

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 2014 operating and capital budget as presented herewith. The operating budget totals \$70,400,482, an increase of \$2,476,015 or 3.6% over the fiscal year 2013 budget. When including debt service exempt from the limits of proposition 2 ½, that amount totals \$78,182,313, an increase of \$3,510,590 or 4.7% over the fiscal year 2013 budget including exempt debt service. (Note that the overall increase is funded through a combination of growth in the tax base as well as an increase in the tax rate.)

	FY13 Budget	Recommended FY14 Budget	\$ Change	% Change
Schools	34,299,594	35,159,615	860,021	2.5%
Unclassified & Fixed Costs	14,568,016	15,175,867	607,851	4.2%
General Government	16,459,857	17,163,633	703,776	4.3%
Capital & Separate Articles	2,597,000	2,901,367	304,367	11.7%
Total Budget	67,924,467	70,400,482	2,476,015	3.6%
Debt Service Exempt from Proposition 2 1/2	6,747,256	7,781,831	1,034,575	15.3%
Grand Total Budget	74,671,723	78,182,313	3,510,590	4.7%

Overview of the Recommended Budget and Financing Plan

The Board of Selectmen began working on the fiscal year 2014 budget in October 2012, when the Board and Town Manager hosted a Financial Summit meeting with the Finance Committee and School Committee. At that meeting, the importance of limiting the increase in the operating budget, given the expected impact of exempt debt service on the tax bill, was discussed. As expected, borrowing for major capital projects previously approved by Town Meeting: the new DPW facility, the High School Science Labs, and the Field School; are having a significant effect on the tax bill, with exempt debt service rising by over 15% in fiscal year 2014.

In the last four years, Weston’s operating budget has benefited from 1) employees and retirees switching to the Commonwealth of Massachusetts Group Insurance Commission health insurance plans, which has produced stability in the rate of increase in health care costs, and 2) more modest employee salary increases. The Board believes that Weston employees receive a fair and competitive compensation and benefits package, and that during challenging economic times, it is necessary to slow the rate of increase in these costs.

The Town also benefits from continued growth in the tax base due to new construction, which resulted in an allowable increase of 2% in the tax levy, on top of the 2.5% allowed by Proposition 2½. Not all of the allowable tax levy increase is needed to fund the fiscal year 2014 budget, however.

There has been an increased effort to include recurring capital costs in the annual operating budget, to the extent possible, rather than using debt to fund those costs. However, in order to fund several 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 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, comprising 85% of total revenues. Because Weston has very little commercial development, residential property owners pay 95% of the total property tax collected by the Town. State Aid, which is 5.2% of total revenues, is also an important revenue source; however, it continues to be unpredictable. Local receipts constitute 6.3% of total revenues. Motor vehicle excise tax, the primary source of local receipts, dropped by 7% in FY12, a reduction of almost \$200,000.
- II. **Expenditures:** Following are highlights of key expenditure items impacting the fiscal year 2014 budget. Specifically:
 - a. **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 2014, the Town's pension assessment is increasing by \$228,212 or 6.3%. As of January 1, 2012, the Town's pension liability was under funded by approximately \$52.7 million. The funding schedule adopted by MRS must provide for payment in full of the unfunded liability by 2035, which will undoubtedly require annual increases in the assessment of greater than 2.5%. The Town previously voted to set aside \$400,000 in a pension reserve stabilization fund to assist in smoothing future large increases.
 - b. **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 June 30, 2011 determined Weston's long-term liability to be approximately \$69 million if calculated on a "pay as you go" basis. That liability drops to \$41 million if it is pre-funded. The actuarial study lays out a funding schedule that requires an additional \$1.6 million in fiscal year 2014 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.
 - c. **Salaries:** Because local government is a service business, over 60% of the Town's budget consists of salaries for municipal and school employees. Nearly all collective bargaining agreements for municipal and school employees expire as of June 30, 2013, and negotiations have begun for successor agreements. Negotiations for the expiring 3 year

2013 ANNUAL TOWN MEETING

agreements produced the lowest rates of increase in compensation in at least 35 years. For fiscal year 2011, nearly all employees received no cost of living adjustment, although step and other contractual increases were granted. For fiscal years 2012 and 2013, negotiated cost of living adjustments ranged from 1.25% to 2.5%, with most employee groups receiving a 1.75% adjustment. For fiscal year 2014, negotiations so far have produced increases of 1.5%-1.75% for those contracts that are settled. The Board of Selectmen, Town Manager and School Committee remain committed to working with the various employee groups to continue to slow the rate of increase in future salary growth.

