \$21,000.

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- As a “Green Community,” the Town has committed to purchasing more fuel efficient vehicles, which reduces the cost of fuel.

School and Municipal Collaboration

The School Department and various municipal departments regularly collaborate in order to leverage expertise, eliminate duplication, increase efficiency and produce savings without affecting the quality of school programs or municipal services. For example:

- A Town-wide Facilities Director and Deputy Director oversee the maintenance of all Town buildings. Consistent and comprehensive maintenance and repair plans have been developed to improve quality and efficiency, and to establish standards and procedures for maintaining all of the Town’s buildings. In addition, the Permanent Building Committee, a group of Weston residents with relevant expertise appointed by the School Committee and Selectmen, oversees all major construction and maintenance projects for school and municipal buildings.
- Utilities are purchased jointly to secure better prices.
- The expertise of the Public Works Department is used by the Schools to oversee contractors who are paving parking lots and driveways at the schools. The results are higher quality work and lower prices on those projects. When there are snowstorms, Public Works employees plow school roadways, working with School employees.
- The School Department’s Director of Technology and Libraries oversees the Town-wide network and coordinates with the municipal IT Director to leverage expertise and resources between departments and implementation of Town-wide solutions.
- Mechanics in the Public Works Department maintain most Town and School vehicles, including school buses.
- School bus drivers are used by the Council on Aging to transport seniors.
- With oversight by a Town-wide Fields and Grounds Coordinator, the School, Recreation, and Public Works Departments are working together to better coordinate grounds maintenance in order to perform mowing, trash pickup, lining of fields and other work more efficiently.

Regional Collaboration

We have also found opportunities for collaboration with other towns:

- Eight towns, including Weston, have worked together to provide paramedic service on a regional basis through Emerson Hospital, improving the level and quality of service previously provided.
- Weston, Wellesley, Needham and Wayland have formed a Veterans’ Services District to share the services of full-time, professional Veterans’ Services staff.
- Weston, Acton, Bedford, Burlington, Concord, Lexington, and Sudbury have entered into an inter-municipal agreement to create a regional housing services office staffed by professionals knowledgeable in the field of affordable housing. Weston’s participation is funded by Community Preservation Act funds and supports Weston’s affordable housing efforts.

Fiscal Year 2020 Outlook

As part of our financial planning process, we have made a financial projection for fiscal year 2020. At this time, we anticipate a potential budget shortfall of \$450,000 if we maintain the current level of services and educational programs. We anticipate increases greater than the inflation rate for employee benefits/health insurance and employee pension costs. We also anticipate level funding of State Aid. Below is a summary of the fiscal year 2020 projection.

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	Recommended FY19 Budget	Projected FY20 Budget	\$ Inc	% Inc
Education	40,099,468	41,242,068	1,142,600	2.8%
Unclassified & Fixed Costs	17,672,275	18,937,750	1,265,475	7.2%
General Government	20,934,592	21,510,036	575,444	2.7%
OPEB Trust & Separate Articles	2,381,634	2,199,656	(181,978)	-7.6%
Total Budget	81,087,969	83,889,510	2,801,541	3.5%
Projected Revenue	81,087,969	83,438,772	2,350,803	2.9%
Projected Shortfall	(0)	(450,738)	(450,738)	

The Budget in Detail

Below is a more detailed explanation of the fiscal year 2019 revenue estimates and recommended appropriations.

Fiscal Year 2019 Revenue Projections

FY2019 REVENUE PROJECTION SUMMARY				
	FY2018 Estimated	FY2019 Projected	DOLLAR CHANGE FY18- 19	PERCENT CHANGE FY18- 19
PROPERTY TAX LEVY	\$66,656,426	\$69,099,736	\$2,443,309	3.7%
STATE AID - CHERRY SHEET	\$3,995,401	\$3,995,401	\$0	0.0%
LOCAL RECEIPTS	\$5,066,714	\$5,415,657	\$348,943	6.9%
PRIOR YEAR BALANCES/OTHER	\$3,213,500	\$3,333,141	\$119,641	3.7%
TOTAL PROJECTED REVENUES	\$78,932,041	\$81,843,935	\$2,911,894	3.7%
REDUCTIONS IN REVENUES	(1,266,122)	(1,309,884)	(\$43,762)	3.5%
OTHER REVENUES	545,732	553,918	8,186	1.5%
AVAILABLE FOR APPROPRIATION	\$78,211,651	\$81,087,969	\$2,876,318	3.7%
AVAILABLE FOR EXCLUDED DEBT SERVICE	\$810,988	\$799,775	(\$11,213)	-1.4%

