Weston Finance Committee
Meeting Minutes
April 9, 2020

A meeting of the Finance Committee of the Town of Weston, which was duly called and posted in compliance with the laws of the Commonwealth of Massachusetts, was held via Zoom technology on Thursday, April 9, 2020. There being a quorum present, the meeting was called to order at 7:04pm.

Present for the meeting were:

Finance Committee: Lisa Reitano (Chair), James Jarrett, John McDonald, Karen Meslin, Jim Philipkosky, Ellen Richstone, John Sallay, and Bharath Venkataraman

Also Present: Leon Gaumond, Town Manager (late), Susan Kelley, Finance Director, and residents Frank Caine, Neil Diver, Bob Froh, and Norm Weinstock

John Sallay was appointed to serve as Secretary pro-tempore and charged with keeping the minutes of the meeting. The Zoom video conference meeting was recorded by Susan Kelley and will be available on-line.

1. The minutes of the meeting of March 26, 2020 were approved unanimously.

2. Several residents spoke briefly during the public comment period. One expressed support for the Finance Committee’s efforts to restrain Weston town budget growth but indicated that he would like to see more pressure placed on the School Committee to reduce the school budget. Another expressed appreciation for all the financial information that the Fincom has shared publicly over the last few months. A third resident said he thought the Fincom was doing a good job in highlighting the town’s budget issues but indicated a desire for more forceful downward pressure on budget increases, particularly in the school budget.

3. Chair Lisa Reitano updated the Committee on her discussions with Town Manager Leon Gaumond. Although the Select Board has indicated that the Annual Town Election and Town Meeting are likely to be postponed to May 30 and June 2, respectively, no decision has been made and the Select Board will not vote on the Warrant and budget until their next meeting scheduled for April 14. Consequently, the Finance Committee will not be able to vote on the Warrant articles and finalize its report until the next Fincom meeting scheduled for April 16. Lisa has also reached out to Select Board chair Chris Houston to discuss the Fincom’s concerns but has not yet talked with him.

4. The Committee briefly discussed the draft report and recommendations, selections of which have been published in the Town Crier and the entirety of which was posted on the Town of Weston website. Certain corrections and minor additions have been made since the draft was last discussed, and the report will again be discussed and voted after
the Select Board votes the budget and Warrant, probably next week. If the Select Board makes significant changes to the budget and/or Warrant, the current draft report will need to be revised to reflect any material changes.

5. The Committee discussed its communications strategy, and the draft outline and charts which have been developed so far for the “Weston’s Financial Challenges” chart deck. Various specific charts, chart details, and suggestions were discussed. There was general agreement that selections should be posted frequently in the Town Crier, on the town Facebook page, and any other vehicles that might be appropriate as they are available. There was general agreement that the more ways this information can be disseminated, the better. The Committee voted unanimously to empower Lisa Reitano, John McDonald, and John Sallay to develop, refine, and disseminate such analytic content on behalf of the Finance Committee.

6. Leon Gaumond indicated that neither the proposed budget nor Warrant articles (including consent agenda) have been changed since they were discussed in some detail at the last two Finance Committee meetings. As such, further discussion was deferred to the next Finance Committee meeting scheduled for April 16, following the Select Board meeting scheduled for April 14, assuming those items will be finalized and voted at that point.

A motion to adjourn was made, duly seconded, and the meeting was adjourned at 8:51pm.

Respectfully submitted,

John M. Sallay
REPORT OF THE FINANCE COMMITTEE

The Finance Committee is composed of nine Weston residents appointed by the Town Moderator to advise the Select Board and the Town on financial matters and other questions coming before the Town or affecting the interests of the Town. In turn, we make recommendations to the voters regarding such matters. During the course of the year, we engage in the following activities:

- Participate in financial meetings with the Select Board, Town Manager, School Committee and School Administration.
- Meet with individual town departments as budgets are developed.
- Form small, ad hoc, working groups within the Committee to discuss current financial trends and topics affecting the Town and make recommendations.
- Provide recommendations, where appropriate, to residents on Town Warrant Articles.
- Monitor debt levels and the long-term fiscal health outlook for the Town.
- Hold regular public meetings to discuss findings of detailed budget reviews and other significant issues affecting the Town.

Recommendation

At this time, March 26, 2020, a time of great economic disruption and uncertainty, we do not support increasing the Fiscal Year 2021 operating and cash capital budgets as presented in the Warrant, and as further discussed by the Select Board. We do not oppose the school budget increase of 3.5%, which is 1.7% after adjusting for accounting changes and legally mandated special education expenses. Rather, we are concerned by the remaining proposed municipal budget in this unprecedented environment. We recommend deferring all significant discretionary spending and all proposed budget increases which are not absolutely necessary until after the current crisis has subsided. At that point, we may be able to restore discretionary expenses and investments on which there is already broad agreement and debate other increases as may be prudent at that time.