- III. **Reserves:** In 2006, the Board of Selectmen, at the recommendation of the Finance Committee, adopted a comprehensive financial reserve policy to address the Town's increasing unfunded liabilities and lack of financial reserves. This policy addresses operational needs, catastrophic and emergency reserves, maintenance of assets 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 Information, Financial Information, and Financial Management Policies. The policy calls for addressing the Town's unfunded liabilities and building financial reserves over several years. Appropriations in accordance with this policy were first made in fiscal year 2006. The fiscal year 2014 budget presented here includes \$3,011,265 to fund a number of different reserve accounts. Funding of reserves is offset by \$250,000 to be transferred from the Well Litigation Settlement Fund – Principal at town meeting.

In its analysis of the Town's financial situation related to the most recent bond issue, Moody's Investor Services stated "*the long term Aaa rating incorporates Weston's wealthy tax base favorably located near Boston, a reasonable debt profile and the Town's well managed financial position, including improved reserve levels.*" In its report, Moody's went on to list under the category of Weston's challenges - "*Relatively modest, but improved, reserve position.*"

The Fiscal Year 2014 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 12 through 19 represent the capital portion of this year's budget. For fiscal year 2014, a total capital budget of \$6,850,032 (excluding Community Preservation Act projects) is requested, of which \$1,702,032 is included in departmental operating budgets, \$1,185,000 is funded with cash and retained earnings, and \$3,963,000 is proposed to be funded by issuing bonds. A summary of the Town's debt service for all capital projects previously approved by Town Meeting is shown in the section below.

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 \$3,710,000 in bonds for five capital projects to be considered as warrant articles 12-16 at the May 2013 Annual Town Meeting (the remaining \$253,000 is for a water main project, to be funded from water revenues). The debt service for these projects, if approved, will be approximately \$46,375 in fiscal year 2014; \$417,617 in fiscal year 2015; then decreasing each year until the bonds reach maturity. State law establishes the maximum number of years until maturity, which varies between five 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. 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 23 of 351 Massachusetts cities and towns maintain the Aaa rating, and nationwide only another 176 communities have earned this rating. Below is a historical

2013 ANNUAL TOWN MEETING

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	FY09	FY10	FY11	FY12	FY13	FY14 *
General Fund	71,752	63,181	61,017	57,983	53,859	46,968
Proposition 2 1/2 Excluded	7,391,435	7,205,908	6,810,118	7,266,714	6,747,256	7,781,831
Water	105,267	104,329	235,405	477,378	437,494	458,117
Community Preservation Fund	814,998	796,101	776,705	757,858	734,707	714,513
Brook School Apartments	<u>246,017</u>	<u>240,005</u>	<u>228,494</u>	<u>258,071</u>	<u>251,877</u>	<u>245,439</u>
Total	8,629,469	8,409,524	8,111,739	8,818,003	8,225,194	9,246,868

* Note: The FY14 amount assumes approval of question 1 on the ballot at the Town election.

At earlier 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 debt service to be excluded from the levy limit in fiscal year 2014, including all previously excluded projects, amounts to approximately \$7,781,831. This is an increase of \$1,034,575 or about 15% more than in fiscal year 2013, of which \$441,185 is debt service for the new Field School.

History of Tax Increases in Weston

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

<u>Fiscal Year</u>	<u>Override</u>	<u>Debt Exclusion (total amount of projects approved)</u>
2014 proposed	\$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)
2009	\$0	\$1,234,500
2008	\$0	\$2,245,000
2007	\$1,100,000	\$2,130,000
2006	\$1,370,000	\$2,187,500
2005	\$0	\$3,787,000

Property Tax Impact of Proposed Debt Exclusion

Question 1 on the Town Election ballot requests exclusion of the debt service on five capital projects from the limits of proposition 2 ½. This allows for a temporary tax increase to take place for the term of the bonds. The impact on the tax bill for a median valued property (\$980,600) is projected as shown below in the peak year, which is anticipated to be fiscal year 2015. 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.