Tax Levy - \$69,099,736: The property tax levy is increasing by \$2,443,309 or 3.7%. The property tax is the largest revenue source for the Town and provides over 85% of total operating revenues. The provisions of Massachusetts General Laws, Chapter 59, section 21C (Proposition 2½) allow for an annual increase in the local property tax levy limit of 2.5% of the limit established in the prior fiscal year; For fiscal year 2019, this increase amounts to \$1,666,411. New growth from the prior year in the amount of \$1,246,222 (to which 2.5% can be added) is also available, for a total possible increase of

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\$2,943,789. Unused tax levy capacity of \$500,480 results by not raising the full amount as the Town is allowed under Proposition 2 ½.

In addition to the tax levy, the excluded debt service for capital projects is added for taxation purposes. There will be approximately \$7,941,707 in voter approved, issued and unissued, excluded debt service, net of offsetting reimbursements and credits, which is a decrease of \$153,064, or 1.9%, from fiscal year 2018. This amount assumes approval of question 1 on the ballot at the Town Election.

State Aid - \$3,995,401: At this time, based on Governor Baker’s proposed budget, we are projecting that State Aid will remain the same for fiscal year 2019. State Aid is made up of a variety of sources with different formulas. The largest component is Chapter 70 aid, which is meant to assist municipalities with the cost of education. Under State law, cities and towns also share in the proceeds of the State lottery, in the form of Unrestricted General Government Aid. At the time of the printing of this report, the Legislature had not acted on the State budget, so final State Aid numbers are not known.

Local Receipts - \$5,415,657: The largest source of revenue in this category is motor vehicle excise tax, which is assumed to increase by \$191,000 in fiscal year 2019. Investment income has been more robust, so an additional \$100,000 is projected. Smaller increases in other categories are also projected.

	FY2016 ACTUAL	FY2017 ACTUAL	FY2018 TAX RECAP	FY2019 PROJ	\$CHG	%CHG
LOCAL RECEIPTS						
motor vehicle excise	\$2,982,398	\$3,043,210	\$2,544,000	\$2,735,000	191,000	8%
penalties and interest	142,892	305,670	140,000	150,000	10,000	7%
payment in lieu of taxes	89,222	36,795	37,714	38,657	943	2.5%
charges for services-solid waste	342,217	358,392	340,000	340,000	-	-
fees	195,331	248,593	150,000	170,000	20,000	13%
rentals	130,430	125,410	125,000	125,000	-	-
departmental revenue-cemeteries	36,443	45,385	30,000	30,000	-	-
other departmental revenue	447,605	564,817	430,000	457,000	27,000	6%
licenses and permits	1,328,944	1,080,574	1,075,000	1,075,000	-	-
finances and forfeits	101,366	96,434	95,000	95,000	-	-
investment income	56,090	215,315	100,000	200,000	100,000	100%
misc. non recurring	307,881	144,276	-	-	-	-
Total Local Receipts	\$ 6,160,818	\$ 6,264,871	\$ 5,066,714	\$ 5,415,657	\$ 348,943	6.9%

Prior Year Balances/Other - \$3,333,141: The Board of Selectmen is recommending the use of \$2,500,000 in free cash to support the operating budget plus an additional \$260,000 to support one capital project, \$20,000 more than was used for the fiscal year 2018 budget. Overlay surplus amounting to \$325,000 has been released by the Board of Assessors, which is a \$25,000 increase from what was available to be used for the fiscal year 2018 budget. An additional \$25,000 is proposed from the Cemetery Trust Fund. Finally, \$125,000 is proposed to be transferred from the Well Litigation Settlement Fund-Principal.

