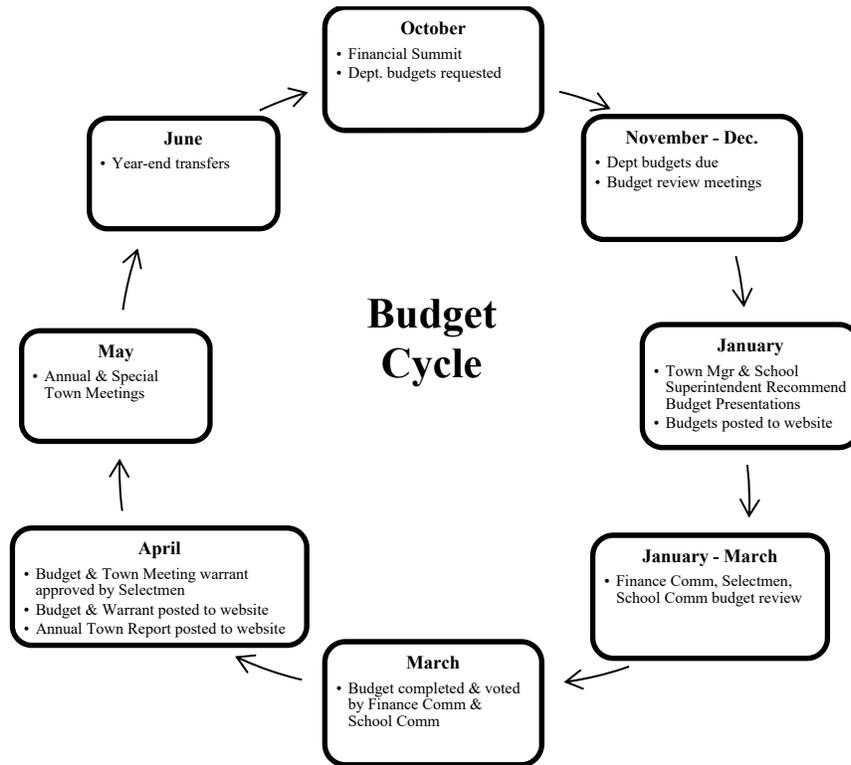


OVERVIEW OF THE ANNUAL BUDGET PROCESS



The process of preparing the annual budget takes place over a period of several months each year.

October – A financial “summit” is held, which is a meeting between the Select Board, School Committee, and Finance Committee to review a series of financial indicators providing data about the Town’s financial condition and discuss the challenges of the upcoming budget cycle. This meeting is open to the public. A summary of the financial indicators can be found below.

November and December – Departmental budgets are submitted to the Town Manager. Meetings are held between the Town Manager, Finance Director and department managers, to which Finance Committee liaisons are invited, to discuss the details of the budget requests.

January – The School Department statutorily is required to hold a budget hearing for their budget. The hearing was held much earlier than in previous years in order to allow public feedback. While the Select Board is not required to hold a budget hearing, they did so similarly in order to allow public feedback before the budget is finalized. Weekly meetings of the Finance Committee commence to review each department’s budget and continue in February and March. These meetings are all open to the public.

March - By the end of March, the Finance Committee and School are ready to vote on the budget they will recommend to the Select Board.

April – The Select Board votes on the budget they will recommend to Town Meeting for approval. In addition, they vote to approve the “warrant” or agenda of all items to be considered for approval by Town Meeting, including the annual operating budget, capital spending requests, Community Preservation Act (CPA) spending requests, and any general bylaw, zoning bylaw changes, or other matters to be considered.

May – The annual budget hearing is held the Monday prior to the beginning of Annual Town Meeting. That hearing provides an opportunity for residents to ask more detailed questions about the budget and spending requirements of the Town.

Annual Town Meeting is held each year on the first or second Monday evening in May and generally takes between one and three evenings to complete.

WHAT IS TOWN MEETING?

The legislative body of the Town of Weston is an Open Town Meeting comprised of all registered voters. Town Meeting has the sole authority to appropriate funds for the operating budget and capital projects except for specific instances where appropriation is not required by law. Approval of most spending requires a simple majority vote in favor, but capital projects, if they involve borrowing, must be approved by a two-thirds majority.

