

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 2016 operating and capital budget as presented herewith. The operating budget totals \$74,811,525, an increase of \$2,710,294, or 3.8%, over the fiscal year 2015 budget. When including debt service exempt from the limits of proposition 2 ½, that amount totals \$82,738,278, an increase of \$3,416,806, or 4.3%, increase over the fiscal year 2015 budget including exempt debt service.

	FY15 Budget	Recommended FY16 Budget	\$ Change	% Change
Schools	36,640,584	38,239,304	1,598,720	4.4%
Unclassified & Fixed Costs	15,434,972	16,254,861	819,889	5.3%
General Government	18,127,163	18,460,435	333,272	1.8%
Stabilization Fund & OPEB	1,898,512	1,856,925	(41,587)	-2.2%
Total Budget	72,101,231	74,811,525	2,710,294	3.8%
Debt Service Exempt from Proposition 2 1/2	7,220,241	7,926,753	706,512	9.8%
Grand Total Budget	79,321,472	82,738,278	3,416,806	4.3%

Overview of the Recommended Budget and Financing Plan

The Board of Selectmen began working on the fiscal year 2016 budget in October 2014, when the Board and Town Manager hosted its annual Financial Summit meeting with the Finance Committee and School Committee. At that meeting, the impact of increased exempt debt service on the tax bill, which is expected to peak in fiscal year 2017, 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, culminating with the construction of the new Police Station. Overall, the recommended fiscal year 2016 operating budget is increasing by 3.8%, with a grand total increase, including exempt debt service, of 4.3%.

In the last few years, Weston’s operating budget has benefited from 1) more modest employee salary increases, 2) a lower rate of inflation, and except for this year 3) stability in the rate of increase in health care costs.

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 2.5% allowed by Proposition 2½. The fiscal year 2016 budget requires an increase in the tax levy of 2.5%, leaving more than \$5 million of unused levy capacity available to the Town.

Most recurring capital costs have been included in the annual operating budget, 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 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 95% of the total property tax collected by the Town. State Aid, which is 5.5% 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 6.3% of total revenues.
- II. **Expenditures:** Following are highlights of key expenditure items impacting the fiscal year 2016 budget. Specifically:
 - a. Health Insurance for Employees and Retirees: As of July 1, 2015, a new six-year agreement will govern the Town's participation in the health insurance plans managed by the Commonwealth of Massachusetts' Group Insurance Commission (GIC). That agreement calls for a reduction in the Town's share of the premium of 2% across the board. The increase for fiscal year 2016 is 6.7% or \$662,106 due to higher premium rate increases, following fiscal year 2015 when there was virtually no increase in the budget for health insurance.
 - b. 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 2016, the Town's pension assessment is increasing by \$131,087 or 3.2%. As of January 1, 2014, according to an actuarial study the Town's pension liability was under funded by approximately \$55.6 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 they occur.
 - c. 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, 2012 determined Weston's long-term liability to be approximately \$79 million if calculated on a "pay as you go" basis. That liability drops to \$47 million if it is pre-funded. The actuarial study lays out a funding schedule that requires an additional \$1.6

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million in fiscal year 2016 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 \$9 million.

- d. **Salaries:** Because local government is a service business, over 60% of the Town's budget consists of salaries for municipal and school employees. Of the twelve municipal and school employee unions, all but one school union have settled contracts for fiscal year 2016. Negotiated rates of increase in compensation from fiscal year 2011 to fiscal year 2016 are the lowest in at least 35 years. Most contracts provide for pay increases in fiscal year 2016 of 1.75% with one contract at 1.55% and one at 2%. 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, while still being able to attract good candidates for vacant positions.

- 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 2016 budget presented here includes \$3,073,213 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.*" In its report, Moody's went on to list under the category of "what could make the rating go down" - "*Decline in available reserves.*"

The Fiscal Year 2016 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 13, 14, 17 and 18 represent the capital portion of this year's budget. For fiscal year 2016, a total capital budget of \$4,359,587 (excluding Community Preservation Act projects) is requested, of which \$2,142,587 is included in departmental operating budgets, \$250,000 is funded with enterprise fund retained earnings, and \$1,967,000 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 \$1,650,000 in bonds for two capital projects to be considered under warrant articles 17 and 18 at the May 2015 Annual Town Meeting (the remaining \$317,000 is for two water projects, to be funded from water revenues). The debt service for the projects to be considered at the May 2015 Annual Town Meeting, if approved, will be approximately \$20,625 in fiscal year 2016; \$206,875 in fiscal year 2017; then decreasing each year until the bonds reach maturity. State law establishes the maximum number of years until maturity, which varies