There is already discussion about the levels of Weston’s spending, taxes, and debt and unfunded liabilities. The recommended budget is up 6.6% over the previous year – 3.5% for the schools, where enrollment continues to decline at about 2% per year, and 8.9% for the balance of town services – in a much lower inflation environment. Weston already has the highest average single-family tax bill in Massachusetts, at $20,922, or $5,083 (+32%) higher than the $15,839 average of comparable affluent Boston-area communities. Our debt and unfunded liabilities of $215 million translates to $57,120 per household, well over double the per-household total of comparable affluent towns.

The School Committee has taken important cost saving steps this year to recognize the ongoing decline in enrollment and high relative per pupil expenditures and these efforts need to continue. Our per-pupil expenditure of $25,367 is 27% higher than comparable towns, despite performance metrics which are not materially different. This translates to an $11.4 million excess we spend on our schools annually (of $63 million total) relative to other wealthy Boston-area towns, or $3,121 per household per year in higher taxes. Since employee benefits are a significant portion of this difference, we recommend that the Town insist on a significant reduction to town employee health benefit costs, to bring them more in line with those of other affluent towns, during union negotiations in the coming year.

The current environment requires bold action and ultimately will encourage all of us in Weston to step back and reconsider the level and trajectory of Weston taxes and spending, across the board. For example, this year we recommend taking a hiatus in the Department of Public Works program to upgrade our roads, and recommend spending a more steady-state $1.2 million on roadway maintenance rather than $2 million as proposed. We also recommend reducing by up to half this year’s annual OPEB contribution of $2.2 million, since those funds will not be required for decades. We would defer the $100,000 school campus feasibility study related to the Recreation Master Plan while enrollment trends are studied further. While sustainability must become a high priority for all Town departments, for this year...
year we recommend exploring energy-related grants and cost savings by using a low-cost consultant or contractor, rather than adding a full-time Sustainability Coordinator. Further, we recommend that the Town Manager and the Select Board pursue additional reductions where possible without jeopardizing public safety. Even with all of these several recommended example reductions and an additional $500,000 in further savings, the overall budget would still increase by 4.1% (versus 6.6%), still well above the expected levels of new growth and inflation over the coming year.

This may also be a good time for the town to reconsider the 3% tax surcharge now in place to fund the Community Preservation Committee activities. With the funding of several of the originally contemplated CPC projects (Case Estates, Old Library, and Josiah Smith Tavern), and the reduction over time in the state match from 50% to now 26% in FY20 – not to mention the current economic disruption and uncertainty – it may be appropriate to dial back the surcharge to the level required to cover the debt service on outstanding CPC-related bonds (approximately 1%) and consider future open space, historic preservation, and affordable housing projects independently. Any broadly supported projects could still be as easily approved at Town Meeting regardless of the current CPC surtax.

Over the next few years, we recommend that the Town explore new and significant opportunities to enhance long term fiscal prudence and financial flexibility by seeking new measures of relative cost and municipal service performance, and by developing new analytic tools for evaluating various projects and spending plans. Specifically, we believe the Town should:

- Establish baseline measures of success for all Town departments, especially for the Schools, Police and Fire Departments, and the Department of Public Works, so that Townspeople can easily track service performance and costs over time, compared to the same metrics in neighboring comparable towns and other objective measurable standards.

- Develop and implement a long-range financial planning model, so that we are all better able to analyze the financial implications and tradeoffs associated with various policies, commitments and large special projects over time.

**Estimated Taxes**

The total Fiscal Year 2021 budget, including operating expenses, cash capital, Other Post-Employment Benefits (OPEB), and debt service totals $100.3 million, which is an increase of $6.1 million or 6.6% over the FY20 grand total budget. The school budget is up 3.5% and the total budget for all other recommended town appropriations is up 8.9%, compared with new growth of about 1% and Boston-area inflation running in the 2% range. When debt service (that Weston voters have specifically exempted from the limits of Proposition 2½) is excluded, the total operating, cash capital and OPEB budgets are $90.1 million, an increase of $5.6 million or 6.6% over the FY20 sub-total. 84% of the revenues required to fund this budget and excluded debt service will be raised through the property tax levy. New growth in the tax levy (the increase from new construction) for FY20 was $1.0 million and is estimated at $0.6 million for FY21. This means the median assessed home value of $1,241,244 is projected to see a real estate tax bill increase of $798 from $16,122 in FY20 to $16,920 in FY21, or 4.9%.

This 4.9% increase projected for Fiscal Year 2021 well exceeds the rate of inflation expected over the next few years (according to bond market indicators and economists’ projections). It is also nearly two percentage points higher than the trends in Weston taxes over the last 5 and 10 years. While an annual tax growth of 1-2% above the rate of inflation is not overwhelming in any one year, these repeated annual increases compound into a significant difference over time.
Weston has the highest taxes in Massachusetts. Weston’s average single family tax bill in FY20 of $20,922 is $5,083 (32%) higher than the $15,839 average of our comparable communities (which are the next nine highest tax towns in the state). While all towns are different in some ways and the costs of some municipal services reflect these differences, many of the largest costs - such as the cost of paving a mile of road, providing police or fire protection for a certain number of homes, or educating a child to a high standard - should be roughly the same across similar affluent towns.