HOW IS THE BUDGET AMENDED?

Any amendments to appropriations, including any amendments to the overall budget, require approval by Open Town Meeting vote at either a regular or Special Town Meeting. The procedures for Town Meeting are specified in the Town of Weston General Bylaws. The Selectmen may vote to transfer funds between budgeted line items without amending the budget by Town Meeting vote.

HOW ARE TAXES CALCULATED?

In Weston, the tax rate is a function not only of the total revenues to be raised by real estate taxes (Levy Limit), but also levy exclusions and the contribution to the Community Preservation Act (CPA) surcharge:

$$\text{Weston's Annual Tax Levy} = \text{Levy Limit} + \text{Exclusions} + \text{CPA}$$

What is a Levy Limit?

Proposition 2 ½ was enacted in 1980 to limit the reliance on the property tax and give the voters a greater say in approving property tax increases. With inflation and the cost of living routinely pushing the cost of government beyond 2 ½ % increases, the legislature provided voters the authority to approve increases greater than 2 ½%, enabling them to consider and determine what kind of community they want and can afford.

A general override to Proposition 2 ½ supports the operating budget and requires a majority vote by ballot at the Town Election to pass. Since 1980 the Boards of Selectmen have recommended a general override fifteen times and voters have rejected to do so only once, in 1998. Town leaders are mindful of the tax burden and do everything possible to avoid or limit while maintaining essential services.

There are two components to the law:

1. A levy ceiling, or the maximum levy limit, is 2.5% of the full and fair cash value of taxable real and personal property, as determined by the Town's assessors. This changes as properties are added or removed from the tax roll and as market values change, but Weston's Annual Tax Levy cannot exceed the Levy Ceiling.
2. The levy limit for a particular year is calculated by increasing the previous year's limit by 2.5% and adding certified new growth and overrides. The new limit cannot exceed the levy ceiling.

$$\text{The Levy Limit} = \text{Prior Year Levy Limit} + 2.5\% \\ + (\text{voter approved override}) + \text{New Growth}$$

New Growth includes the additional property tax from new construction and additions to properties, exempt real property returned to the tax roll, and new personal property. Although new growth is incorporated into the levy limit calculation, Weston has historically not included projected new growth in revenue calculations for the current year, which results in a more conservative outcome.

This then becomes the base for calculating the levy limit for the next year. The town's actual levy can be any amount up to the limit. If in one year, the levy is below the limit, the levy increase in the following year could not exceed 2.5%. The difference between the levy and the levy limit is called the excess levy capacity. Currently, Weston's excess levy capacity is \$7.6 million.

What are Exclusions?

Taxpayers may vote to fund debt for projects and choose to exclude these payments from the calculation of the levy limit and, therefore, from the base upon which the levy limit is calculated for future years. Unlike overrides, these Debt Exclusions or Capital Outlay Expenditure Exclusions are temporary increases to the tax levy, lasting the life of the debt or the duration of the capital project.

Exclusions require a majority vote on the ballot and may increase the levy about the levy ceiling. Weston has approved a number of debt exclusions and no capital outlay expenditures, because money for capital projects is typically borrowed.

What is the Community Preservation Act (CPA) Surcharge?

In 2002, Weston voters approved the adoption of the State's Community Preservation Act (MGL Chapter 44B), which authorizes the Town to charge 3% (after \$100,000 assessment exemption) quarterly on top of the tax payment. Thus:

$\text{Funds for the Community Preservation Act Surcharge} = (\text{New Levy Limit} + \text{Debt Exclusions}) \times 3\%$

This money is matched, in part, by the State for the purpose of enabling cities and towns to fund the acquisition and preservation of open space, the creation and support of affordable housing, and the acquisition and preservation of historic buildings and landscapes.

The adoption of the CPA reflects the value Weston citizens place on these issues and has enabled the town to maintain the rural character and mix of housing that has defined the Town. To learn more about the CPA in Weston, visit www.weston.org.

The Community Preservation Committee is charged with studying the needs, possibilities, and resources of the Town regarding community preservation and with making recommendations to Town Meeting regarding the appropriation of CPA funds.

