Town of Weston

FY20 Budget Hearing

Lisa V. Reitano
Finance Committee Chair

April 29, 2019
Finance Committee

The Finance Committee is the official fiscal watchdog for the Town.

Article II, Section 10, of the By-laws of the Town of Weston

The committee may consider all financial and other questions coming before the Town for action or affecting the interests of the Town.
Budget Review Principles

• Maintain current levels of services efficiently and cost effectively
• Prudently address increased demand for services
• Provide sufficient funds for building and other infrastructure maintenance
• Ensure that budgets and capital projects do not jeopardize credit rating and long-term fiscal health of the Town
• Continue to build fiscal stability through appropriate level of reserves and funding of long term liabilities
Budget Highlights

• Balanced operating budget (includes Post Employment Benefit Reserve) projected increase of 3.4%. Exempt debt service projected increase of 10.1%:
  – Increase in School Budget (3.3% or $1,341,923)
  – Increase in Road Maintenance (40.0% or $500,000)
  – Increase in Retirement Costs (3.4% or $173,257)
  – Increase in Post Employment Benefits (4.4% or $93,022)
  – New Growth in the tax base of $1,398,864

• The next 5 years of tax rate increases projected to average 2.4% assuming debt service changes and increased operating budgets.
School Budget Concerns

- Rising cost of education in a declining student enrollment environment
Weston School Costs Higher Than Comparable Towns (FY17)

**FY17 PER PUPIL EXPENDITURE**

- Weston: $24,225
- Dover-Sherborn: $20,595
- Concord-Carlisle: $20,308
- Wellesley: $19,823
- Lincoln Sudbury: $18,516
- Wayland: $18,470
- Lexington: $18,289

**Average: $19,334**

Weston:

+ $4,892 (+25%)

\[ \times \]

2157 Students Enrolled

= $10.6 Million/Year

Costlier than Other Towns

$10.6 Million is:

- More than the Town's annual debt service on all debt
- Equal to the annual debt service on a $150 million capital project
- $2,803 per household higher taxes
FY20 Estimated Tax Levy by Department

- Library, COA & Recreation: $3.1 Million (4%)
- Facilities, Town-Wide: $1.9 Million (2%)
- General Government: $7.3 Million (9%)
- Public Works: $8.2 Million (10%)
- Public Safety: $10.3 Million (13%)
- Schools: $50.0 Million (62%)

ESTIMATED TAX LEVY = $80.7 MILLION
Median Household Tax Bill Increase Since FY10

• Current median home value is $1,187,400
## Major Capital Projects Authorized Since 1997

<table>
<thead>
<tr>
<th>Year</th>
<th>Project</th>
<th>Amount (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>High School Renovation</td>
<td>$15.0</td>
</tr>
<tr>
<td>1998</td>
<td>Middle School Renovation</td>
<td>$10.8</td>
</tr>
<tr>
<td>1999</td>
<td>Middle School Renovation</td>
<td>$3.5</td>
</tr>
<tr>
<td>2000</td>
<td>Community Center</td>
<td>$2.6</td>
</tr>
<tr>
<td>2001</td>
<td>Town Hall</td>
<td>$6.2</td>
</tr>
<tr>
<td>2002</td>
<td>Woodland &amp; Country Schools</td>
<td>$37.2</td>
</tr>
<tr>
<td>2007</td>
<td>Case Estates Land Acquisition</td>
<td>$20.5</td>
</tr>
<tr>
<td>2010</td>
<td>DPW Building</td>
<td>$14.5</td>
</tr>
<tr>
<td>2011</td>
<td>High School Science Labs</td>
<td>$12.8</td>
</tr>
<tr>
<td>2012</td>
<td>Field School (Net of MSBA)</td>
<td>$22.2</td>
</tr>
<tr>
<td>2014</td>
<td>Police Station</td>
<td>$12.2</td>
</tr>
<tr>
<td>2014</td>
<td>Case Campus Master Plan</td>
<td>$3.3</td>
</tr>
<tr>
<td>2017</td>
<td>Case Campus Roadways &amp; Walkways</td>
<td>$1.1</td>
</tr>
<tr>
<td>2017</td>
<td>Proctor Field &amp; High School Field 1</td>
<td>$4.6</td>
</tr>
<tr>
<td>2017</td>
<td>Weston Arts &amp; Innovation Center (CPA)</td>
<td>$4.5</td>
</tr>
<tr>
<td>2019</td>
<td>Case House Rehabilitation</td>
<td>$7.8</td>
</tr>
<tr>
<td>2019</td>
<td>Town Center- Master &amp; Burying Utilities</td>
<td>$18.1</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td><strong>$196.9</strong></td>
</tr>
</tbody>
</table>
Outstanding FY20 Debt Summary