2013 ANNUAL TOWN MEETING

Project	Cost in Peak Year (FY15) - Median Tax Bill
New Police Station - Design Services	\$14
Case Campus Master Plan - Phase 1	23
Roundabout at Newton, Wellesley, School Streets	18
DPW Drainage Improvement Projects	4
South Side Drainage Improvement Project	18
Total Debt Exclusion	\$77

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 5 years to 30 years.

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 2014, a tax rate of \$12.95 is estimated compared to the tax rate of \$12.40 for fiscal year 2013.

The table which follows provides a summary of components of the property tax bill for a home assessed at \$980,600, which is the median property value in Weston in fiscal year 2013.

	FY09	FY10	FY11	FY12	FY13	FY14 <i>(estimated)</i>
Base Property Tax	\$9,412	\$9,785	\$9,672	\$10,268	\$10,473	\$10,843
Allowable 2.5% increase/new growth	394	221	539	430	394	401
Excluded debt (prior and new)	1,457	1,421	1,309	1,358	1,292	1,455
Proposition 2 1/2 override	-	-	-	-	-	-
Community Preservation Act surcharge	305	310	311	326	333	342
Total Tax Bill	\$11,568	\$11,737	\$11,831	\$12,381	\$12,493	\$13,042

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.
- **Senior Service Program:** Participants earn up to \$1,000 per fiscal year toward their property tax bill. Funding is increased in the fiscal year 2014 budget to allow up to 18 participants. There is no income requirement to participate in this program, but participants must be at least 60 years old or disabled. 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

2013 ANNUAL TOWN MEETING

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 \$70,000 to defer property taxes at an interest rate adopted by Town Meeting. 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 629 benefit-eligible Town of Weston municipal and school employees, 496 or 79% 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 on behalf of the Board of Selectmen with municipal unions. When bargaining with municipal unions, the Town Manager seeks guidance from the Board of Selectmen regarding the parameters for bargaining. 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, the Finance Director and the pertinent Department Manager. For example, the Police Chief is part of the team during negotiations with the Police unions. 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.

There are collective bargaining agreements with twelve municipal and school employee unions. At the time of this report, only two have finalized negotiations for successor agreements through June 30, 2014.

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 629 benefit eligible employees, of which about 82% take advantage of health insurance through the Town – 69% in family plans and 31% in individual plans. Prior to switching to the Commonwealth's Group Insurance Commission plans in fiscal year 2010, the utilization rate hovered between 86-87%. In addition, there are 46 family plans and 371 individual plans for retirees, spouses, surviving spouses and dependents.

The FY14 cost to the Town of the most utilized plan, Harvard Pilgrim Independence PPO, is \$16,942 for a family plan and \$6,944 for an individual plan. Contribution rates by the Town of 85% for PPO plans, 87% for HMO plans, and 67% for indemnity plans are fixed until July 1, 2015. In order to join the Group Insurance Commission, the Town and the unions agreed to a 6 year term of agreement.

Participation in the Commonwealth's Group Insurance Commission health plans has allowed the Town's health insurance costs to stabilize. Initially, the Town benefited from a significant premium savings, amounting to approximately \$2.1 million, which represented a 24% decrease from the fiscal year 2009 budget. Premium increases for fiscal year 2014 are 4.4%, on average. The health insurance budget for fiscal year 2014 is 9% higher than the amount actually expended in fiscal year 2008.

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 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, 2012 by increasing the minimum retirement age for non-public safety employees to 60 and changing age factors for pension calculations.

There are currently 223 Town of Weston retirees/surviving spouses collecting a pension. The 223 represent superannuation retirees, surviving spouses and disability retirees.

2013 ANNUAL TOWN MEETING

The annual pensions received by Weston retirees are, for the most part, modest. Superannuation retiree data provided by Middlesex Retirement System shows that, as of December 2012, approximately 65% (111 out of 171 superannuation retirements) of retirees were collecting an annual pension of less than \$20,000. Forty-eight retirees were collecting an annual pension between \$20,000 and \$49,999 and 12 retirees were collecting pensions between \$50,000 and \$79,999.

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%
Hired before 1974	5%

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, each municipality has to forward the employee contribution to the Town from which s/he was previously employed. In essence, the pension contributions follow the employee from municipality to municipality. Effective January 1, 2011, when the employee retires and chooses to take health benefits, the cost of the health insurance premium is prorated by the number of years the retiree worked for each Town, and each Town bears its prorated cost of the retirees health insurance premium.