Revenue Offsets - \$1,309,884: This category reflects offsets to revenues for certain accounts that do not require Town Meeting appropriation but are, in fact, obligations of the Town. The annual contribution to the Recreation Enterprise Fund is \$531,175 for fiscal year 2019, representing approximately 30% of the Recreation budget; the remainder is funded through user fees.

Other Revenues: - \$553,918: This category includes reimbursement to the general fund from the Water and Brook School Apartments Enterprise funds for employee benefits, insurance, and other costs

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budgeted in the general fund that support the operation of the Water Division and the Brook School Apartments.

Fiscal Year 2019 Budget Highlights – Recommended Appropriations

The final proposed budget presented on pages 11-13 of this document has been approved by the Finance Committee and is recommended to Town Meeting by the Board of Selectmen. Highlights include:

Unclassified

The Unclassified portion of the Town budget represents those fixed costs that are not generally attributed to any one department or service, and includes insurances and employee benefits for all Town departments, including the School Department.

The category of **Insurance**, which totals \$868,100, and is increasing by \$93,100 for fiscal year 2019, includes **Workers' Compensation, Unemployment Compensation, Property, Liability and Motor Vehicle Insurance**. Workers' Compensation is increasing by \$70,000 due to salary increases and a new, more thorough, workers compensation audit. Property & Liability Insurance is increasing by \$23,100 due to an estimated 6% increase in FY19 insurance premiums.

The category of **Fringe Benefits** is increasing overall by 1% and includes:

- **Insurance, Group Health/Life, Medicare - \$10,852,098:** Town employees and retirees are enrolled in the health insurance plans managed by the Commonwealth of Massachusetts' Group Insurance Commission (GIC). In addition, this budget includes the Town's share of the Medicare tax paid for most employees. This budget is decreasing by \$165,011 or 1.5%.
- **Contributory Retirement - Middlesex - \$5,114,630:** The Town is part of the Middlesex Retirement System (MRS), which serves 39 municipalities and a number of special governmental districts. Both employees and the Town contribute to a fund that is used to pay current and future pension benefits. For fiscal year 2019, the Town's pension assessment is increasing by \$322,149 or 6.7%. As of January 1, 2016, an actuarial study determined that the Town's pension liability was under funded by approximately \$60.4 million. The funding schedule adopted by MRS must provide for payment in full of the unfunded liability by 2035.

Remaining line items in the Unclassified budget include:

- **Reserve Fund - \$586,587:** The Reserve Fund is available for use by the Finance Committee for extraordinary and unforeseen expenses during the year. A summary of reserve fund transfers for fiscal year 2015 through fiscal year 2018 to date can be found in Appendix 2.
- **Debt Service - \$30,860:** This only represents debt service within the tax levy and is a reduction of \$1,420. Proposition 2½ excluded debt service is estimated at \$7,941,707, including proposed capital projects and assuming passage of the Proposition 2½ debt exclusion question, which is a reduction of \$153,064 or 1.9%.

General Government

This category includes the Town Manager's Office (which staffs the Board of Selectmen and includes the Human Resources function), Legal Expenses, Facilities Maintenance (Town Hall, Josiah Smith Tavern, Old Library), Town Clerk and Registrars of Voters, Information Systems, and Town Meeting Committees. Overall, this category is increasing by \$110,983 or 5.2%. Budget highlights include:

- **Town Manager's Office - \$710,898:** This budget is increasing by \$49,932, due to increased amounts for consulting services and employee training funds, a higher budget to lease electronic voting devices for Town Meeting, and salary increases.
- **Merit Pay (Transfer Account) - \$150,292:** This amount is the recommended budget for merit pay increases for non-union employees.

