

Town of Weston

May 2016 Budget Hearing

John F. McDonald
Finance Committee Chair

May 2, 2016

Finance Committee

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

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

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

Budget Review Principles

- Minimize increase in tax bill as recommended by Selectmen and the Finance Committee
- Promote cost savings and spending efficiency
- Ensure capital projects do not jeopardize credit rating and long-term fiscal health of the Town
- Continue to build fiscal stability through appropriate level of reserves and funding of long term liabilities

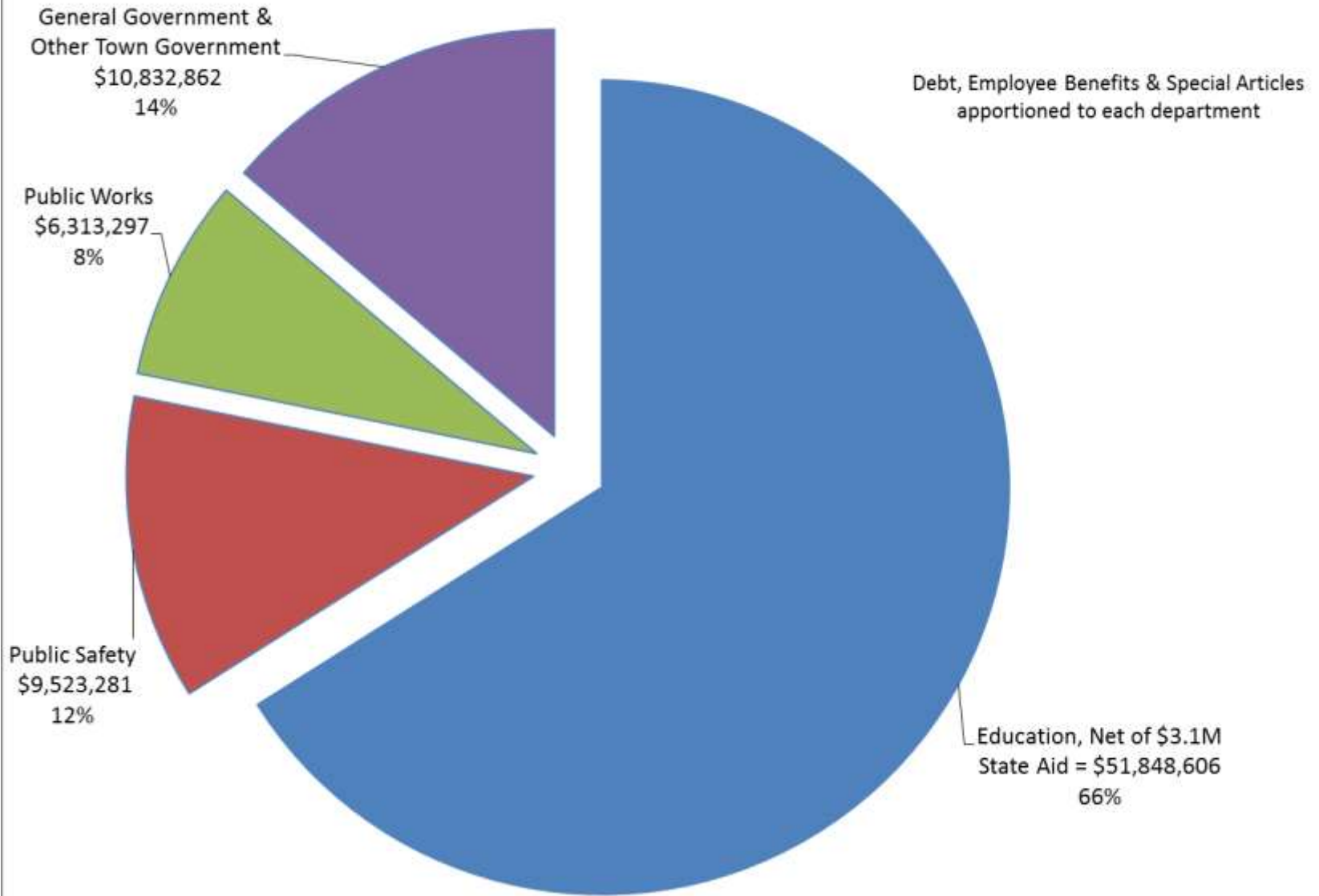
Budget Summary

	FY16 Budget	Recommended FY17 Budget	\$ Change	% Change
Schools	\$38,145,429	\$38,746,641	\$601,212	
Unclassified & Fixed Costs	\$16,284,861	\$16,999,884	\$715,023	
General Government	\$17,028,606	\$17,099,306	\$70,700	
Town Facilities	\$1,534,038	\$1,715,387	\$181,349	