WHAT BASIS OF ACCOUNTING IS USED BY THE TOWN?

The regular method of accounting used by the Town of Weston is the Uniform Massachusetts Accounting System (UMAS). This accounting system is prescribed by the Commonwealth of Massachusetts' Department of Revenue for local government entities and is intended to demonstrate compliance with state statutes and local near-term decisions (e.g. the budget). This system prescribes the use of the modified accrual basis of accounting, which is the basis used by all governmental fund types. Modified accrual accounting combines accrual-basis accounting with cash-basis accounting and recognizes revenues when they become available and measurable and recognizes expenditures when liabilities are incurred. This system divides available funds into separate entities within the organization to ensure that the money is being spent where it was intended.

The accounting policies of the Town of Weston conform to generally accepted accounting principles (GAAP) as applicable to governmental units.

HOW IS THE TOWN MONITORING FINANCIAL TRENDS?

Every fall, we update a series of financial indicators which assess Weston’s fiscal condition and are adapted from a system developed by the International City/County Management Association (ICMA). The indicators are used as a management tool, pulling together information from the Town’s budgetary and financial reports, adding the appropriate economic and demographic data, and creating a series of Town-specific financial indicators that, when plotted over a period of time, can be used to monitor changes in the Town’s financial condition. The financial indicators include such areas as revenue and expenditure trends, financial reserves, long term liabilities, debt, and external revenue dependencies. Following is a summary of those indicators for Weston as of the fall of 2019:

Financial Indicators	Oct. 2019 Financial Summit
1 Revenue per Household	Favorable
2 Intergovernmental Revenue - State Aid	Marginal
3 Revenues Related to Economic Growth	Favorable
4 Property Tax Revenues	Marginal/Favorable
5 Uncollected Property Taxes	Favorable
6 Expenditures per Household	Marginal
7 Salaries and Wages	Favorable
8 Employee Benefits	Marginal
9 Unfunded Liabilities (Sick/Vacation Accrual)	Marginal
10 Pension Obligation	Marginal
11 Pension Benefits	Marginal
12 Other Post Employment Benefits (OPEB)	Favorable
13 Debt Service	Marginal/Favorable
14 Long-Term Debt	Marginal/Favorable
15 Reserves	Favorable
16 Population	Marginal

Highlights of Weston’s financial indicators relate to six main areas of financial condition – Revenue, Expenditures, Employee Benefits, Debt, Reserves, and Population.

Revenue

- Financial Indicator 3 – Revenues Related to Economic Growth
 - Economic growth as a percentage of operating revenues increased slightly in FY19. The ratio is still favorable; however, we will watch this to see if this will be a continuing trend. Currently there are three to five 40(B) projects being discussed which could have a positive impact on economic growth, but could impact operating budgets. Since Weston’s tax base is 95% residential, and 1/3 of land is conservation, local revenue sources which are not related to economic growth, should be looked at in the upcoming years, as economic growth is not as controllable as other revenues.
 - Increasing economic growth revenues, particularly growth in the tax base, will increase the Town’s future operating budget flexibility.

Expenditures

- Financial Indicator 6 – Expenditures per Household
 - The FY2019 increase in expenditures is primarily due to an increase in Unclassified expenses (Primarily Pension expenses), Facilities, due to the 6% increase each year for capital maintenance, Public Safety due to the purchase of a \$500,000 fire pumper, and Public Works expenses due to the funding for road infrastructure improvements.
- Financial Indicator 7 – Salaries and Wages (as a percentage of total spending)
 - The rate of employee salary increases, primarily the result of collective bargaining with employee unions, has been relatively low since 2011. In FY11, there was no cost of living adjustment for any employee. Since then, salary increases have ranged from 1 to 2.5%. 11 of 12 union contracts expired 6/30/2019 and are still being negotiated in FY20. Salary increases tend to correlate to the Boston area CPI-U.