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- **Legal Expenses - \$180,000:** This account is for Town Counsel and municipal Labor Counsel services, and it is increasing by \$10,000 or 5.9%.
- **Facilities Maintenance - \$171,640:** This recommended budget amount covers the cleaning, utilities, and custodial support for the Town Hall and minimal costs related to the Josiah Smith Tavern. The cost of maintaining the Old Library building has been eliminated because that building is currently under construction to become an Art & Innovation Center. All costs for repairs and maintenance are included in the Town-wide Facilities budget.
- **Town Clerk/Registrars of Voters – \$232,106:** This budget includes funding for one municipal election and two state elections.
- **Information Systems - \$749,377:** This budget supports the technology and information systems for all municipal departments and is increasing primarily to cover the increasing number of software packages used to conduct departmental business.
- **Weston Service Program - \$14,300:** The Weston Service Program allows qualified veterans, as well as elderly and disabled property owners to work for the Town. Individuals are paid up to \$1,100, which is applied to their property tax bill. A total of thirteen qualified taxpayers may participate in this program.

Facilities Town-Wide

Facilities Town-Wide - \$1,974,724: This budget includes the repair, maintenance, and oversight of all municipal and school buildings and facilities. It includes the salaries for the Director, Deputy Director, Facilities Coordinator, and Fields Coordinator, as well as the repair and maintenance costs for all buildings (except the Community Center, Brook School Apartments, and Water Division facilities, which are budgeted in enterprise funds), and the Facilities Improvements Town-wide continuing balance account. Utilities, supplies, and the cost of other personnel (custodial, maintenance, school grounds) remain in departmental budgets for each building. Energy improvements to comply with requirements of the Green Communities program are being handled within this budget. The amount for the Town-wide Facilities Improvements account is increasing by \$32,082, or 6% as recommended by the Town's comprehensive reserve policy.

Finance

Finance - \$887,574: This category includes the Finance Committee, Finance Director, Board of Assessors and Assessors' Office, Town Accountant's office, and Treasurer/Collector's office. Overall, this budget is decreasing by \$54,246 or 5.8%, primarily due to the reduction of one full-time Financial Analyst position that is no longer needed.

Planning, Land Use & Inspectional Services

Planning, Land Use & Inspectional Services - \$799,044: This category includes Inspectional Services, Zoning Board of Appeals, Planning Board, Conservation Commission, Historical Commission and Crescent Street Historic District Commission. The budget includes the salaries for the staff that support these boards and commissions. The Inspector of Buildings has been designated Land Use Coordinator and is responsible for overseeing all land use functions in this category except the Planning Board. Overall, this budget is increasing by \$5,507 or 0.7%. A small amount of funding is included to support additional hours necessary for Conservation Commission Staff.

Public Safety

This category includes Police/Animal Control and Fire, and it is increasing by \$274,051 or 3.9%. Budget highlights include:

- **Police Department & Animal Control - \$3,852,398:** This budget is increasing by \$175,802 or 4.8%. This increase includes \$80,000 to better reflect the need for Police overtime. In addition, \$32,000 is included to make the Animal Control Officer a full-time position, given increased

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demands due to the large volume of dogs using the Weston trail system. This increase is strongly supported by the Conservation Commission.

- **Fire Department - \$3,520,119:** This budget is increasing by \$98,249 or 2.9%. The most notable changes in this budget are an \$88,712 increase for the cost of two additional firefighter positions offset by \$110,000 savings in capital equipment purchases, because the cost of a new fire pumper will be presented as a separate borrowing article.

Public Works

Public Works - \$5,328,258: The recommended budget for Public Works is increasing by \$604,505 or 12.8% and includes Administration, Highways, Storm Water Management, Recycling and Solid Waste, Vehicle Maintenance, Parks and Cemeteries, Snow and Ice Control, and Tree Warden. The primary increase is an additional \$500,000 to increase the funding level for roadway maintenance to a more appropriate level, reflecting the average lifespan of a road and the cost to maintain or replace roads. It is estimated that \$1.5 million per year is needed; with this increase and the amount we expect to receive in Chapter 90 funds from the Commonwealth, the Town's overall funding level will increase to more than \$1.7 million to make a small dent in what is needed to start catching up.

The Water Division budget is approved separately at the Annual Town Meeting as an enterprise fund. **Water Division (Enterprise Fund) - \$3,730,043:** Overall, the recommended budget is decreasing by \$278,422, or 6.9%, primarily because of the decrease in Weston's water consumption affecting the MWRA assessment.

