

Weston Finance Committee
Meeting Minutes
June 25, 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 on Thursday, June 25, 2020 via a Zoom video conference. There being a quorum present the meeting was called to order at 7:02pm.

Present for the meeting were:

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

Also Present: Leon Gaumond, Town Manager and Susan Kelley, Finance Director; two residents joined at 8pm.

Ellen Richstone was appointed to serve as Secretary pro tempore and charged with keeping the minutes of the meeting. The meeting was recorded by Weston Media and is available online.

- 1) There were no resident comments.
- 2) The minutes of the meeting of June 4th were approved by all members.
- 3) Lisa Reitano provided an update from the recent Recreation Commission meeting held at the request of residents that she attended, as to whether to open the Pool or not during the summer and the current financial status. Losses to date are \$200K due to not having spring and summer programs. If the Pool is not opened there will be an additional \$40K loss. If the pool is opened the loss will increase to approximately \$125K because of the additional social distancing and safety steps needed due to COVID 19, and the loss of revenue from fewer memberships and not having swimming lessons or concessions. In addition, when discussing the increased loss due to opening, it was mentioned that the FinCom reserve could be used to cover this loss. Lisa stated that while she had not polled the FinCom on this, she expected that FinCom would be more sympathetic to using reserves for unforeseen losses due to covid, rather than planned losses. The Rec Commission did not reverse their decision to close the pool for this summer.
- 4) Lisa reviewed the discussions at the most recent Select Board meeting about the Fiscal Year 2021 Budget. These items included:
 - a. List of proposed cost savings from Leon Gaumond, Town Manager, which totaled \$819,627 not counting any actions taken on OPEB. It was noted by several members of Fin Com and confirmed by Leon that most of these costs savings are due to “delays” in spending (examples include: no additional hiring at this time or no spending on conferences and travel). It was also noted that these reductions- are “reductions from the proposed budget” and not reductions in what we are currently spending.

- b. The Select Board has asked that the Fin Com provide its updated recommended changes to the proposed town budget. After some discussion, Fin Com confirmed that given the Select Board has not yet made any official changes to its proposed budget- the Fin Com recommendations already provided still held and no additional changes were needed. If the Select Board does make changes to its budget, then Fin Com will be responsive and provide both the Select Board and the Town further input.
 - c. The Select Board has meetings set for July 14,28 and August 11 and 25th. It is not yet known when the Select Board will make its final recommendations and/or changes on the current proposed budget. In the meantime, the town is spending according to the 1/12 budget protocol set up by the state (adjustments are made for appropriate seasonal requirements).
 - d. Further Fin Com discussion was held about Town spending which included: 1) that the Town of Weston spends considerably more than similar towns on many areas. 2) The Fin Com's proposals for a lower town budget are for a smaller increase year over year—not a cut from the prior year. Even with required union increases- this would simply mean that the Town would need to improve efficiencies in other areas to achieve the “smaller budget increase”. 3) There is a need to focus on our operating metrics- in line with the work Ellen is doing with Leon in subcommittee and the overall planning model that John S. is doing with Leon.4) It is important to review not just the cost side but also the Revenue side since those areas have not had the same detailed reviews given the current economic/ social environment started.
- 5) Discussion was then held regarding the Committee's communications strategy, content, and execution. Conclusions included the following:
- a. A draft of the communication was sent to the Committee and a request was made to the committee to provide input to the subgroup: Lisa, John M and John S.
 - b. Several members of the Committee noted that the letter to the town was extremely long; needed work on the presentation of the views of the committee as a whole consistent with the focus on needed cost reductions even before the events of the pandemic, and there was concern that few residents might read it.
 - c. Recommendations on formatting included drafting so that the key points and numbers would be highlighted perhaps up front (supporting documentation following) or in bullet point fashion- to encourage more readers of the document.
 - d. Discussions were also held regarding the mailing logistics- timing, cost, and process to ensure receipt ahead of the Town Meeting.
- 6) Fin Com then discussed briefly updates to the subcommittee activity which included:
- a. Leon confirmed that he has the data for the Operating Metrics project with Ellen. He would be updating shortly and would target having this completed ahead of our next committee meeting if possible.

- b. OPEB- Lisa reported that Weston pays 84% of the health insurance premium for its employees versus other towns that pay between 72-75%. This also impacts OPEB because the Town will have to fund the retiree health benefits. She would like to work with the actuary to determine the effect of this difference on OPEB. Further discussion was held about the investment rate assumptions. More discussion will be held on this.

7) The next Fin Com meeting will be held on July 9th at 7pm.

A motion to adjourn was made, duly seconded, and the meeting was adjourned at 9:05pm.