Employee Benefits

- Financial Indicator 10 – Pension Liability (Middlesex Retirement System)
 - The 2018 actuarial study indicates that the percent of Weston’s pension liability that is funded has increased by 2.9%. Middlesex Retirement plans to fully fund its pension liability by 2035, with a goal of 6.5% increases in annual assessments to member communities through 2028 and 3.95% thereafter.
 - The Town could pay down the unfunded liability quicker by voluntarily contributing more to the mandatory annual assessment. Any additional funds contributed by the Town would not subsidize other communities and members of the Middlesex Retirement System.
- Financial Indicator 11 - Pension Benefits Paid
 - The percentage of total pension assets paid in benefits has returned below the 2002 level of 11% after years of increases. The percentage decreased in 2018 from 2016 as the Pension Assets grew significantly by \$13.5 million. As more employees retire, it is important that the Town contributes to the unfunded liability to increase the pension assets.
 - As long-term employees retire who have contributed 5% and 7% to the Middlesex Retirement System, they are replaced by new employees who pay 9% plus 2% over \$30,000, which increases overall contributions. There are no longer any employees contributing 5%. 86% of employees are currently contributing 9% plus 2% over \$30,000.
- Financial Indicator 12 – OPEB Liability
 - The Actuarial Required Contribution (ARC), per the actuarial valuation, has been funded in the past 8 years.
 - Though the Town’s accrued liability has increased, continued funding of the ARC has improved the OPEB liability funded ratio to 19.7% as of 6/30/2018.
 - Per recent GASB statement 75, the total unfunded liability was added to the Town’s balance sheet in FY18. The ratio going forward to watch should be the unfunded OPEB liability percentage. The next actuarial valuation as of 7/1/2018 will be completed in late fall of FY19 and although not required by statute, it should be considered to add a funding date to the model, rather than a 30-year projection each valuation.

Debt

- Financial Indicator 13 – Debt Service
 - Debt service exceeding 15 percent of operating revenues is considered a warning indicator; Weston’s debt service has hovered around the 10 percent mark since 2002. Debt service is expected to increase in FY22 due to the Case House and Town Center projects currently in progress.
 - This indicator is intended for debt that is included in the operating budget, as it could potentially take away from other Town services, if got to be too high. Since Weston’s debt is primarily excluded, it is not included in the operating budget figure, but as an additional amount added to the tax levy.

- Financial Indicator 14 – Long Term Debt
 - Overall long -term debt has declined since 2015. Large projects maturing in 2020 & 2021 will soften the increase in the amount outstanding, as new larger projects approved at Town Meeting are added.
 - High assessed valuation and healthy per capita income help offset any adverse impacts of the increased debt burden.