<u>Stabilization Fund & OPEB</u>	<u>\$1,966,925</u>	<u>\$1,762,517</u>	<u>(\$204,408)</u>	
Total Budget	\$74,959,859	\$76,323,735	\$1,363,876	1.8%
Projected Revenue	\$74,959,859	\$76,323,735	\$1,363,876	1.8%
(Shortfall) Surplus	\$0	\$0		
Debt Service Exempt from Proposition 2 1/2	\$7,926,753	\$8,197,436	\$270,683	3.4%
Grand Total Budget	\$82,886,612	\$84,521,171	\$1,634,559	2.0%

Budget Highlights

- **Balanced budget with projected 1.8% increase and Grand Total budget including exempt debt service increase of 2.0%:**
 - Increase in exempt debt service (3.4% or \$270,683)
 - Increase in School Budget (1.6% or \$601,212)
 - Increase in Health Insurance Costs (3.6% or \$351,476)
 - New Growth in the tax base of \$927 thousand
- **Debt Service for previously approved capital projects will increase somewhat in FY2017:**
 - The next 5 years of tax rate increases projected to average 2.4% assuming debt service changes and increased operating budgets.

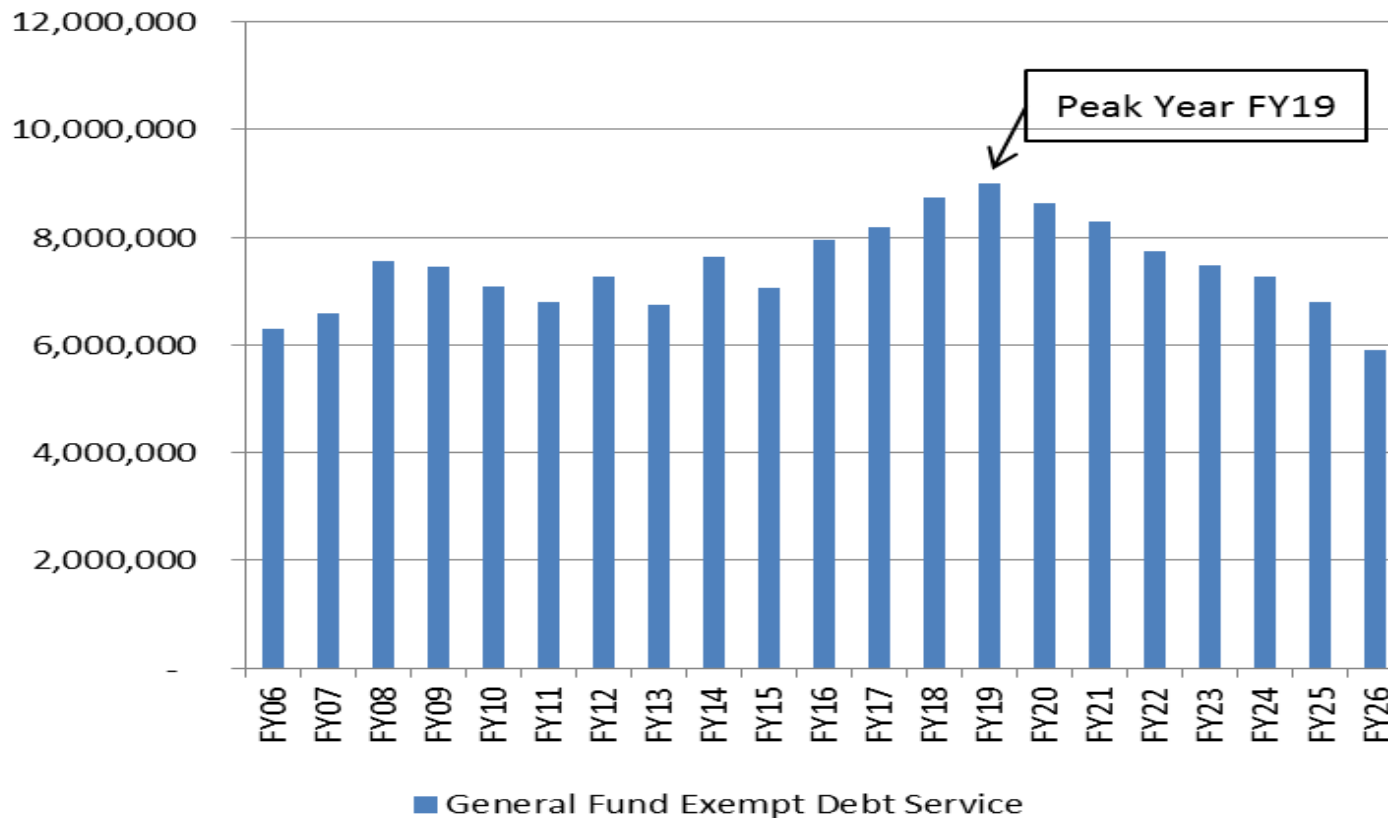
FY17 NET EXPENDITURES BY DEPARTMENT TYPE