Respectfully submitted,

Ellen B. Richstone

Suggestions to the operating budget:

COA: -\$2,000 (dues, travel, conference)
-\$5,000 (possible elimination of the 2nd office assistant position)

Fire: -\$11,356 (error in overtime budget request)
-\$200,000 (protective clothing replacement can be done in a Special Town Meeting if necessary)
-\$3,000 (conferences)
-\$100,000 (donation in support of an ambulance) POSSIBLE
-\$30,638 (25% of the cost of two firefighters; not including benefits)

Concom: -\$10,000 removal of wetland bylaw support (Article)
-\$2,000 (fire road work)

Town Manager: -\$1,700 (conferences)
Asst. Town Manager: - \$3,000 (conferences/travel)

DPW: -\$250,000 (roadway construction – unlikely to spend the total amount this year)
-\$163,000 (sidewalk plow could be deferred to a Special Town Meeting)

Sustainability Coordinator: \$20,500 (25% of the cost of the position, not including benefits)

Police: -\$2,500 (conferences)
-\$1,000 (supplies)

Library: -\$3,200 (travel, conferences, postage)

School/Town Networking article: -\$8,233

Finance department: -\$3,500 (conferences & travel)

OPEB: ?

Total amount: \$819,627 not counting OPEB

DRAFT

A Stabilization Budget for a More Secure Future

In this time of great economic disruption and uncertainty, the Finance Committee does not support increasing the Fiscal Year 2021 operating and cash capital budgets as proposed by the Town Manager, 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, although we would encourage the School Committee to look for further efficiencies and reductions. Rather, we are concerned by the remaining proposed municipal budget in this unprecedented environment. We recommend deferring all 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.

Specifically, for FY21 we recommend maintaining a level spending budget of \$52.7 million for all Town departments except for the schools, where we support the budget increase proposed by the School Committee. The Town Manager's currently 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 (see Table 1 p. 28 Costs are Rising as Enrollment Decline Continues), and 8.9% for the balance of town services – in a much lower inflation environment (see Table 2 p. 8 Budget and Property Taxes are Up Significantly). Revise #s & chart to reflect \$820K drop in expenses from Leon?

In addition to our regular operating budget, Weston has amassed a significant amount of debt; in fact more than 10% of your tax bill goes to pay off our debt ("debt service"). We also have significant unfunded liabilities for Retiree Health (OPEB) and Pension benefits (see Table 3 p. 14 Debt is Less than Half of Our Financial Obligations, need to retitle this).

By many measures, Weston spends more for town services than other comparable communities do. List the towns? Weston currently has the highest average single-family tax bill in Massachusetts, at \$20,922, or \$5,313 (+34%) higher than the \$15,609 average of these comparable affluent Boston-area communities. Even comparing median single-family tax bills, we are still X% higher. School expenses are roughly 2/3 of our budget, and we spend 27% more per pupil than these comparable towns (\$25,367 vs. an average of \$19,929). And again on debt and unfunded retiree health and pension costs, we far exceed other towns (see Table 4 p. 15 These Obligations are Far Higher than Other Towns). In part our larger health costs are driven by the fact that we pay a much higher proportion of our employees' premiums than other towns do (roughly 84% vs 72-75%) which increases our costs by 12-17%.

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. We all should review and work to refresh the Town leadership's financial vision, strategy, and fundamental budgeting principles. This broad reconsideration may not be possible during this Covid-19 health and economic crisis, not to mention some already disruptive challenges such as several proposed 40B developments. In the meantime, however, we believe it is most prudent to: 1) keep spending at current

levels subject to maintaining existing public safety and municipal infrastructure, 2) honor all legal and contractual commitments (e.g., existing union contracts, health insurance premium payments, debt service) while looking to offset required cost increases with savings from efficiencies elsewhere, 3) institute a hiring freeze for any new hires except for replacing departures, and 4) defer all capital expenditures except where absolutely necessary.

As part of this proposal, we suggest taking a hiatus in the Department of Public Works program to upgrade our roads, and spend a more steady-state \$1.2 million on roadway maintenance rather than \$1.75 million as proposed. We recommend that the Town Manager and the Select Board pursue additional reductions where possible without jeopardizing public safety. We also recommend reducing by up to half this year's annual OPEB contribution of \$2.25 million, since those funds will not be required for decades, we are not legally obligated to fund them, and the rating agencies have made it clear that they will be giving towns a pass on this type of funding for this year.

The hiring freeze for all new positions would include holding off on the Sustainability Coordinator mentioned above (\$104,000 per year), the two additional firefighters on top of the two already added (\$131,000, or \$191,000 net of overtime savings of \$60,000 fix this number), the Assistant Town Planner, Conservation Assistant, and COA Coordinator increased staffing levels (\$64,000), for a total of about \$300,000 per year.

The deferred capital expenditures would include the proposed school/town networking equipment upgrade (\$953,000), the ambulance and fire equipment replacements (\$550,000), the fire and recreation vehicles (\$102,000), and DPW equipment (\$41,000), for a total of about \$1.65 million. We also recommend deferring the \$100,000 school campus feasibility study related to the Recreation Master Plan while enrollment trends are studied further.