Weston’s Taxes Higher Than Comparable Towns
Revenue and Expense Summary

Weston derives essentially all its revenue from the property taxes on our single-family homes (95% of tax base), as there is negligible commercial and industrial real estate in town. In FY21 Weston may still receive State Aid, although the amount is uncertain given this economic environment, and state aid revenues may decline significantly. Local receipts make up another 6.7% (Motor Vehicle Excise being the largest local receipt at $2.9 million).

On the expense side, nearly two thirds of spending is for Schools, including the cost of employee benefits and debt service on capital projects. Essential services (Public Safety, Department of Public Works and Facilities) which also include the cost of employee benefits and debt service on capital projects, make up another 27%. The remainder of expenses represents Town government and services that are important to the quality of life of residents, such as the Public Library and Council on Aging. Exempt debt service is increasing from $8.7 million two years ago to $9.6 million last year to $10.2 million (+17% versus FY19) and now comprises 10.3% of the overall budget.
Operating Budget Summary
The overall operating budget – excluding cash capital spending, funding of long term OPEB liabilities and debt service – is projected to increase by $3.8 million (4.7%).

<table>
<thead>
<tr>
<th></th>
<th>Recommended FY20 Budget</th>
<th>Recommended FY21 Budget</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Budget:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Schools</td>
<td>$41,441,391</td>
<td>$42,906,809</td>
<td>$1,465,418</td>
<td>3.5%</td>
</tr>
<tr>
<td>Town Government, Facilities, Public Safety and Public Works</td>
<td>22,664,107</td>
<td>23,885,767</td>
<td>1,221,660</td>
<td>5.4%</td>
</tr>
<tr>
<td>Employee Benefits &amp; Other Fixed Costs</td>
<td>18,123,585</td>
<td>19,273,708</td>
<td>1,150,123</td>
<td>6.3%</td>
</tr>
<tr>
<td><strong>Total Operating Budget</strong></td>
<td>$82,229,083</td>
<td>$86,066,284</td>
<td>$3,837,201</td>
<td>4.7%</td>
</tr>
<tr>
<td><strong>Non Operating Budget:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Capital</td>
<td>$65,000</td>
<td>$1,755,375</td>
<td>$1,690,375</td>
<td>2600.6%</td>
</tr>
<tr>
<td>Pre-Funding Long Term OPEB Liability</td>
<td>2,214,656</td>
<td>2,249,798</td>
<td>35,142</td>
<td>1.6%</td>
</tr>
<tr>
<td>Gross Debt Service Exempt from Proposition 2 1/2</td>
<td>9,624,481</td>
<td>10,233,342</td>
<td>608,861</td>
<td>6.3%</td>
</tr>
<tr>
<td><strong>Total Non Operating Budget</strong></td>
<td>$11,904,137</td>
<td>$14,238,515</td>
<td>$2,334,378</td>
<td>19.6%</td>
</tr>
<tr>
<td><strong>Grand Total Budget</strong></td>
<td>$94,133,220</td>
<td>$100,304,799</td>
<td>$6,171,579</td>
<td>6.6%</td>
</tr>
</tbody>
</table>

Newly recommended increases that contribute to the 5.4% increase for General Government includes the supplemental roadway construction voted by the Select Board as part of their multi-year plan to restore all of Weston roads to a basic 70% quality rating, along with additional firefighters and equipment and a Sustainability Coordinator:

- Fire - Ambulance (cash capital) $350,000
- Fire - Equipment Replacement (cash capital) 200,000
- DPW - Construction of Public Ways 250,000
- Fire - 2 Full Time Firefighters (incl. benefits) 191,388
- Sustainability Coordinator (incl. benefits) 104,000
- Info Systems - Hardware/Software Support 76,186
- DPW - Equipment 41,200
- Town Planner-Asst. Town Planner to Full Time 27,780
- DPW - Traffic & Sidewalk 25,000
- Conservation - Trails & Fire Road Maintenance 14,000
- Conservation - Case Estates Land Management 10,000
- COA Program Coordinator hrs. moved to operat 11,732

**Total New Recommended Increases (Town)** $1,301,286
Schools
Weston has a longstanding tradition of supporting excellence in public education, and our schools are among the most highly rated in the Boston area, consistent with other affluent communities. However, we are concerned by the rate of growth of the School budget in recent years despite continued and projected future declining enrollment. In FY21, this budget is rising by $1,465,418 or 3.5%, though only 1.7% after the legally mandated increase of $600,000 in special education outplacement expenses and a $163,000 accounting change in the recognition of solar energy credits. Enrollment is projected to decline by 1.7% in FY21, with an 8.3% decline at the High School over the last two years and a projected total additional enrollment decline of 7% over the next five years. We have much higher per pupil expenditures than those of neighboring comparable school districts, despite performance metrics which are not materially different from other comparable towns. We recognize that the School Committee and Administration are working on initiatives to align costs with enrollment and we support and encourage those continued efforts.