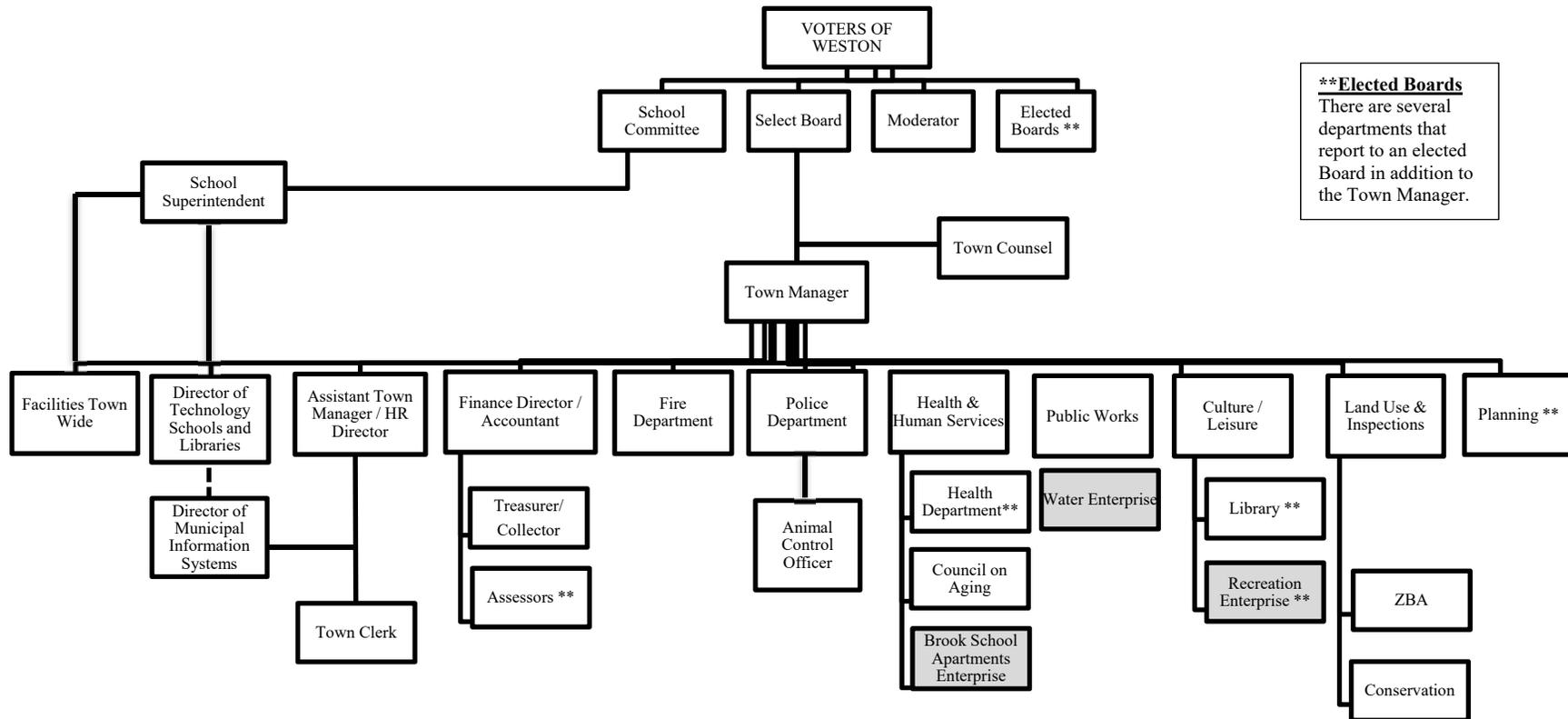
Reserves

- Financial Indicator 15 – Reserves/Fund Balance
 - The Reserves continue to be funded as planned; reserves are reviewed by the Finance Committee and Select Board to see if targets should be updated.
 - In FY19, the undesignated fund balance increased due to departmental expenditure turn backs and actual total revenues coming in higher than projected, mainly due to collection of \$1 million in tax liens.
 - Weston’s reserve level increased in FY19. The FY19 funding level was 14.4% which was up 0.8% from FY18. Weston continues to fund the Reserves to meet the recommendation of rating agencies, which is that reserves be between 5-15% of operating revenues.

Population

- Financial Indicator 16 – Population
 - The population of residents 60 years of age and older increased in FY18. However, as the Weston population ages, an additional demand for services (i.e. Council on Aging services, Fire Department services) will be created by this age group. A COA needs assessment was completed in FY19 which could have impacts on future operating and capital budgets.
 - The population of residents 17 years of age and younger decrease by 4% in FY19. This age group should be watched as it correlates to school enrollment figures. If current proposed 40B projects are approved, this could have a major impact on the 0-17 age group which could also have major impacts on future school operating and capital budgets.