The total of our previously recommended cost savings and deferrals, including some unspecified savings recommendations from the Town Manager, the freeze in additional new hires, and further deferrals would be approximately \$4.6 million. Although this figure is still below the \$4.7 million increase proposed for non-school expenditures in the current budget, we hope that further review can identify additional savings that will enable us to hold the municipal non-school expenditures flat at \$52.7 million, and total FY21 expenditures at \$95.6 million, still +1.6% above FY20. Redo these numbers with Leon's \$820K removed?

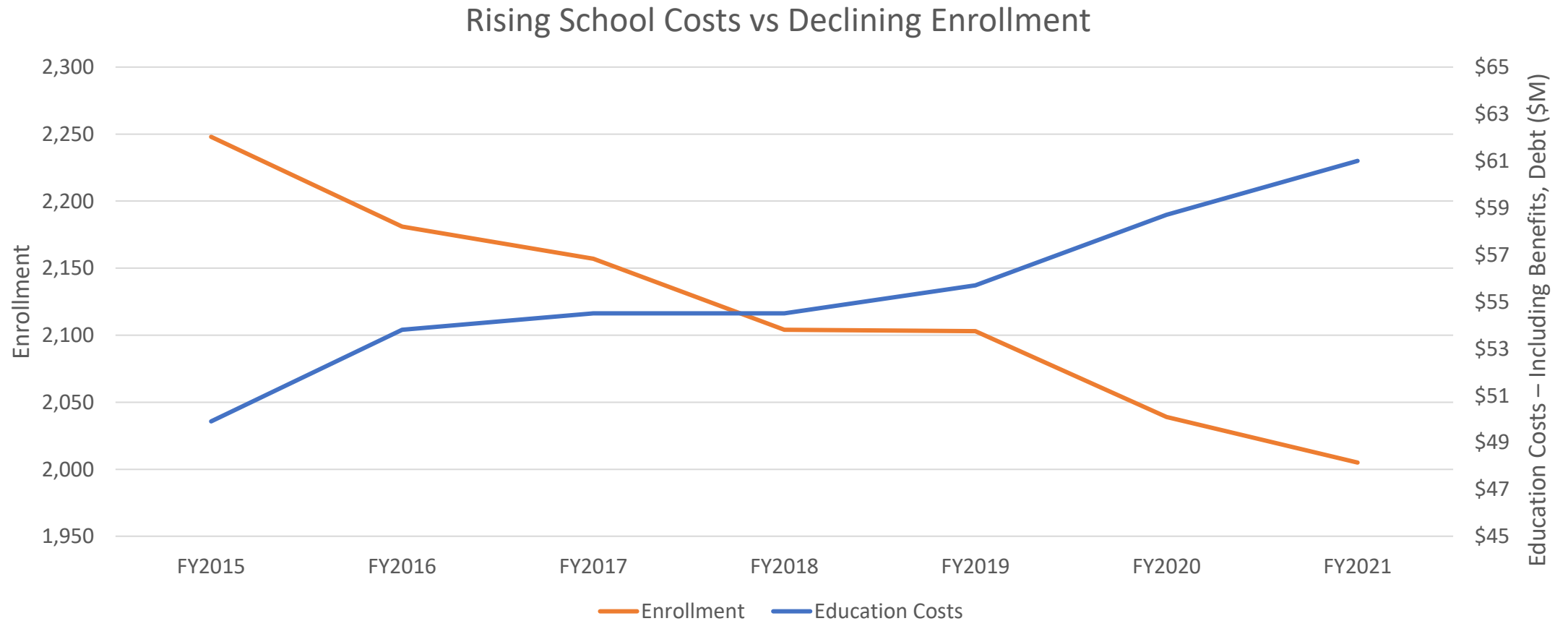
So focusing on just the 2021 budget, we do not support the non-school portion of the budget. We do support the budget proposed by the schools, as they have made strides this year to reduce costs, and they face some uncertainties in how they operate given the Covid 19 situation as the year progresses. We recognize that we did not end up in this situation in just a couple of years, and it will take more than a couple of years to get to a more reasonable budget position.

As the Covid-19 crisis subsides and as soon as practicable, we will work with the Select Board, School Committee, Town Manager and others to reevaluate longer term objectives and principles. 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:

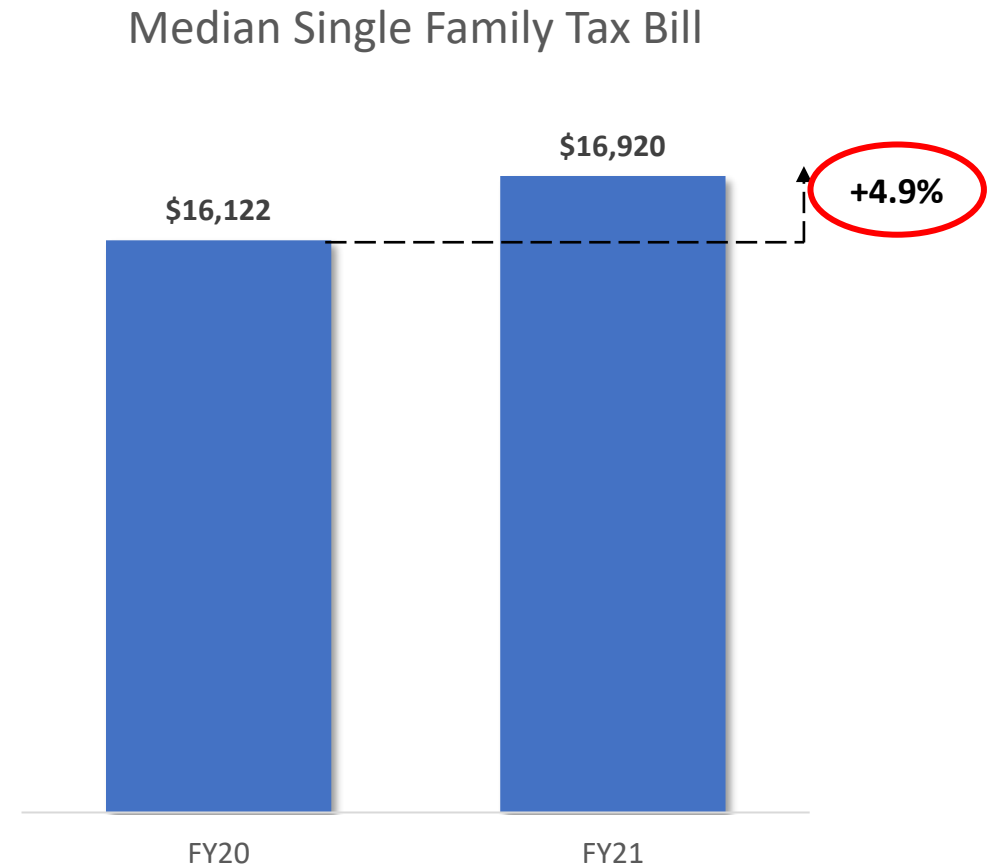
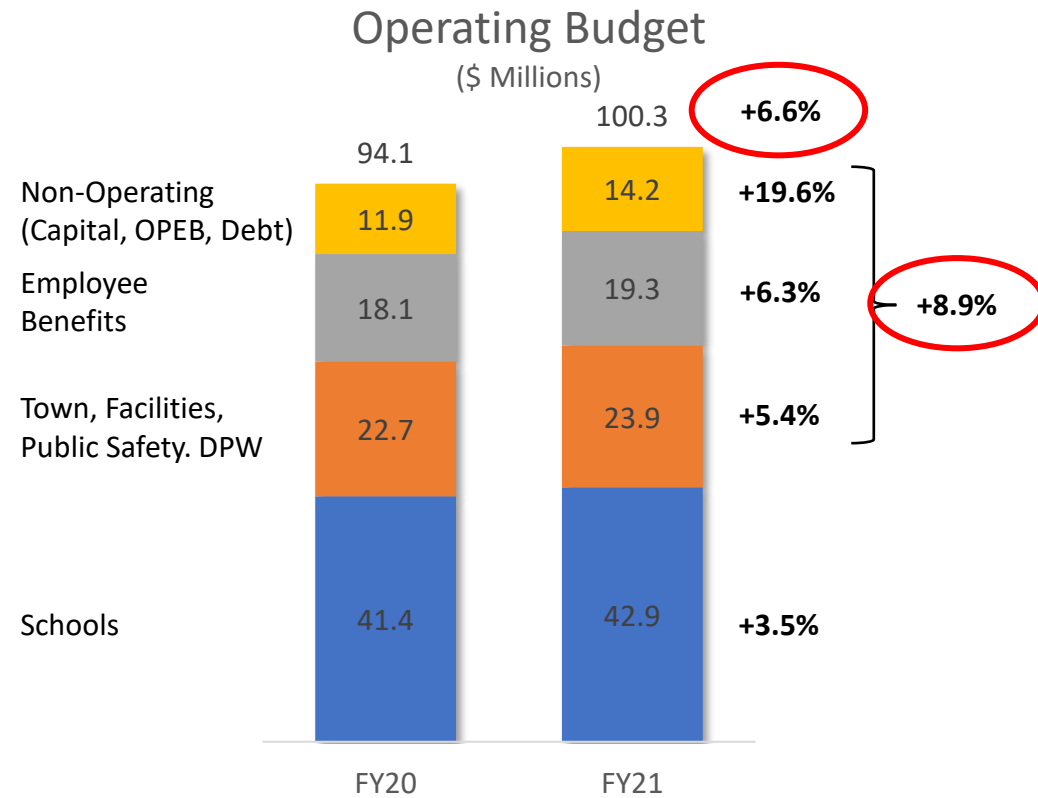
- Establish baseline measures of success for all Town departments, especially for the Schools, Police and Fire Departments, and the Department of Public Works, so that Townspeople can easily track service performance and costs over time, compared to the same metrics in neighboring comparable towns and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

Just as we are all adapting to new social customs for our personal and community safety, it has become necessary now to work together to stabilize and secure Weston's financial future.