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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 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 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	FY10	FY11	FY12	FY13	FY14	FY15	FY16*
General Fund	63,181	61,017	57,983	53,859	46,968	35,640	36,817
Proposition 2 1/2 Excluded	7,205,908	6,810,118	7,266,714	6,747,256	7,646,500	7,055,822	7,926,753
Water	104,329	235,405	477,378	437,494	909,133	444,649	516,232
Community Preservation Fund	796,101	776,705	757,858	734,707	714,513	691,739	667,692
Brook School Apartments	<u>240,005</u>	<u>228,494</u>	<u>258,071</u>	<u>251,877</u>	<u>245,439</u>	<u>334,472</u>	<u>307,917</u>
Total	8,409,524	8,111,739	8,818,003	8,225,194	9,562,553	8,562,323	9,455,411

* Note: The FY16 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 2016, including all previously excluded projects, amounts to approximately \$7,926,753. This is an increase of \$706,512 or 9.8% more than in fiscal year 2015.

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>
2016 proposed	\$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)
2009	\$0	\$1,234,500
2008	\$0	\$2,245,000
2007	\$1,100,000	\$2,130,000

Property Tax Impact of Proposed Debt Exclusion

Question 1 on the Town Election ballot requests exclusion of the debt service on three 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 (\$1,098,800) is projected as shown below in the peak year of borrowing for the projects, which is anticipated to be fiscal year 2017. 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.

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Project	Cost in Peak Year (FY17) - Median Tax Bill
Case Campus Master Plan	36
Field School Demolition	7
South Side Drainage Improvement	4
Total Debt Exclusion	\$ 47

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.

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 2016, a tax rate of \$12.57 is estimated compared to the tax rate of \$12.28 for fiscal year 2015.

The table that follows provides a summary of components of the property tax bill for a home assessed at \$1,098,800, which is the median property value in Weston in fiscal year 2015.

	FY11	FY12	FY13	FY14	FY15	FY16 <i>(estimated)</i>
Base Property Tax	\$9,672	\$10,268	\$10,473	\$10,999	\$11,572	\$11,835
Allowable 2.5% increase/new growth	539	430	394	489	545	438
Excluded debt (prior and new)	1,309	1,358	1,292	1,459	1,376	1,538
Community Preservation Act surcharge	<u>311</u>	<u>325</u>	<u>328</u>	<u>350</u>	<u>368</u>	<u>377</u>
Total Tax Bill	\$11,831	\$12,380	\$12,488	\$13,298	\$13,861	\$14,188

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 bills. Funding is available in the fiscal year 2016 budget to allow up to 15 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.
- **Veterans Service Program:** This program allows up to 10 participating Veterans to earn up to \$1,000 per fiscal year toward their property tax bills. 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.

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- **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, 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 632 benefit-eligible Town of Weston municipal and school employees, 485 (or 77%) 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, 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, ten CBAs are settled through June 30, 2016, one CBA is settled through June 30, 2017 and one agreement expired on June 30, 2013 and no successor agreement has been finalized.

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 632 benefit eligible employees, of which 79% take advantage of health insurance through the

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Town – 71% are in family plans and 29% 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 33 family plans and 421 individual plans for retirees, retiree spouses, retiree surviving spouses and retiree dependents.

The FY16 monthly cost to the Town for the most utilized plan, Harvard Pilgrim Independence POS, is \$18,212 for a family plan and \$7,464 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 go into effect on July 1, 2015 and are fixed until June 30, 2021. In order to join the GIC originally, 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 recently negotiated with the unions concluding June 30, 2021, resulting in a reduction of the Town's premium share of 2% across the board from the original agreement.

In past years, participation in the GIC health plans 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 in fiscal year 2010 a 24% decrease from the fiscal year 2009 budget. Premium increases for both active and Medicare plans for fiscal year 2016 are 3.6%, on average and 4.2% for active plans on average. The health insurance budget for fiscal year 2016 is 23% higher (3.4% per year on average) than the amount actually expended in fiscal year 2009, the year before entering into the GIC.