WESTON SCHOOL COSTS HIGHER THAN COMPARABLE TOWNS (FY18)

Weston's per pupil expenditures are now 27% higher than comparable affluent districts, or $5,442 per student. This extra spending per pupil translates to $11.4 million per year, or over $3,100 per household in higher taxes. This cost excess relative to neighboring affluent communities did not emerge only recently, or in a few large jumps that might be traced to certain discrete actions or decisions, but rather grew slowly over time as 1-2% increments each year, over many years, compounded over time.
In the coming year, the Finance Committee will continue working in collaboration with the School Committee to analyze in detail these higher costs versus peer districts, and together explore additional areas of cost control, efficiencies, and savings that would not sacrifice excellence.

The graph below illustrates how the total cost of Education including related debt and benefits are rising despite a significant drop in enrollment and projected further declines in enrollment.

**Rising Cost of Education in Contrast to Declining Student Enrollment**
**Town Government**
This part of the budget includes Public Safety, Public Works, the Library, Council on Aging, and Town Hall departments as well as the health insurance costs for all employees including the School Department and the retirement costs for all employees except teachers. The Town budget is increasing by $2,371,783 or 5.8%. The largest contributors to the increase are people, at $1.7 million – Health Insurance ($691,000), Municipal Salaries ($628,000), and Retirement ($380,000), along with Road Maintenance ($250,000).

**Healthcare Costs**
All Town and School employees belong to health insurance plans provided by the Massachusetts Group Insurance Commission (GIC). Last year’s health insurance cost increased by 2.6% and FY21 is increasing by 6.5%. Weston’s employee benefits are significantly more costly than those in neighboring communities as we pay a higher percentage of the cost of health premiums than they typically do. This is an issue requiring some further research and serious reconsideration as we approach the mid-2021 renewal date of the current healthcare insurance contract.

**Pension and Retiree Healthcare Costs**
Like all municipalities, Weston has significant pension and retiree health insurance liabilities. (The latter are called Other Post Employment Benefits, or “OPEB.”)

As of June 30, 2019, the Town’s pension liability was underfunded by $62.7 million. Massachusetts law recently extended the timeframe by which municipal pension plans must be fully funded. The Middlesex Retirement System, of which the Town is a part, has adopted a funding schedule that will provide for full amortization of the unfunded liability by 2035. The Town must pay annual assessments to Middlesex Retirement System to fulfill this obligation. The FY21 assessment is $5.7 million.

With respect to OPEB, the Town currently pays for employee and retiree healthcare costs each year through the operating budget as they come due. The Town also prefunds future health care costs for current employees, as well as partially prefunding health care costs for current and prior employees (that had not been reserved for in the past) in the OPEB trust fund. As of June 30, 2019, the unfunded OPEB liability was $50.1 million. Unlike the pension liability, no law requires funding the OPEB liability. Nevertheless, the Select Board and Finance Committee believe it is prudent and responsible to fund this liability over time, rather than leaving it solely as a burden to future taxpayers. As of January 31, 2020, the OPEB reserve balance was approximately $23.2 million.

**Capital Spending, Debt Levels, and Credit Rating**
Since 1997 the Town has authorized a number of large capital projects totaling nearly $213 million. This includes major renovations of the schools, construction of the new Field School, Community Center, DPW and Police Station, an addition to the Town Hall, Case Campus Improvements, Case Estates Land acquisition, Case House Rehabilitation, Old Library (WAIC), Josiah Smith Tavern, and Town Center Master Plan and Burying of Utilities. Outstanding excluded debt against these projects (as well as a number of smaller projects), will total approximately $94 million in General Fund Dept (see the chart on the next page) and $102 million in debt when CPA projects are included. Note that this debt is well above Weston’s annual town operating budget.

We are concerned about the large number, size, and frequency of these various projects. In particular, we are extremely concerned by the potential future cost of executing the new Recreation Master Plan, starting with $4 million proposed for playing field upgrades alone. In general, projects are encouraged by our practice of forming ad hoc long-term committees, which become committed to seeing them happen without regard to bigger picture trade-offs or costs. There is a tendency to analyze projects in isolation, and to focus on debt service when presenting projects to the Town (e.g. only $200 per taxpayer per year for the next 20 years) rather than considering that the debt service costs of all of these various projects add up to a significant amount for years to come. The ongoing maintenance costs resulting from an
individual project must also be weighed, as these may require the addition of permanent personnel and/or equipment. In addition to the annual tax impact, this debt can ultimately also affect real estate values. When a property is eventually sold, a buyer will be looking at the overall tax bill, which is by far the highest in the state, rather than a small amount per year associated with any one project.