Health and Human Services

This category includes the Board of Health, Mosquito Control, Council on Aging, and Veterans' Services, and it is decreasing by \$9,302 or 1.1%. Budget highlights include:

- **Board of Health - \$297,318:** The Board of Health provides services related to public health, enforcement of the State Sanitary and Environmental codes, and emergency preparedness. In addition, \$25,000 is included for mental health services and is paid to Human Relations Service (HRS) in Wellesley to serve as a resource to Town departments and provide direct services to Weston residents.
- **Mosquito Control, E. Middlesex Project - \$43,693:** The E. Middlesex Mosquito Control Project conducts a program in Weston consisting of mosquito and wetland surveillance, larval and adult mosquito control, ditch maintenance, wetland surveys and public education. The project also participates in the state's West Nile Virus surveillance program and a plan to prevent eastern equine encephalitis.
- **Council on Aging - \$425,002:** \$30,000 is included in this budget as a contribution to the Recreation Enterprise fund to support the cost of operating the Community Center, in which the Council on Aging is housed. Hours worked by volunteers constitute the equivalent of six full-time positions. Weston's residents aged 60 and older constitute 26% of the town's total population. Supplemental funding for staff is provided by the Friends of the Council on Aging and the Formula Grant from the Commonwealth.
- **Veterans' Services - \$47,829:** Weston participates in a Veterans' Services District with the towns of Wellesley, Needham and Wayland. This allows Weston to share the services of a full-time Veterans' Services staff. The cost of Weston's participation in the District is decreasing by \$206. The amount requested for payment of Veterans' benefits is \$20,000, which has been reduced by \$30,000 to reflect actual cases in Weston. When Veterans' benefits are paid to an individual, 75% is reimbursed by the State.
-

Cultural and Leisure Services

This category includes the Public Library and Recreation Department. Budget highlights include:

- **Public Library - \$1,418,850:** An additional \$27,559 or 2% is recommended, primarily due to

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anticipated salary increases. Approximately 65% of the annual funding for materials is provided from trust funds for the benefit of the Library.

- **Recreation (Enterprise Fund) - \$1,770,853:** Program fees cover approximately 70% of the salaries and expenses for this department; the remaining 30% is funded by property taxes. For fiscal year 2019, a contribution of \$30,000 from the Council on Aging budget to the Recreation Enterprise fund is recommended to support the cost of operating the Community Center, in which the Council on Aging is housed.

Brook School Apartments

Brook School Apartments (Enterprise Fund) – \$1,169,022: Rental income covers all operating costs of this facility, and Community Preservation funds cover a portion of the debt service. A payment in lieu of taxes of \$23,949 is included in recognition of Town services provided to the residents of the Brook School Apartments. A capital improvements account is funded annually by transfers from retained earnings.

Schools

Voters are referred to the School Budget report, which is on the School's website and will be presented at the Budget Hearing on Monday, April 30, 2018. The total budget for the School Department is \$40,099,468, which is an increase of \$1,019,939, or 2.6%, over the fiscal year 2018 budget. The budget for Minuteman Regional Vocational Technical School District decreased by 14.4% to \$104,820. There are three students enrolled currently at Minuteman High School; five students are projected in FY19. Weston withdrew from membership in the Minuteman School District as of FY18. This budget includes the cost of tuition for the five students, transportation, and debt service for previously approved capital projects.

Separate Warrant Articles

Following each warrant article, you will find a brief explanation of the article. If you require additional information or have further questions, please feel free to contact the Town Manager's Office at 781-786-5020.

The Board of Selectmen wishes to acknowledge the efforts of the Finance Committee, School Committee, other Town Boards and Department Managers in developing the fiscal year 2019 budget. We appreciate that the voters of Weston have consistently supported the budget in order to maintain the quality of Weston's schools and the level of Town services. We do not take that voting record for granted. We will continue to spend your tax dollars prudently and deliver the services and programs that you expect as efficiently as possible.

Harvey R. Boshart
Douglas P. Gillespie
Christopher E. Houston
Selectmen of the Town of Weston