Town of Weston – Organizational Chart



****Elected Boards**
 There are several departments that report to an elected Board in addition to the Town Manager.

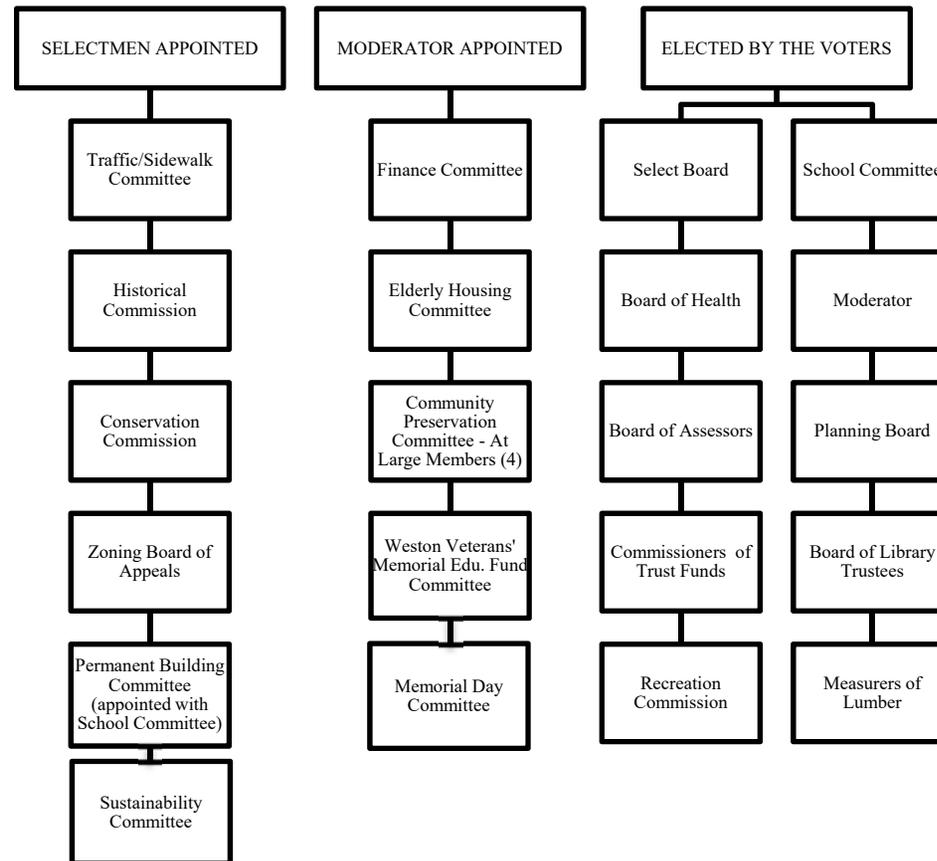
Boards and Committees

Boards & Committees

Various boards and committees are appointed by the Selectmen or Moderator or are elected by the voters of Weston.

- Affordable Housing Trust
- Board of Registrars of Voters
- Cable Advisory Committee
- Crescent Street Historic District Commission
- Cultural Council
- Environmental Baseline Committee
- Housing Partnership
- Tree Advisory Group
- Trustees of the Merriam Fund

This list is an overview. In addition to the Boards and Committees listed here, at any time there may also exist several ad hoc committees formed by various bodies to study specific issues. A complete listing can be found in the Annual Town Report.



Municipal Staffing Levels

(stated in Full Time Equivalents or FTEs)

Town Government	FY2018 FTE	FY2019 FTE	FY2020 FTE	FY2021 FTE	Change FY20-FY21	Change FY18-FY21
Town Manager's Office	2.50	2.50	2.50	2.50	0.00	0.00
Human Resources	2.00	2.00	2.00	2.00	0.00	0.00
Facilities (Town Hall, JST/OL)	1.27	1.27	1.27	1.27	0.00	0.00
Facilities Town-Wide	4.00	5.00	5.00	5.00	0.00	1.00
Finance	11.00	10.00	10.00	10.00	0.00	(1.00)
Town Clerk and Registrars of Voters	2.32	2.32	2.32	2.32	0.00	0.00
Information Systems	3.59	3.59	4.39	4.39	0.00	0.80
Land Use and Development	7.94	8.07	8.47	8.58	0.11	0.64
Police Department	35.50	36.00	36.00	36.00	0.00	0.50
Fire Department	32.00	34.00	34.00	36.00	2.00	4.00
Public Works	29.00	29.00	30.00	30.00	0.00	1.00
Board of Health	3.27	3.27	3.32	3.32	0.00	0.05
Council on Aging	4.69	5.48	5.60	5.60	0.00	0.91
Library	18.12	18.12	18.12	18.12	0.00	0.00
Water Division-Enterprise	4.00	4.00	4.00	4.00	0.00	0.00
Recreation Department-Enterprise	7.00	7.00	7.00	7.00	0.00	0.00
Brook School Apts.-Enterprise	2.35	2.48	2.48	2.48	0.00	0.13
Total Municipal FTE	170.55	174.10	176.47	178.58	2.11	8.03