We expect that total excluded debt service for FY21 will be $10.2 million, with $7.0 million representing principal payments. The Town opportunistically refinances the interest rate it pays on debt when appropriate and allowed by law. We also note that the Town benefits from very low interest rates, because of its Aaa bond rating and the current low interest rate borrowing climate.

If all FY21 projects pass at Town Meeting, the Town’s total outstanding excluded debt is estimated to be $93 million as of June 30, 2020. For FY21, we anticipate an additional borrowing of $3 million consisting of:

- $2.6 million for south side drainage improvements
- $0.4 million for routine annual drainage improvements

**Actual and Projected Excluded Outstanding Debt – FY11 through FY21**

Assumptions:
- Outstanding principal is paid down as scheduled
- Includes FY21 Capital Projects being brought to May 2020 Annual Town Meeting (Drainage Improvements - $3.0 million)
- Includes FY22 Capital Projects in 5 Year Capital Improvement Plan expected to be brought to May 2021 Annual Town Meeting (Drainage Improvements - $0.5 million, Culvert Repairs - $1.4 million, Fire Truck $0.7 million, Town/School Network Updates - $0.3 million)
- Includes FY23 Capital Projects in 5 Year Capital Improvement Plan expected to be brought to May 2022 Annual Town Meeting (Drainage Improvements - $0.5 million, Fire Supply Vehicle - $0.3 million, Town/School Network Updates - $0.4 million)
- Includes all outstanding CPA debt funded by CPA surcharge
- Does not include any possible or unforeseen future capital projects not in 5-year Capital Improvement Plan, such as those envisioned by the Recreation Master Plan
Projected Outstanding General and CPA Debt by Department – FY21

Assumptions:
- Includes all assumptions in previous chart
- Includes Josiah Smith Tavern passed at December 2019 Special Town Meeting

Outstanding General & CPA Debt by Department as of June 30, 2020

<table>
<thead>
<tr>
<th>Department</th>
<th>Amount</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>PUBLIC WORKS</td>
<td>$28.4 MIL</td>
<td>(28.0%)</td>
</tr>
<tr>
<td>CPA</td>
<td>$11.9 MIL</td>
<td>(11.8%)</td>
</tr>
<tr>
<td>SCHOOLS</td>
<td>$44.8 MIL</td>
<td>(44.4%)</td>
</tr>
<tr>
<td>FIRE</td>
<td>$114K</td>
<td>(0.1%)</td>
</tr>
<tr>
<td>LIBRARY</td>
<td>$114K</td>
<td>(0.1%)</td>
</tr>
<tr>
<td>GENERAL GOVT</td>
<td>$5.8 MIL</td>
<td>(5.8%)</td>
</tr>
<tr>
<td>POLICE</td>
<td>$9.9 MIL</td>
<td>(9.8%)</td>
</tr>
</tbody>
</table>

TOTAL OUTSTANDING DEBT = $101.0 MILLION

In FY2021, the Town’s ratio of debt service to operating revenue will be approximately 11.5% which is approaching the 15% threshold that is a guideline for a Aaa-rated municipality.

On two other key measures relevant to our credit rating, our ratios are more favorable. Total outstanding debt represented only 1.60% of the Town’s total assessed valuation in FY20, well below the 5% General Debt Statutory Limit and the 10% considered a warning indicator by credit rating organizations. However, total outstanding debt as a percent of per capita income was 9.3%, also below the 15% threshold considered a warning indicator by credit rating organizations.

Reserves

Over the past 13 years, total reserves have grown from $0.6 million in FY05 (when the reserve policy was created) to $21.6 million as of 12/31/2019. We believe the Town is more than adequately reserved.

As previously discussed, the Town, along with most others in the country, has a significant unfunded OPEB liability. The majority of these costs are far in the future and will be significantly impacted by healthcare inflation, investment returns and possible changes in national healthcare policy. Although not required, starting in 2010, the Town began accumulating funds in a special trust that will allow us to achieve better returns on these investments. The OPEB Trust now stands at $23.2 million against an actuarial funding requirement of $70.4 million (29% funded) and we expect to continue to make significant future contributions, until this future liability is fully funded by 2047.
The Town continues to enjoy the highest credit rating on its debt (Aaa), consistent with other affluent Boston-area towns. We will continue to monitor the Town’s Reserve policy with an objective of maintaining it, so as to minimize the Town’s borrowing costs.