Actual and Projected Debt Service – FY06-FY26

Assumptions:

- Includes future projects
- Principal being paid down as scheduled



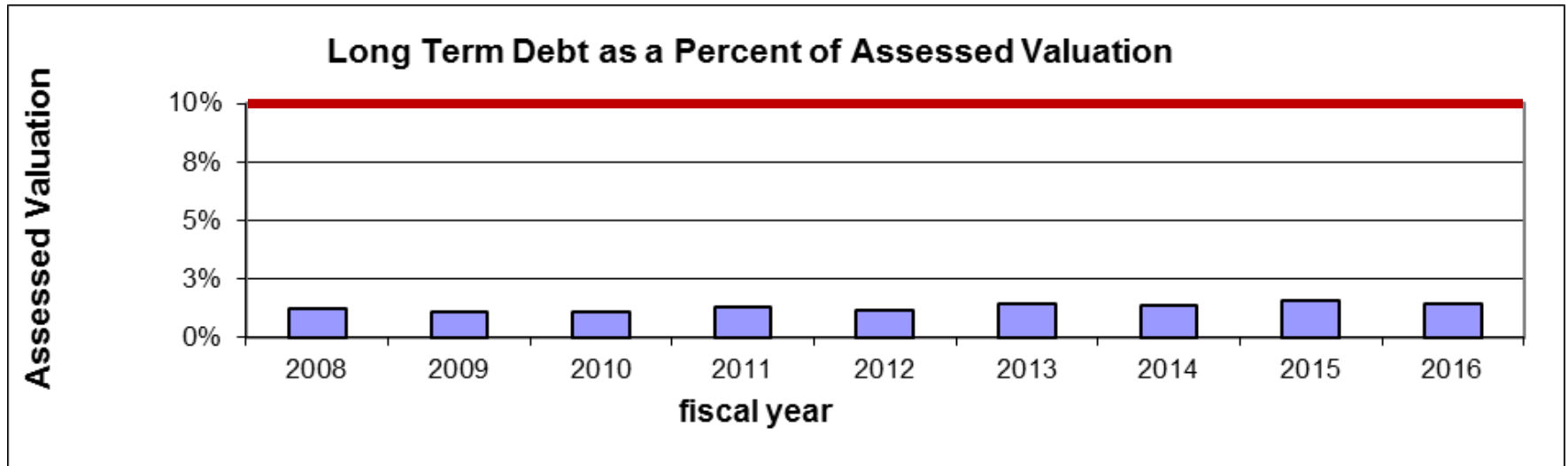
Major Capital Projects Authorized Since 1997

Year	Project	Amount (millions)	
1997	High School Renovation	\$ 15.0	★
1998	Middle School Renovation	\$ 10.8	★
1999	Middle School Renovation	\$ 3.5	★
2000	Community Center	\$ 2.6	
2001	Town Hall	\$ 6.2	
2002	Woodland & Country Schools	\$ 37.2	★
2010	DPW	\$ 14.5	
2011	High School Science Labs	\$ 12.8	★
2012	Field School (Net of MSBA)	\$ 22.2	★
2014	Police Station	\$ 12.1	
Total		\$ 136.9	