28 Costs are rising as enrollment decline continues

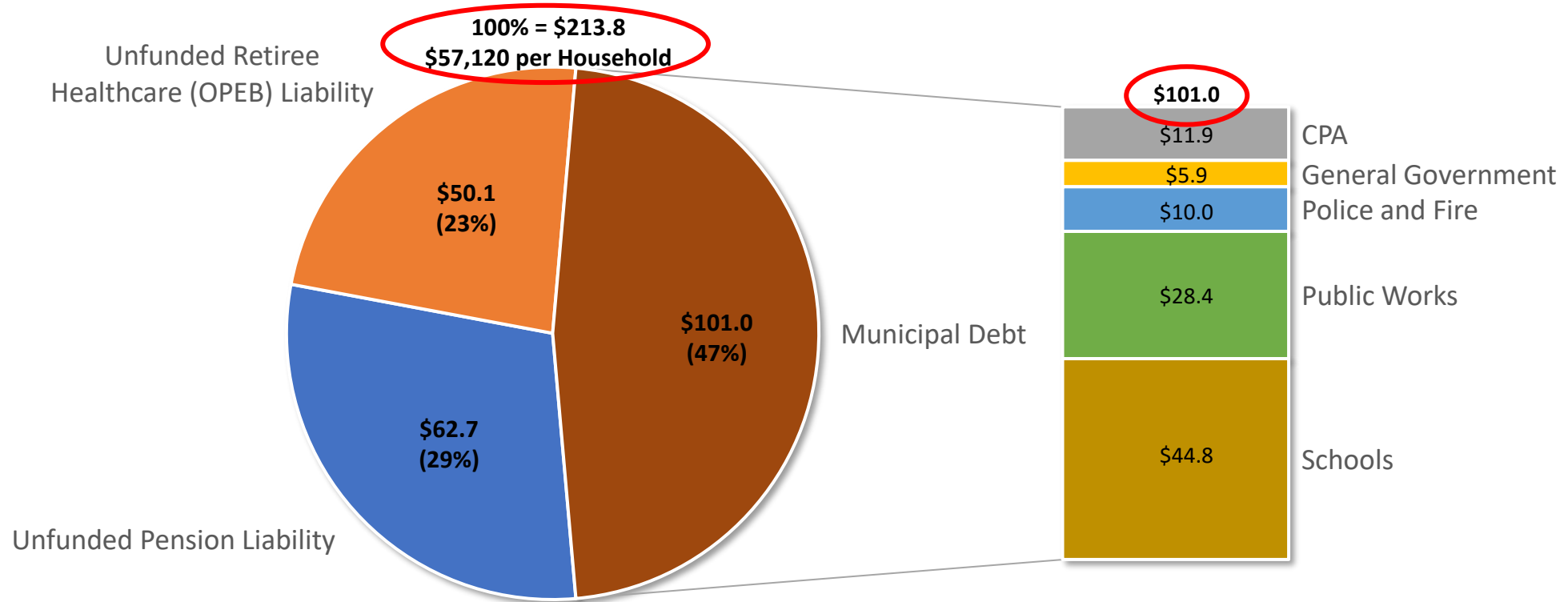


8 Budget and property taxes are up significantly



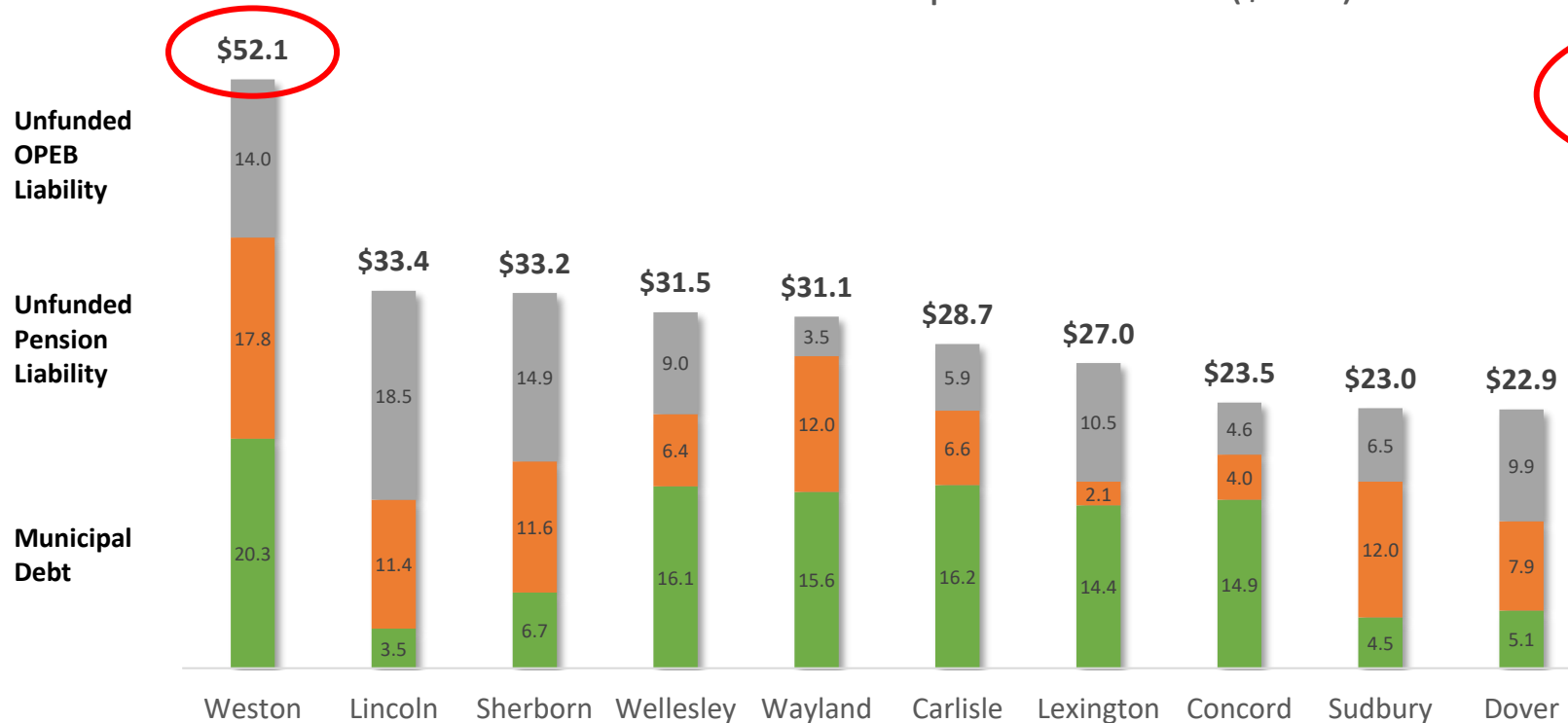
14 Debt is less than half of our financial obligations