**General Fund:**
- Includes current outstanding debt
- Additional $7.8M for Case House Rehabilitation/Preservation project & $938K for Route 30 project passed at November 2018 Special Town Meeting
- Additional $9.3M for Town Center project passed at March 2019 Special Town Meeting (1/2 of Town Meeting Authorization)
- Additional $1.9M for projects proposed at May 2019 Annual Town Meeting:
  - Fire Radio Equipment- $800K
  - Drainage Improvements- $600K
  - Culvert Repairs- $500K

**CPA:**
- Includes current outstanding debt
- Additional $2.5M for 500 Wellesley St. Acquisition proposed at May 2019 Annual Town Meeting
- Additional estimated $9.0M for Josiah Smith Tavern project expected to be brought to November 2019 Special Town Meeting

- Current slate of projects is manageable while protecting Town’s bond rating
FY20 Outstanding Debt by Department

- General Fund Exempt Debt: $85.3 Million
- CPA Debt: $17.5 Million

TOTAL OUTSTANDING FY20 DEBT = $102.8 MILLION
Actual and Projected General Fund Exempt Debt Outstanding – FY10-FY21

Assumptions:
• Includes debt projects proposed for May 2019 Annual Town Meeting and CPA projects anticipated for November 2019 Special Town Meeting
• Outstanding principal being paid down as scheduled
Actual & Projected General & CPA Debt Service Payments-FY10-FY20

Assumptions:

- Includes debt projects proposed for May 2019 Annual Town Meeting and CPA projects anticipated for November 2019 Special Town Meeting
- Outstanding principal being paid down as scheduled
Long Term Debt as % of Assessed Valuation

Above 10% is considered “high” by bond ratings agencies
## Status of Reserve Accounts

<table>
<thead>
<tr>
<th>Reserve</th>
<th>Current Reserve Balance</th>
<th>FY19 Additional Recommended Appropriation</th>
<th>FY20 Recommended Appropriation</th>
<th>FY20 Appropriation + Balance Carried Forward</th>
<th>Reserve Balance Fully Implemented</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted Purpose</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Finance Comm. Reserve Fund</td>
<td>586,587</td>
<td>(500,000)</td>
<td>611,910</td>
<td>611,910</td>
<td>611,910</td>
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<tr>
<td>Free Cash</td>
<td>5,066,454</td>
<td>(3,000,000)</td>
<td>-</td>
<td>1,566,454</td>
<td>611,910</td>
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<tr>
<td>Stabilization Fund</td>
<td>3,182,358</td>
<td>-</td>
<td>-</td>
<td>3,182,358</td>
<td>2,855,579</td>
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<tr>
<td><strong>Specific Purpose</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Facilities Maintenance</td>
<td>479,663</td>
<td>600,788</td>
<td>1,080,451</td>
<td>2,800,000</td>
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<tr>
<td>Pension Stabilization Fund</td>
<td>422,775</td>
<td>-</td>
<td>-</td>
<td>400,000</td>
<td>400,000</td>
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<tr>
<td>Personnel related reserves</td>
<td>565,541</td>
<td>260,000</td>
<td>825,541</td>
<td>2,495,000</td>
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<tr>
<td>Other</td>
<td>334,086</td>
<td>-</td>
<td>-</td>
<td>334,086</td>
<td>300,000</td>
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<tr>
<td><strong>Total Reserves</strong></td>
<td><strong>$10,637,465</strong></td>
<td><strong>-$500,000</strong></td>
<td><strong>-$1,527,302</strong></td>
<td><strong>$8,000,801</strong></td>
<td><strong>$10,074,398</strong></td>
</tr>
</tbody>
</table>

**Total Reserves as a % of Operating Revenue**

- 9.8%
- 12.3%
Pension Liability

• Town belongs to Middlesex Retirement System
  – Pension is primary retirement vehicle for town employees as they do not participate in Social Security
  – Contributions by employees to pension range from 7% to 11% annually
• $61.4 million (54%) currently unfunded
  – Unfunded liability must be funded by 2040. Middlesex Retirement plans to fund by 2035 with the assessments owed by the member communities and districts.
  – Expect MRS assessments will increase to meet funding deficit
  – Middlesex Retirement estimates assessments to increase by 6.5% each year through 2027, putting additional pressure on future budgets to remain within Prop 2 ½
OPEB – Other Post Employment Benefits (Retiree Health Insurance)

- $66.5 million (84%) unfunded as of 6/30/2018 audited financial statements
- No legal requirement to fund, but fiscally prudent to do so
- Each year has 2 components:
  - Current year cost for retiree health insurance included in Operating Budget (FY20 of $2.6 million)
  - Additional funding for long-term liability (Article 5 - $2.2 million)
- Balance in OPEB Trust is currently $18.2 million
Long Term Financial Obligations as of June 30, 2019

TOTAL = $221.4 MILLION

- OPEB Unfunded Actuarial Accrued Liability, $66.5 Million
- MCRS Unfunded Actuarial Accrued Liability, $61.4 Million
- Total Excluded General Fund & CPA Debt, $93.5 Million

Per Household share = $58,838*

* Amount based on 3,764 households