**Longer Term View**

More than 80% of the Town’s budget is related to personnel costs (School and Municipal), so controlling the growth of these costs directly results in controlling the growth of the budget. Long-term liabilities for pension and retiree healthcare continue to be significant. Outstanding debt is increasing as more large projects are added. Below is a chart of the Town’s largest outstanding financial obligations as of June 30, 2020:

**Long Term Financial Obligations as of June 30, 2020**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Excluded General Fund &amp; CPA Debt</td>
<td>$102.0 Million</td>
</tr>
<tr>
<td>Middlesex Retirement Unfunded Actuarial Accrued Liability</td>
<td>$62.7 Million</td>
</tr>
<tr>
<td>OPEB Unfunded Actuarial Accrued Liability</td>
<td>$50.1 Million</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$215 MILLION</td>
</tr>
</tbody>
</table>

Per Household share = $57,120*

* Amount based on 3,764 households

This total level of debt and unfunded pension and retiree healthcare liabilities, now approaching a quarter of a billion dollars, is far higher than in comparable neighboring affluent towns on a per household basis. In FY20, Weston’s total debt and unfunded liabilities totaled approximately $57,120 per household, up from $52,100 in FY18, itself well over twice the comparable average of about $23,300 per household (+$28,800 or +124%). Further, Weston’s debt and unfunded liabilities are over twice as large as our total annual operating budget, compared with neighboring comparable towns averaging debt and unfunded liabilities at 147% of their operating budgets.
Weston’s Debt & Unfunded Liabilities Higher than Comparable Towns
Total Outstanding per Household ($000 FY18)

We would like to acknowledge the efforts of the various Town Boards and Committees as well as the Department Managers for their work on the fiscal year 2021 budget. We appreciate the time and effort spent by the School Committee and Administration sharing information and answering questions. Lastly, we would like to thank the Town Manager and Finance Department for their tremendous level of support, invaluable insights and passion for town government.

WESTON FINANCE COMMITTEE

Gerard J. Jansen                James A. Jarrett
John F. McDonald                Karen L. Meslin
James D. Philippkosky           Ellen B. Richstone
John M. Sallay                  Bharath Venkataraman
Lisa V. Reitano, Chair
Finance Committee Perspective on FY 2021 Budget and Taxes

As follow-up to last week’s article by the Weston Finance Committee, detailing our lack of support for the proposed Fiscal Year 2021 town budget as recommended by the Town Manager, we want to provide some additional perspective on Weston’s taxes and spending.

We do not oppose the school budget increase of 3.5%, which is 1.7% after adjusting for accounting changes and legally mandated special education expenses. Rather, we are concerned by the remaining proposed municipal budget in this unprecedented environment. We recommend deferring all significant discretionary spending and all proposed budget increases which are not absolutely necessary until after the current crisis has subsided. At that point, we may be able to restore discretionary expenses and investments on which there is already broad agreement and debate other increases as may be prudent at that time.

The total Fiscal Year 2021 budget, including operating expenses, cash capital, Other Post-Employment Benefits (OPEB), and debt service totals $100.3 million. This is an increase of $6.1 million or 6.6% over the FY20 grand total budget. The school budget is up 3.5% and the total budget for all other recommended town appropriations is up 8.9%, compared with new growth of about 1% and Boston-area inflation running in the 2% range. The median assessed home value of $1,241,244 is projected to see a real estate tax bill increase of $798 from $16,122 in FY20 to $16,920 in FY21, or 4.9%.
Weston has the highest taxes in Massachusetts. Weston’s average single family tax bill in FY20 of $20,922 is $5,313 (34%) higher than the $15,609 average of our comparable communities (which are the next nine highest tax towns in the state). While all towns are different in some ways and the costs of some municipal services reflect these differences, many of the largest costs - such as the cost of paving a mile of road, providing police or fire protection for a certain number of homes, or educating a child to a high standard - should be roughly the same across similar affluent towns. In general, the municipal services required by a particular home in Weston, which is worth more than the identical home might be worth in another town, should be very similar, not higher just because the value of the home is higher.
This 4.9% increase projected for Fiscal Year 2021 well exceeds the rate of inflation expected over the next few years (according to bond market indicators and economists’ projections). It is also nearly two percentage points higher than the trends in Weston taxes over the last 5 and 10 years. While an annual tax growth of 1-2% above the rate of inflation is not overwhelming in any one year, these repeated annual increases compound into a significant difference over time.
The full Finance Committee report is available on the Town of Weston website, on the Finance Committee page, at https://www.weston.org/DocumentCenter/View/22549/Report-of-the-Finance-Committee-PDF.
WESTON’S FINANCIAL CHALLENGES – Chart Leads (4/9/20)

- New financial challenges are facing all of us
  - Weston is one of the wealthiest towns in MA [italics = chart still to do]
  - But not all residents are as wealthy as some
  - And COVID-19 is now challenging us all
- In that context FY21 budget is concerning
  - Budget and property taxes up significantly
  - Tax rate will be the highest in recent history
- Weston has a long history of free spending
  - Property taxes far higher than similar towns
  - Commercial tax base relatively small
  - Spending has outpaced new growth
  - Our taxes have increased faster than inflation
  - Our debt has also grown significantly
  - Weston’s debt and liabilities also much higher
  - Liabilities are driven by staffing and benefits
- Many large amenity projects partly the issue
  - Several major projects approved recently
  - Projects create a long-term debt burden
  - Recreation Master Plan up next
- Even so, core issue is our public schools
  - School spending well above similar districts
  - Spending excess has built up over many years
  - Budget increases far outpace enrollment
  - The excess is mostly in salaries and benefits
  - More teachers, but not much smaller classes
  - Many “usual suspects” not actually an issue
  - METCO is also a relative cost driver
- Declining enrollment has not been reconciled
  - Weston birth rates have been declining
  - Continuing shift from public to private schools
  - Move-ins/outs not having a material effect
  - 40B’s may provide a small, one-time bump
  - Weston’s enrollment decline will continue
- Weston school performance is also a key issue
  - Weston’s schools are no longer top ranked
  - Our students’ aptitude is comparable
  - But MCAS scores are not exceptional
  - Accountability metrics are also comparable
  - Weston’s AP test scores are generally lower
  - College acceptances
- Financial plans needed – both short and long term
  - Short term, dial back everything not urgent
  - School plan needed for budget and outcomes
  - Reconsider assumptions like CPC and METCO
  - New processes – planning model and metrics
Weston’s Financial Challenges