Weston Total Debt and Unfunded Liabilities (FY20 \$ millions)



15 These obligations are far higher than other towns

Total Debt and Unfunded Liabilities per Household (\$000)



Average of Other Towns
\$28.3

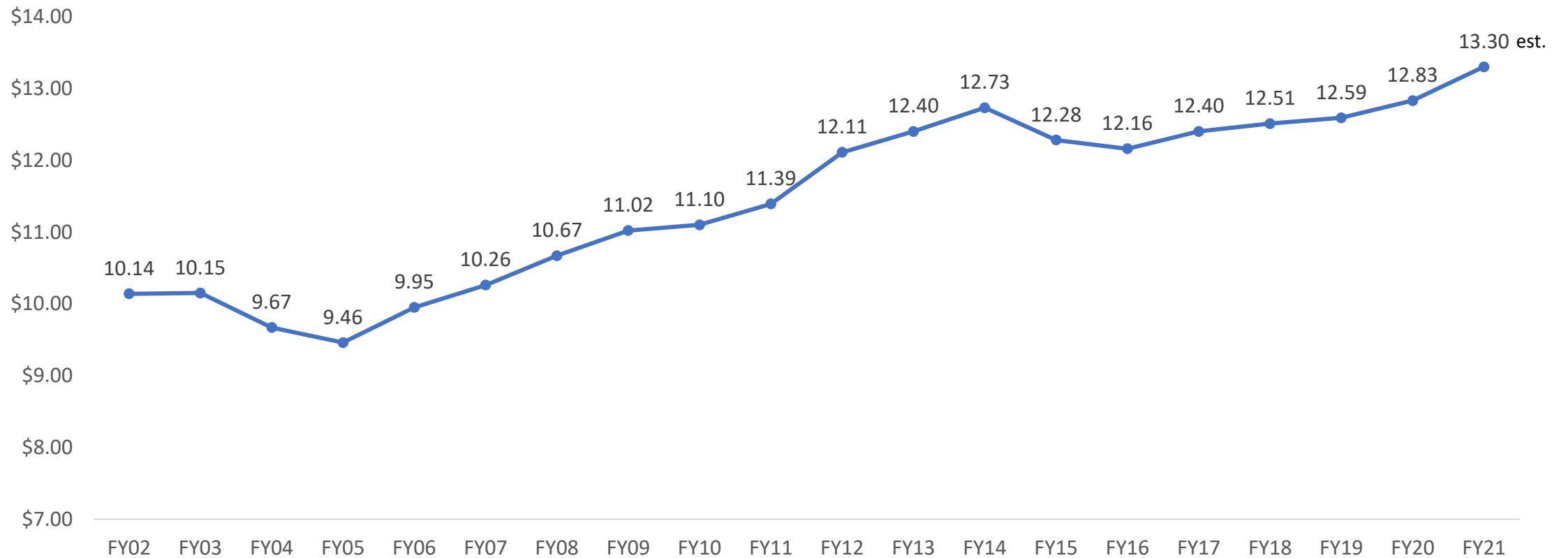
Weston Difference
+\$23.8 (+84%)