More information can be found on the Middlesex Retirement System’s website at www.middlesexretirement.org.

Energy Savings

In December of 2011, Weston completed the requirements to become designated by the Commonwealth of Massachusetts as a “Green Community.” In being so designated, the Town has 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. An Environmental Baseline Committee, appointed by the Board of Selectmen, analyzes and monitors energy usage in school and municipal buildings and, working with the Facilities Director and Permanent Building Committee, makes recommendations on energy saving projects with the most significant return on investment.

- The Facilities Department has undertaken various energy projects totaling \$2,063,779, of which state grants through the Green Communities program and rebates paid for \$864,490 or 42% of the cost of the projects.
- The purchase of streetlights from NStar, 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 \$44,000 in FY14.
- A recently appointed Solar Photovoltaic Panels Exploratory Committee is evaluating whether or not solar panels can be installed on any school or municipal property. The Committee is currently reviewing the feasibility of placing solar panels on the closed landfill off Church Street, which could produce over 20% of the Town’s electricity use at substantial savings and no capital outlay.

2013 ANNUAL TOWN MEETING

- As a “Green Community,” the Town has committed to purchasing more fuel efficient vehicles, which will reduce 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 serves as Town-wide Technology Director, which has resulted in more consistent purchasing and maintenance of technology equipment, leveraging of expertise and resources between departments, and implementation of Town-wide solutions.
- As of July 1, 2012, school bus mechanics were transferred to the Public Works Department to work with DPW mechanics in the new maintenance facility maintaining all Town and School vehicles.
- School bus drivers are used by the Council on Aging to transport seniors.

Regional Collaboration

We have also been working to find opportunities for collaboration with other towns. The following initiatives have been implemented:

- 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, Concord, and Lexington have entered into an agreement with the Town of Sudbury to create a regional housing services office staffed by professionals employed by the Sudbury Housing Trust. Weston’s participation is funded by Community Preservation Act funds and supports Weston’s affordable housing efforts.

Fiscal Year 2015 Outlook

As part of our financial planning process, we have made a financial projection for fiscal year 2015. At this time, we anticipate a potential budget shortfall of just over \$750,000 if we maintain the current level of services and educational programs. We anticipate increases greater than the inflation rate for employee benefits/health insurance, employee pension costs, and funding of the Town’s liability for other post employment benefits or retiree health insurance (OPEB). We also anticipate level funding of State Aid. Below is a summary of the fiscal year 2015 projection.

2013 ANNUAL TOWN MEETING

	Recommended FY14 Budget	Projected FY15 Budget	\$ Inc	% Inc
Education	35,263,926	36,609,558	1,345,632	3.8%
Unclassified & Fixed Costs	15,175,867	16,058,136	882,269	5.8%
General Government	17,919,322	18,333,989	414,667	2.3%
Stabilization, OPEB Trust & Separate Articles	2,041,367	1,890,000	(151,367)	-7.4%
Total Budget	70,400,482	72,891,682	2,491,200	3.5%
Projected Revenue	70,400,482	72,140,026	1,739,544	2.5%
Shortfall (Override Amount)	(0)	(751,657)	(751,657)	

The Budget in Detail

Below is a more detailed explanation of the fiscal year 2014 revenue estimates and recommended appropriations.

Fiscal Year 2014 Revenue Projections

	FY2013 Estimated	FY2014 Projected	DOLLAR CHANGE FY13 - 14	PERCENT CHANGE FY13 - 14
PROPERTY TAX LEVY	\$57,762,432	\$60,114,231	\$2,351,799	4.1%
STATE AID - CHERRY SHEET	\$3,729,725	\$3,655,344	(\$74,381)	-2.0%
LOCAL RECEIPTS	\$4,437,652	\$4,459,168	\$21,516	0.5%
PRIOR YEAR BALANCES/OTHER	\$3,571,949	\$3,689,000	\$117,051	3.3%
TOTAL PROJECTED REVENUES	\$69,501,758	\$71,917,743	\$2,415,985	3.5%
REDUCTIONS IN REVENUES	(2,014,404)	(1,963,117)	\$51,287	-2.5%
OTHER REVENUES	437,114	445,856	8,742	2.0%
AVAILABLE FOR APPROPRIATION	\$67,924,467	\$70,400,482	\$2,476,014	3.6%

Tax Levy - \$60,114,231: The property tax levy is increasing by \$2,351,799 or 4.1%. The property tax is the largest revenue source for the Town and provides more than 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 2014, this increase amounts to \$1,444,136. Unused tax levy capacity from the prior year in the amount of \$1,156,485 (to which 2.5% can be added) is also available. This unused tax levy

2013 ANNUAL TOWN MEETING

results from an increase in the levy limit generated by new or changed properties (i.e., new growth).