DRAFT IN PROGRESS – April 9, 2020
Summary

• New financial challenges are facing all of us
• In that context FY21 budget is concerning
• Weston has a long history of free spending
• Many large amenity projects partly the issue
• Even so, core issue is our public schools
• Declining enrollment has not been reconciled
• Weston school performance is also a key issue
• Financial plans needed – both short and long term
Budget and property taxes are up significantly.

<table>
<thead>
<tr>
<th>Category</th>
<th>FY20</th>
<th>FY21</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Operating (Capital, OPEB, Debt)</td>
<td>11.9</td>
<td>14.2</td>
<td>+19.6%</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>18.1</td>
<td>19.3</td>
<td>+6.3%</td>
</tr>
<tr>
<td>Town, Facilities, Public Safety, DPW</td>
<td>22.7</td>
<td>23.9</td>
<td>+5.4%</td>
</tr>
<tr>
<td>Schools</td>
<td>41.4</td>
<td>42.9</td>
<td>+3.5%</td>
</tr>
</tbody>
</table>

**Operating Budget ($ Millions)**

**Median Single Family Tax Bill**

- FY20: $16,122
- FY21: $16,920
- Increase: +4.9%

Sources: Weston Finance Department
Tax rate will be the highest in recent history

Weston Property Tax Rate per $1,000 Valuation

Sources: Weston Finance Department
Property taxes far higher than similar towns

### Average Single Family Tax Bill (FY20)

<table>
<thead>
<tr>
<th>Town</th>
<th>Average Single Family Tax Bill (FY20)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weston</td>
<td>$20,922</td>
</tr>
<tr>
<td>Other Towns</td>
<td>18,097</td>
</tr>
<tr>
<td>Difference</td>
<td>+$2,825 (+15%)</td>
</tr>
</tbody>
</table>

### Average Home Value ($000)

<table>
<thead>
<tr>
<th>Town</th>
<th>Average Home Value ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weston</td>
<td>$1,631</td>
</tr>
<tr>
<td>Other Towns</td>
<td>$1,178</td>
</tr>
<tr>
<td>Difference</td>
<td>+$453 (+39%)</td>
</tr>
</tbody>
</table>

### Tax Rate (per $1,000 valuation)

<table>
<thead>
<tr>
<th>Town</th>
<th>Tax Rate (per $1,000 valuation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weston</td>
<td>$12.83</td>
</tr>
<tr>
<td>Other Towns</td>
<td>$15.36</td>
</tr>
<tr>
<td>Difference</td>
<td>-$2.53 (-16%)</td>
</tr>
</tbody>
</table>

Source: Massachusetts Department of Revenue, Division of Local Services
Our taxes have increased faster than inflation

Median Tax Bill Increase Since FY10

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Budget</th>
<th>Excluded Debt</th>
<th>CPA Surcharge</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY10</td>
<td>$11,738</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY11</td>
<td>$11,831</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY12</td>
<td>$12,276</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY13</td>
<td>$12,487</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY14</td>
<td>$13,294</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY15</td>
<td>$13,862</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY16</td>
<td>$14,393</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY17</td>
<td>$14,809</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY18</td>
<td>$15,081</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY19</td>
<td>$15,361</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY20</td>
<td>$16,122</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY21</td>
<td>$16,920</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Growth Rates

<table>
<thead>
<tr>
<th>Period</th>
<th>Weston Taxes</th>
<th>Inflation*</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY21 vs FY20</td>
<td>4.9%</td>
<td>2.1%</td>
</tr>
<tr>
<td>5 Year (FY21 vs FY16)</td>
<td>17.6%</td>
<td>12.2%</td>
</tr>
<tr>
<td>- Total %</td>
<td>3.3%</td>
<td>2.3%</td>
</tr>
<tr>
<td>10 Year (FY21 vs FY11)</td>
<td>43.0%</td>
<td>20.7%</td>
</tr>
<tr>
<td>- Total %</td>
<td>3.6%</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

* Boston CPI-U

Based on Median Household Value of $1,241,244

Sources: Weston Finance Department, Bureau of Labor Statistics
Our debt has also grown significantly