	Weston	Lincoln	Sherborn	Wellesley	Wayland	Carlisle	Lexington	Concord	Sudbury	Dover	<u>Other Towns</u>	<u>Difference</u>
% of Total Budget	234%	252%	180%	176%	205%	176%	159%	157%	151%	132%	176%	+33%
% of Total Assessed Values	3.3%	4.0%	3.9%	2.4%	4.3%	3.4%	2.8%	2.6%	3.1%	1.8%	3.2%	+3%
% of Median HH Income	27%	25%	19%	18%	19%	17%	17%	17%	13%	11%	17%	+59%

Sources: Massachusetts DOR, U.S. Census, Massachusetts PERAC, Middlesex County Retirement System, Norfolk County Retirement System, town financial reports
Weston's Financial Challenges - John Sallay DRAFT 6/19/20

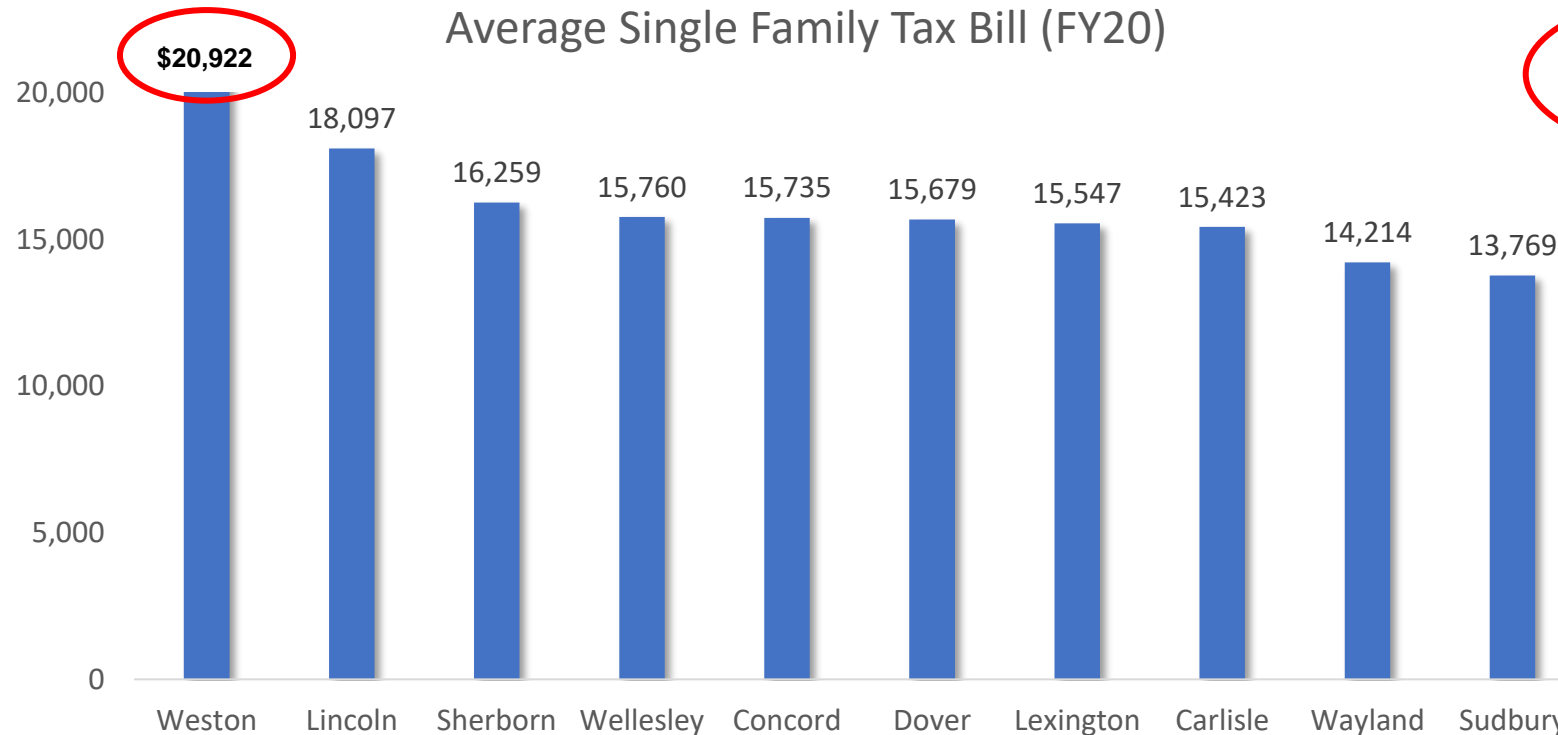
9 Tax rate will be the highest in recent history