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 14 eligible employees have elected the Opt-Out program for an estimated \$130,645 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 youngest an employee can retire at the 80% maximum is age 60 providing the individual has 40 years of service.

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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 245 Town of Weston retirees/surviving spouses collecting a pension. The 245 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 2014, approximately 61% (150 out of 245 retirements) of retirees were collecting an annual pension of less than \$20,000. Seventy-six retirees were collecting an annual pension between \$20,000 and \$49,999 and 19 retirees were collecting pensions between \$50,000 and \$89,999. The average annual allowance for retirees is \$20,921 and the median is \$15,394.

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, the pension contributions made follow the employee from municipality to municipality. Effective January 1, 2012, 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 2012, 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 \$973,829, or 47%, 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 \$40,000 in FY16.
- The Solar Photovoltaic Panels Exploratory Committee has finalized a long term lease and power purchase agreement this year with the firm Ameresco to place solar panels on the

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Town's capped landfill off Church Street. This installation will require no capital outlay by the Town and is expected to produce savings in the Town's municipal and school electricity costs of approximately 40%.

- 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.
- 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.
- 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 2017 Outlook

As part of our financial planning process, we have made a financial projection for fiscal year 2017. At this time, we anticipate a potential budget shortfall of \$184,000 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 2017 projection.

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	Recommended FY16 Budget	Projected FY17 Budget	\$ Inc	% Inc
Education	38,239,304	39,326,554	1,087,250	2.8%
Unclassified & Fixed Costs	16,254,861	16,962,431	707,570	4.4%
General Government	18,460,435	18,673,561	213,126	1.2%
Stabilization, OPEB Trust & Separate Articles	1,856,925	1,836,557	(20,368)	-1.1%
Total Budget	74,811,525	76,799,102	1,987,578	2.7%
Projected Revenue	74,811,525	76,615,218	1,803,693	2.4%
Projected Shortfall	0	(183,885)	(183,885)	

The Budget in Detail

Below is a more detailed explanation of the fiscal year 2016 revenue estimates and recommended appropriations.

Fiscal Year 2016 Revenue Projections

TABLE I: FY2016 REVENUE PROJECTION SUMMARY				
	FY2015 Estimated	FY2016 Projected	DOLLAR CHANGE FY15- 16	PERCENT CHANGE FY15- 16
PROPERTY TAX LEVY	\$61,700,758	\$63,233,442	\$1,532,684	2.5%
STATE AID - CHERRY SHEET	\$4,135,489	\$4,133,764	(\$1,725)	0.0%
LOCAL RECEIPTS	\$4,500,697	\$4,734,897	\$234,200	5.2%
PRIOR YEAR BALANCES/OTHER	\$3,206,000	\$4,101,000	\$895,000	27.9%
TOTAL PROJECTED REVENUES	\$73,542,944	\$76,203,103	\$2,660,159	3.6%
REDUCTIONS IN REVENUES	(1,960,342)	(1,915,393)	\$44,949	-2.3%
OTHER REVENUES	518,629	523,815	5,186	1.0%
AVAILABLE FOR APPROPRIATION	\$72,101,231	\$74,811,525	\$2,710,294	3.8%

Tax Levy - \$63,233,442: The property tax levy is increasing by \$1,532,684 or 2.5%. The property tax is the largest revenue source for the Town and provides nearly 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 2016, this increase amounts to \$1,532,684. Unused tax levy capacity from the prior year in the amount of \$1,196,208 (to which 2.5% can be added) is also available, for a total possible increase of \$2,728,892. This unused tax levy results from an increase in the levy limit generated by new or changed properties (i.e. new growth).

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In addition to the tax levy, the excluded debt service for capital projects is added for taxation purposes. There will be approximately \$7,926,753 in voter approved, issued and unissued, excluded debt service, which is an increase of \$706,512, or 9.8%, from fiscal year 2015. This amount assumes approval of question 1 on the ballot at the Town Election.

State Aid - \$4,133,764: At this time, based on Governor Baker’s proposed budget, we are projecting that State Aid will decrease slightly for fiscal year 2016, primarily because of a decrease in the amount provided for previous school construction projects (which is applied to the debt service for those projects). 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.