★ = School Projects = 101.5M

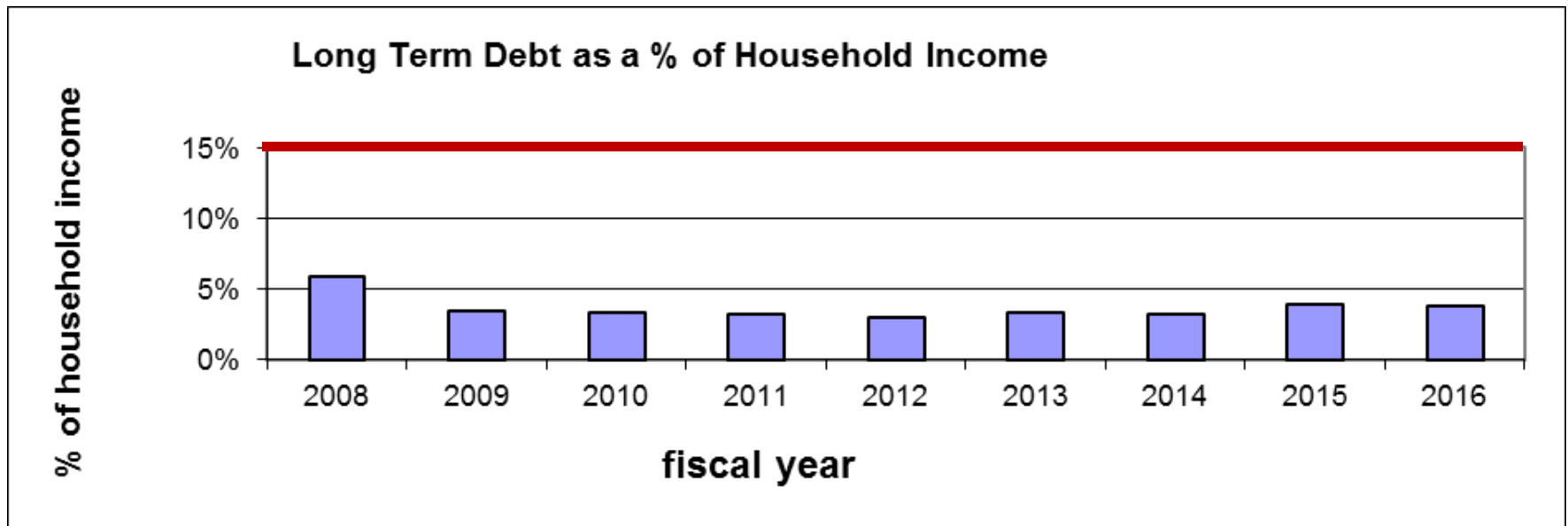
Long Term Debt as % of Assessed Valuation

Above 10% is considered "high" by bond ratings agencies



Long Term Debt as % of Household Income

Above 15% is considered “high” by bond ratings agencies





Debt Summary

- Debt level has increased with Field School and Police Station debt. Anticipated approval of upcoming projects will cause debt to peak in FY18
- Current slate of projects is manageable while protecting Town's bond rating



Status of Reserve Accounts

Reserve	Current Reserve Balance	FY17 Recommended Appropriation	FY17 Appropriation + Balance Carried Forward	Reserve Balance Fully Implemented
Unrestricted Purpose				
Finance Comm. Reserve Fund	574,000	595,000	595,000	595,000
Stabilization Fund	3,088,258	-	3,088,258	3,000,000
Specific Purpose				
Facilities Maintenance	387,871	509,237	897,108	897,108
Personnel related reserves	718,311	160,000	878,311	2,459,160
Other	338,869	15,000	353,869	350,000
Total Reserves	\$5,107,309	\$1,279,237	\$5,812,546	\$7,301,268
				
Total Reserves as a % of Operating Revenue			8.5%	10.6%

Pension Liability

- Town belongs to Middlesex Retirement System
 - Pension is primary retirement vehicle for town employees as they do not participate in Social Security
 - Contributions by employees to pension range from 7% to 11% annually
- \$55.6 million (60%) currently unfunded
 - Unfunded liability must be funded by 2040. Middlesex Retirement plans to fund by 2035 with the assessments owed by the member communities and districts.
 - Expect MRS assessments will increase to meet funding deficit
 - Middlesex Retirement estimates assessments to increase by 6.5% each year through 2020, putting additional pressure on future budgets to remain within Prop 2 ½

OPEB – Other Post Employment Benefits (Retiree Health Insurance)

- \$75 million long-term liability if “Partial Pre-Funding” or \$60 million if “Fully Pre-Funding – over 30 years
 - \$38.3 million associated with currently active employees
 - \$36.7 million associated with retirees
- No legal requirement to fund, but fiscally prudent to do so
- Each year has 2 components:
 - Current year cost for retiree health insurance included in Operating Budget (FY17 of \$2.7 million)
 - Additional funding for long-term liability (Article 6 - \$1.6 million)
- Balance as of 3/31/2016 is \$11,150,598.