Total Outstanding Debt (FY11-FY21 projected)

Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Outstanding Excluded Debt</th>
<th>New Capital Excluded Debt</th>
<th>CPA Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY11</td>
<td>$61</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>FY12</td>
<td>$57</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>FY13</td>
<td>$76</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>FY14</td>
<td>$82</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>FY15</td>
<td>$90</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>FY16</td>
<td>$86</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>FY17</td>
<td>$81</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>FY18</td>
<td>$83</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>FY19</td>
<td>$95</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>FY20</td>
<td>$105</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td>FY21</td>
<td>$101</td>
<td>12</td>
<td>1</td>
</tr>
</tbody>
</table>

Sources: Weston Finance Department
Weston’s debt and liabilities also much higher

Total Debt and Unfunded Liabilities per Household (FY18)

<table>
<thead>
<tr>
<th>Town</th>
<th>Municipal Debt</th>
<th>Unfunded Pension Liability</th>
<th>Unfunded OPEB Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weston</td>
<td>$20.3</td>
<td>$17.8</td>
<td>$14.0</td>
</tr>
<tr>
<td>Lincoln</td>
<td>-</td>
<td>$18.2</td>
<td>$16.1</td>
</tr>
<tr>
<td>Wellesley</td>
<td>$10.9</td>
<td>$9.0</td>
<td>$6.4</td>
</tr>
<tr>
<td>Wayland</td>
<td>$16.1</td>
<td>$11.9</td>
<td>$3.5</td>
</tr>
<tr>
<td>Lexington</td>
<td>$14.4</td>
<td>$10.5</td>
<td>$2.1</td>
</tr>
<tr>
<td>Sherborn</td>
<td>$5.1</td>
<td>$6.5</td>
<td>$10.5</td>
</tr>
<tr>
<td>Sudbury</td>
<td>$6.9</td>
<td>$5.1</td>
<td>$5.8</td>
</tr>
<tr>
<td>Carlisle</td>
<td>$7.9</td>
<td>$6.3</td>
<td>$5.1</td>
</tr>
<tr>
<td>Concord</td>
<td>$7.2</td>
<td>$4.1</td>
<td>$1.8</td>
</tr>
<tr>
<td>Dover</td>
<td>$1.8</td>
<td>$1.8</td>
<td>$0.9</td>
</tr>
</tbody>
</table>

Average of Other Towns: Other Towns
- Average of Weston: 
  - Municipal Debt: $23.3
  - Difference: $28.8 (+124%)

Sources: Massachusetts DOR, U.S. Census, Massachusetts PERAC, Middlesex County Retirement System, Norfolk County Retirement System
School spending well above similar districts

![Bar chart showing per pupil expenditure (FY18) for various towns. Weston has the highest expenditure at $25,367, followed by other towns with expenditures ranging from $18,747 to $21,369. Weston's expenditure is $5,438 higher than the average of other towns ($19,929). Weston's expenditure per student is calculated as $11.4 million per year, which is more than the town's annual debt service on all debt ($3,121 per household).]

Source: Massachusetts Department of Elementary and Secondary Education
Spending excess has built up over many years

Per Pupil Expenditures in FY2018 Dollars

Source: Massachusetts Department of Elementary and Secondary Education
Weston birth rates have been declining

Sources: Massachusetts Registry of Vital Records and Statistics
Continuing shift from public to private schools

Percentage of Resident School Age Children Attending Public Schools

Sources: Massachusetts Department of Elementary and Secondary Education
Move-ins/outs not having a material effect

Population by Age Group

- **Pre-School (Birth-Age 4)**
  - 2009: 4%
  - 2019: 4%
- **School Aged (5-19)**
  - 2009: 19%
  - 2019: 16%
- **Young Adults (20-34)**
  - 2009: 12%
  - 2019: 14%
- **Middle Aged (35-49)**
  - 2009: 23%
  - 2019: 23%
- **Empty Nesters (50-64)**
  - 2009: 17%
  - 2019: 19%
- **Old Timers (65+)**
  - 2009: 27%
  - 2019: 24%

Average Annual Net Move-In/Out

- **Birth-Age 4**
  - 2009-10 to 2013-14: 301
  - 2014-15 to 2018-19: 100
- **Age 5-19**
  - 2009-10 to 2013-14: 89
  - 2014-15 to 2018-19: 79
- **Age 20-34**
  - 2009-10 to 2013-14: 121
- **Age 35-49**
  - 2009-10 to 2013-14: -110
  - 2014-15 to 2018-19: -51
- **Age 50-64**
  - 2009-10 to 2013-14: -171
  - 2014-15 to 2018-19: -66
- **Age 65+**
  - 2009-10 to 2013-14: -138
  - 2014-15 to 2018-19: -72

Sources: MA Voter Registration Database via Weston Town Clerk; MA Registry of Vital Records and Statistics
40B’s may provide a small, one-time bump

Sources: Regional Housing Services Office, Fiscal Impact Reports