	FY2013 ACTUAL	FY2014 ACTUAL	FY2015 TAX RECAP	FY2016 PROJ	\$CHG	%CHG
STATE AID						
Chapter 70 (school aid)	\$2,512,979	\$2,571,779	\$2,988,929	\$3,033,909	\$44,980	1.5%
Lottery Aid	\$316,391	\$323,870	\$332,852	\$344,835	\$11,983	3.6%
Dist., reimb., offsets	\$101,748	\$85,493	\$89,482	\$89,482	\$0	0.0%
School Construction	<u>798,607</u>	<u>741,853</u>	<u>724,226</u>	<u>665,538</u>	<u>(\$58,688)</u>	<u>-8.1%</u>
Total State Aid	\$ 3,729,725	\$ 3,722,995	\$ 4,135,489	\$ 4,133,764	\$ (1,725)	0.0%

Local Receipts - \$4,734,987: The largest source of revenue in this category is motor vehicle excise tax, which is assumed to increase by \$100,000 in fiscal year 2016. Licenses and permits are also projected to increase by \$100,000. Small increases in other departmental revenue, rentals, fees, and payments in lieu of taxes are projected; investment income remains stable.

Prior Year Balances/Other - \$4,101,000: 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 2015 budget. An additional \$900,000 in free cash, \$575,000 more than in fiscal year 2015, is proposed to fund one-time cash capital projects included in the operating budget and to offset the increase in the property tax levy for exempt debt service in fiscal year 2016. Overlay surplus amounting to \$600,000 has been released by the Board of Assessors, which is a \$320,000 increase from what was used for the fiscal year 2015 budget. This additional surplus will also be used to mitigate the burden of the debt service increase. 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 - \$1,915,393: 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 \$479,150 for fiscal year 2016, representing approximately 30% of the Recreation budget; the remainder is funded through user fees.

Other Revenues: - \$523,815: 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 2016 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:

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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 \$709,000, and is increasing by \$9,000 for fiscal year 2016, includes **Workers' Compensation, Unemployment Compensation, Property, Liability and Motor Vehicle Insurance**.

The category of **Fringe Benefits** is increasing overall by 5.7% and includes:

- **Insurance, Group Health/Life, Medicare - \$10,534,802:** 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). Following last year, when there was virtually no increase, the GIC's overall average premium increase for fiscal year 2016 is 3.6%, but because most employees are enrolled in the more expensive plans, a \$662,106 or 6.7% increase is required.
- **Contributory Retirement - Middlesex - \$4,270,242:** 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 2016, the Town's pension assessment is increasing by \$131,087 or 3.2%. As of January 1, 2014, an actuarial study determined that the Town's pension liability was under funded by approximately \$55.6 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 - \$574,000:** 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 year 2012 through fiscal year 2015 to date can be found in Appendix 2.
- **Debt Service - \$36,817:** This only represents debt service within the tax levy and is reduced by \$1,304. If there is a favorable vote on the May 9 Town Election ballot to exclude one capital project approved at Special Town Meeting in December 2014, this amount will be reduced by \$1,637. Proposition 2½ excluded debt service is estimated at \$7,926,753, 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 \$161,040 or 8.3%. Budget highlights include:

- **Town Manager's Office - \$621,485:** This budget is increasing by \$79,573. Funds are included to update the Town's website (\$17,050) and begin implementing an electronic document management system (\$50,000).
- **Merit Pay (Transfer Account) - \$107,091:** 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 it is level funded.
- **Facilities Maintenance - \$181,383:** 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

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- **Town Clerk/Registrars of Voters – \$217,973:** This budget includes funding for one municipal election and a Presidential Primary. It also includes \$25,000 to replace the four vote tabulating machines with new digital scan vote tabulators. The existing machines have been used for 17 years, and parts are no longer available for their repair.
- **Information Systems - \$652,619:** This budget supports the information systems for all municipal departments. Staffing has been restructured and \$10,800 in additional funds is provided for part-time support of the Geographic Information System. In addition, \$10,500 is included to replace a scanner/plotter for the Town Engineer.
- **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.
- **Veterans Service Program - \$10,000:** This program operates similarly to the Senior Service Program, allowing up to ten qualified veterans to work for the Town and earn up to \$1,000 each to be applied to their property tax bills.