In addition to the tax levy, the excluded debt service for capital projects is added for taxation purposes. There will be approximately \$7,781,831 in voter approved, issued and unissued, excluded debt service, which is an increase of \$1,034,575 or 15.3% from fiscal year 2013. This amount assumes approval of question 1 on the ballot at the Town election.

State Aid - \$3,655,344: At this time, we are projecting that State Aid will be level funded for fiscal year 2014. 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. 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. The amount for State Aid includes \$724,226 for previous school construction projects.

	FY2011 ACTUAL	FY2012 ACTUAL	FY2013 TAX RECAP	FY2014 PROJ	\$CHG	%CHG
STATE AID						
Chapter 70 (school aid)	2,406,938	\$2,419,859	\$2,512,979	\$2,512,979	\$0	0.0%
Lottery Aid	316,391	\$293,515	\$316,391	\$316,391	\$0	0.0%
Dist., reimb., offsets	92,138	\$112,465	\$101,748	\$101,748	\$0	0.0%
School Construction	<u>1,454,017</u>	<u>798,603</u>	<u>798,607</u>	<u>724,226</u>	(\$74,381)	-9.3%
Total State Aid	\$ 4,269,484	\$ 3,624,442	\$ 3,729,725	\$ 3,655,344	\$ (74,381)	-2.0%

Local Receipts - \$4,459,168: The largest source of revenue in this category is motor vehicle excise tax, which is assumed to be at the same level in fiscal year 2014. Small increases in ambulance fees and payments in lieu of taxes are projected; investment income is expected to decline.

Prior Year Balances/Other - \$3,689,000: The Board of Selectmen is recommending the use of \$2,300,000 in free cash to support the operating budget, the same as was used for the fiscal year 2013 budget. An additional \$860,000 in free cash, \$119,000 more than in fiscal year 2013, is proposed to pay for a variety of cash capital items that tend to be one-time in nature. Overlay surplus amounting to \$213,000 has been released by the Board of Assessors, which is a \$3,000 increase from what was used for the fiscal year 2013 budget. Finally, \$250,000 is again proposed to be transferred from the Well Litigation Settlement Fund-Principal to help fund the Town's reserve accounts.

Revenue Offsets - \$1,963,117: 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 \$461,655 for fiscal year 2014, representing approximately 30% of the Recreation budget; the remainder is funded through user fees.

Other Revenues: - \$445,856: This category includes reimbursement to the general fund from the Water and Brook School Apartments Enterprise funds for employee benefits, insurance, and other costs budgeted in the general fund that support the operation of the Water Division and the Brook School Apartments.

Fiscal Year 2014 Budget Highlights – Recommended Appropriations

The final proposed budget presented on pages 8-10 of this document has been approved by the Finance Committee and is recommended to Town Meeting by the Board of Selectmen. Highlights include:

2013 ANNUAL TOWN MEETING

Unclassified

The Unclassified portion of the Town budget represents those fixed costs which 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 \$690,000, and is level funded for fiscal year 2014, includes **Workers' Compensation, Unemployment Compensation, Property, Liability and Motor Vehicle Insurance**.

The category of **Fringe Benefits** is increasing overall by 4.6% and includes:

Insurance, Group Health/Life, Medicare - \$9,868,593: Beginning in fiscal year 2010, Town employees and retirees were enrolled in the health insurance plans managed by the Commonwealth of Massachusetts' Group Insurance Commission (GIC). The result of this change was a savings of approximately \$2.1 million in fiscal year 2010 from what was budgeted in fiscal year 2009. The amount budgeted in fiscal year 2014 is only 9% more than the amount actually expended in fiscal year 2008.