Facilities Town-Wide

Facilities Town-Wide - \$1,534,038: 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 \$23,095, or 5% as recommended by the Town's comprehensive reserve policy, but decreasing overall because of a one-time addition to the fiscal year 2015 budget to replace the Field School septic system. In addition, \$62,000 is added to this budget to create a new position of Fields Coordinator to provide for better maintenance of fields previously renovated with private funds and Community Preservation Act funds.

Finance

Finance - \$838,904: 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 increasing by \$13,198 or 1.6%, primarily for salaries.

Planning, Land Use & Inspectional Services

Planning, Land Use & Inspectional Services - \$719,053: 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 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 \$14,349 or 2%, due to small increases in staff hours for electrical inspection and provision of a recording secretary, as well as \$8,500 for the Historical Commission to place signs identifying historic districts in Weston, and \$10,000 in additional consulting support for the Planning Board.

Public Safety

This category includes Police, Fire, and the Animal Control Officer, and it is increasing by \$262,471 or 4%. Budget highlights include:

- **Police Department - \$3,147,947:** A new "Special Services" Sergeant position is included, which

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is offset by overtime savings for a net cost of \$38,904. An additional \$20,000 in the overtime budget will provide adequate training for all officers. The equipment budget includes \$140,000 for replacement of three patrol vehicles and purchase of three new laser speed guns.

- **Fire Department - \$3,718,419:** This budget is increasing by \$181,155, which includes funding for a new Deputy Chief position for \$92,357 and a replacement ambulance for \$300,000.
- **Animal Control Officer - \$28,504:** 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 that relate to animals. It is primarily funded by commercial dog walker fees and resident dog licensing fees.

Public Works

Public Works - \$4,223,345: The recommended budget for Public Works is increasing by \$95,307 or 2.3% and includes Administration, Highways, Storm Water Management, Recycling and Solid Waste, Vehicle Maintenance, Parks and Cemeteries, Snow and Ice Control, and Tree Warden. An additional \$100,000 is included 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; we currently fund this work at about half that amount, including Chapter 90 state funding for this purpose. An additional \$58,000 is provided for replacement of departmental equipment, and the amount for gasoline and diesel fuel is reduced by \$60,000 due to lower contract prices for fiscal year 2016.

The Water Division budget is approved separately at the Annual Town Meeting as an enterprise fund.

Water Division (Enterprise Fund) - \$3,347,134: Overall, the recommended budget is increasing by \$343,106, or 11.4%, primarily because of the increase in Weston's water consumption and increases in debt service related to previously approved capital projects. \$50,000 is included to begin funding the gradual replacement of hydrants. The Water Division is entirely funded by water fees and charges.

Health and Human Services

This category includes the Board of Health, Mosquito Control, Council on Aging, and Veterans' Services, and it is increasing by \$9,677 or 1.4%. Budget highlights include:

- **Board of Health - \$280,531:** 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 - \$38,558:** 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 - \$323,663:** Additional funds are included this year for transportation for seniors. Hours worked by volunteers constitute the equivalent of six full-time positions. Weston's residents aged 60 and older now constitute 25% 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 - \$78,096:** 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 increasing by \$1,989 to \$28,096. 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

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reimbursed by the State.

Cultural and Leisure Services

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

- **Public Library - \$1,329,728:** An additional \$31,456 or 2.4% is recommended, including a 10% increase or \$6,800 in funding for materials. This amount has been level funded for a number of years. Approximately 65% of the annual funding for materials is provided from trust funds for the benefit of the Library.
- **Recreation (Enterprise Fund) - \$1,597,168:** Program fees cover approximately 70% of the salaries and expenses for this department; the remaining 30% is funded by property taxes. For fiscal year 2016, there is a request for an appropriation from retained earnings of \$68,000 to support the operating budget. The Community Center also houses the Council on Aging, whose programs have expanded in recent years.

Brook School Apartments

Brook School Apartments (Enterprise Fund) – \$1,259,324: 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 \$22,239 is included in recognition of Town services provided to the residents of the Brook School Apartments. A capital improvements account has been established, and is 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 4, 2015. The total budget for the School Department is \$38,239,304, which is an increase of \$1,598,720, or 4.4%, over the fiscal year 2015 budget.

The budget for Minuteman Regional Vocational Technical School District is reduced by 17% to \$91,498. As of October 2014, three high school students from Weston were enrolled at Minuteman High School.

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 2016 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