Contributory Retirement - Middlesex - \$3,876,306: 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 2014, the Town's pension assessment is increasing by \$228,212 or 6.3%. As of January 1, 2012, the Town's pension liability was under funded by approximately \$52.7 million. The funding schedule adopted by MRS will provide for payment in full of the unfunded liability by 2035.

Remaining line items in the Unclassified budget include:

Street Lighting - \$44,000: The street lighting budget is decreasing by \$10,000 because the annual maintenance contract was recently re-bid and the price dropped substantially.

Reserve Fund - \$540,000: 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 years 2009 through fiscal year 2013 to date can be found in Appendix 2.

Debt Service - \$46,968: This only represents debt service within the tax levy and is reduced by \$6,891. This amount assumes that there will be a favorable vote on the May 11 Town Election ballot to exclude capital projects proposed for funding in fiscal year 2014. Proposition 2½ excluded debt service is approximately \$7,781,831 including proposed capital projects and assuming passage of the Proposition 2½ debt exclusion question.

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 \$68,554 or 3.8%. Budget highlights include:

Town Manager's Office - \$576,058: There is a \$10,000 increase in salaries to provide additional hours for the webmaster and address the increased workload related to liquor licensing and other demands. An additional \$5,000 is included for municipal costs related to the Town's 300th birthday celebration. A \$35,000 appropriation is recommended for the Selectmen's Consulting & Professional Services account to replace funds used in the current year for the Police Station Feasibility Study and provide funds to conduct a Town-wide survey of residents.

2013 ANNUAL TOWN MEETING

Merit Pay (Transfer Account) - \$71,920: This amount is the recommended budget for merit pay increases for non-represented employees.

Legal Expenses - \$190,000: This account is for Town Counsel and municipal Labor Counsel services, and the amount represents a \$25,000 decrease.

Facilities Maintenance - \$178,180: This recommended budget amount covers the cleaning and custodial support of the Town Hall and minimal costs related to the Josiah Smith Tavern and Old Library building. It includes custodial services, utilities, and supplies for the three buildings. All costs for repairs and maintenance are included in the Town-Wide Facilities budget

Town Clerk/Registrars of Voters – \$185,515: This budget includes funding for one municipal election and a special State Primary and Election for a vacant U.S. Representative seat, if needed.

Information Systems - \$666,443: This budget supports the information systems for all municipal departments. \$42,500 is included for half the cost of a SAN (storage area network) device to be shared with the Schools.

Senior Service Program - \$15,000: The Senior Service Program allows qualified elderly and disabled property owners to work for the Town. Individuals are paid up to \$1,000, which is applied to their property tax bill. A total of fifteen qualified taxpayers may participate in this program.

Facilities Town-Wide

Facilities Town-Wide - \$1,308,153: 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, and Facilities 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 \$20,948, or 5%, as recommended by the Town's comprehensive reserve policy.

Finance

Finance - \$808,345: This category includes the Finance Committee, Finance Director, Board of Assessors and Assessors' Office, Town Accountant's office, and Treasurer/Collector's office. Additional funds are included as follows: \$3,000 for the annual audit, \$6,750 for consulting services for the Assessors' office, related to the triennial certification of values, and \$4,500 for bank fees. Overall, this budget is increasing by \$29,704 or 3.8%.

Planning, Land Use & Inspectional Services

Planning, Land Use & Inspectional Services - \$722,434: This category includes Inspectional Services, Zoning Board of Appeals, Planning Board, Conservation Commission, Historical Commission and Crescent Street Historic District Commission. This budget also includes the salaries for the staff that supports all of 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. \$16,000 is included for the purchase of a vehicle for the Inspector of Buildings for his use in conducting inspections. Overall, this budget is increasing by \$24,184 or 3.5%.

2013 ANNUAL TOWN MEETING

Public Safety

This category includes Police, Fire, and the Animal Control Officer, and it is increasing by \$87,541 or 1.4%. Budget highlights include:

Police Department - \$3,068,352: The overtime budget is increasing by \$39,000 to provide a police officer at the Brown/Wellesley/Middle School driveway intersection on school days until a permanent solution to the traffic problem in that location is found. The equipment budget includes \$75,000 for replacement of two cruisers, \$8,000 for four automatic external defibrillators, and \$8,000 for a new copier/scanner.

Fire Department - \$3,213,675: An incremental increase of \$2,837 is included to promote a Captain to a newly created position of Deputy Chief. \$45,000 is included for continued replacement of thermal imaging cameras, multi-gas meters, and air bags.

Animal Control Officer - \$27,785: The recommended budget is decreasing overall by 2.1%. This budget provides for the salary and supplies for a part-time animal control officer whose job it is to enforce the Town's dog by-law as well as to perform inspections and other work for the Board of Health related to animals. This budget is primarily funded by commercial dog walker fees and resident dog licensing fees.

Public Works

Public Works - \$4,059,698: The recommended budget for Public Works is decreasing by \$360,134 or 8.1% and includes Administration, Highways, Storm Water Management, Recycling and Solid Waste, Vehicle Maintenance, Parks and Cemeteries, Snow and Ice Control, and Tree Warden.

Electricity has been reduced by \$20,000 or 33% and natural gas by \$6,300 or 26% based on the actual costs of the new facility. The part-time stormwater engineer was made full-time, which was funded with the savings from eliminating a full-time laborer in the Stormwater Division.

In the Equipment Maintenance Division, overtime has been reduced by \$9,000 and expenses by \$10,000 due to efficiencies achieved with the consolidation of maintenance of school and police vehicles by the DPW.

Ongoing amounts for construction of public ways, departmental equipment, sidewalk maintenance, stone retaining wall repairs, and guard rail improvements are level funded.

The Water Division budget is approved separately at the annual town meeting as an enterprise fund.

Water Division (Enterprise Fund) - \$2,968,296: Overall, the recommended budget is increasing by \$275,479, or 10.2%. This is almost entirely the result of an increased assessment for water from the Massachusetts Water Resources Authority (MWRA) because of an increase in residential water consumption in 2012 of 70 million gallons.

Health and Human Services

This category includes the Board of Health, Mosquito Control, Council on Aging, and Veterans' Services, and it is increasing by \$30,377 or 4.6%. Budget highlights include:

Board of Health - \$263,992: 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.

2013 ANNUAL TOWN MEETING

Mosquito Control, E. Middlesex Project - \$37,677: 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 - \$316,722: The cost of software maintenance for new database software is included. An additional 10 administrative support hours/week is also included. Hours worked by volunteers constitute the equivalent of six full-time positions. The 2010 federal census data reports that 24.5% of Weston's residents are 60 years of age and older, an increase of 11.5% from the 2000 federal census data.

Veterans' Services - \$73,044: Weston is completing its third year of participation 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 increasing by \$8,044 to \$23,044, in anticipation of the state requiring more staff to support the District. The amount requested for payment of Veterans' benefits is \$50,000, 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 - \$1,274,229: An additional \$19,309 or 1.5% is recommended. Library circulation continues to increase annually, with over 435,000 items circulating last year. The self-checkout is still the third busiest in the Minuteman Library Network. The library is in the forefront of bringing new technologies to Weston residents with e-audio books and downloadable music.

Recreation (Enterprise Fund) - \$1,673,077: Program fees cover approximately 70 percent of the salaries and expenses for this department; the remaining 30 percent is funded by property taxes. For FY14, there will be a request for two amounts to be appropriated from retained earnings: \$46,543 to support the operating budget, because revenue for pool and camp programs will likely be reduced because of the Field School construction; and \$125,000 to purchase and install an emergency generator for the Community Center. The Community Center also houses the Council on Aging, whose programs have expanded in recent years.

Brook School Apartments

Brook School Apartments (Enterprise Fund) – \$1,113,955: 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 \$21,168 is included in this budget, in recognition of Town services provided to the residents of the Brook School Apartments. A capital improvements account has been established, and will be funded annually by transfers from retained earnings.

Schools

Voters are referred to the School Budget report, which will be mailed to each household prior to the Budget Hearing on Monday, May 6, 2013. The total budget for the School Department is \$35,159,615, which is an increase of \$860,021, or 2.5% over the fiscal year 2013 budget.

The budget for Minuteman Regional Vocational Technical School District is increased by 27.3% to \$104,311. As of October 2012, four high school students from Weston were enrolled at Minuteman High School.

2013 ANNUAL TOWN MEETING

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 2014 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.

Edward H. Coburn
Douglas P. Gillespie
Michael H. Harrity
Selectmen of the Town of Weston