Weston Property Tax Rate per \$1,000 Valuation



Sources: Weston Finance Department

11 Property taxes are far higher than similar towns



Average of Other Towns
\$15,609

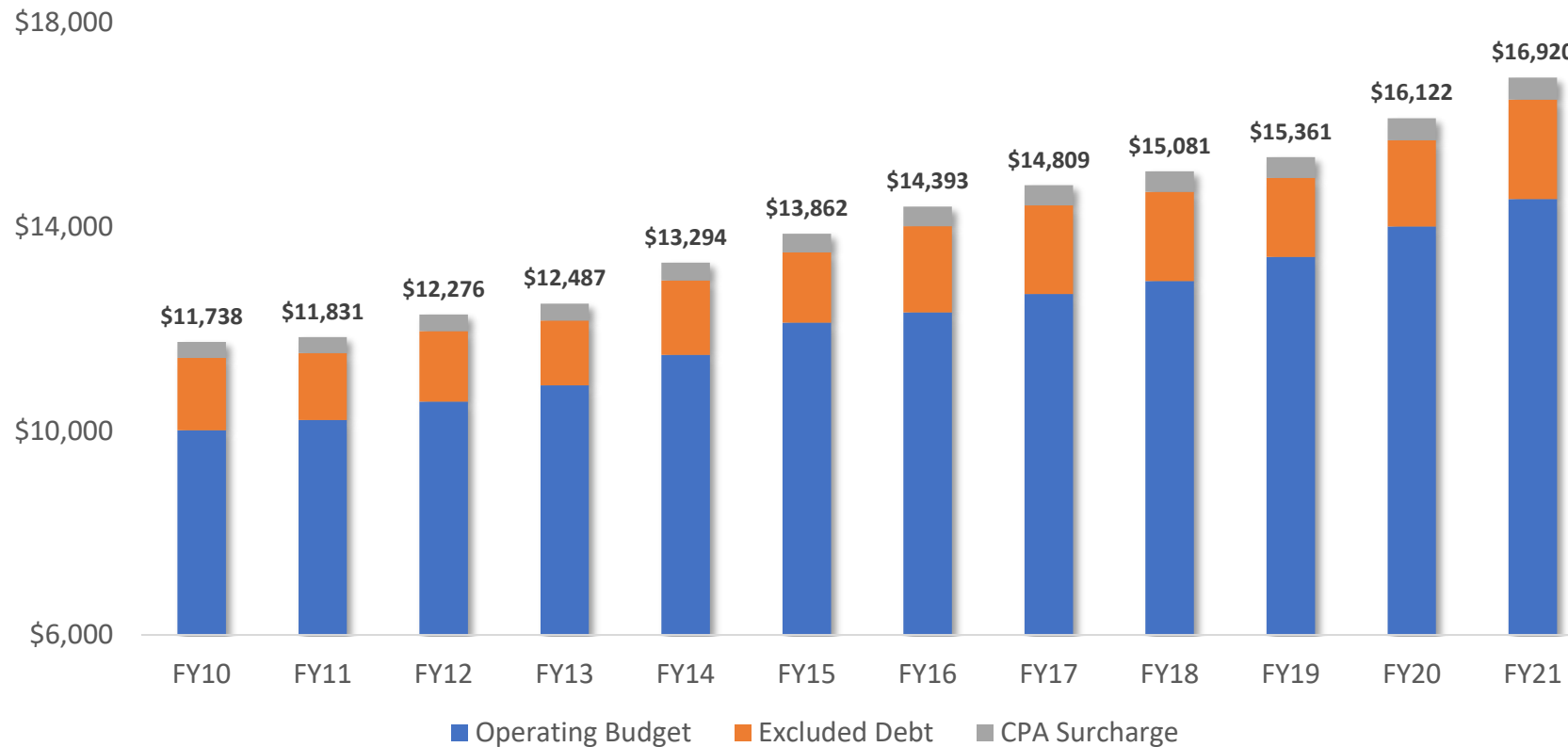
Weston Difference
+\$5,313 (+34%)

	Weston	Lincoln	Sherborn	Wellesley	Concord	Dover	Lexington	Carlisle	Wayland	Sudbury	Average of Other Towns	Weston Difference
Average Home Value (\$000)	\$1,631	\$1,178	\$835	\$1,363	\$1,106	\$1,221	\$1,106	\$840	\$800	\$746	\$1,022	+\$609 (+60%)
Tax Rate (per \$1,000 valuation)	\$12.83	\$15.36	\$19.46	\$11.56	\$14.23	\$12.84	\$14.05	\$18.36	\$17.76	\$18.45	\$15.79	-\$2.96 (-19%)

Source: Massachusetts Department of Revenue, Division of Local Services

12 Our taxes have increased faster than inflation

Median Tax Bill Increase Since FY10



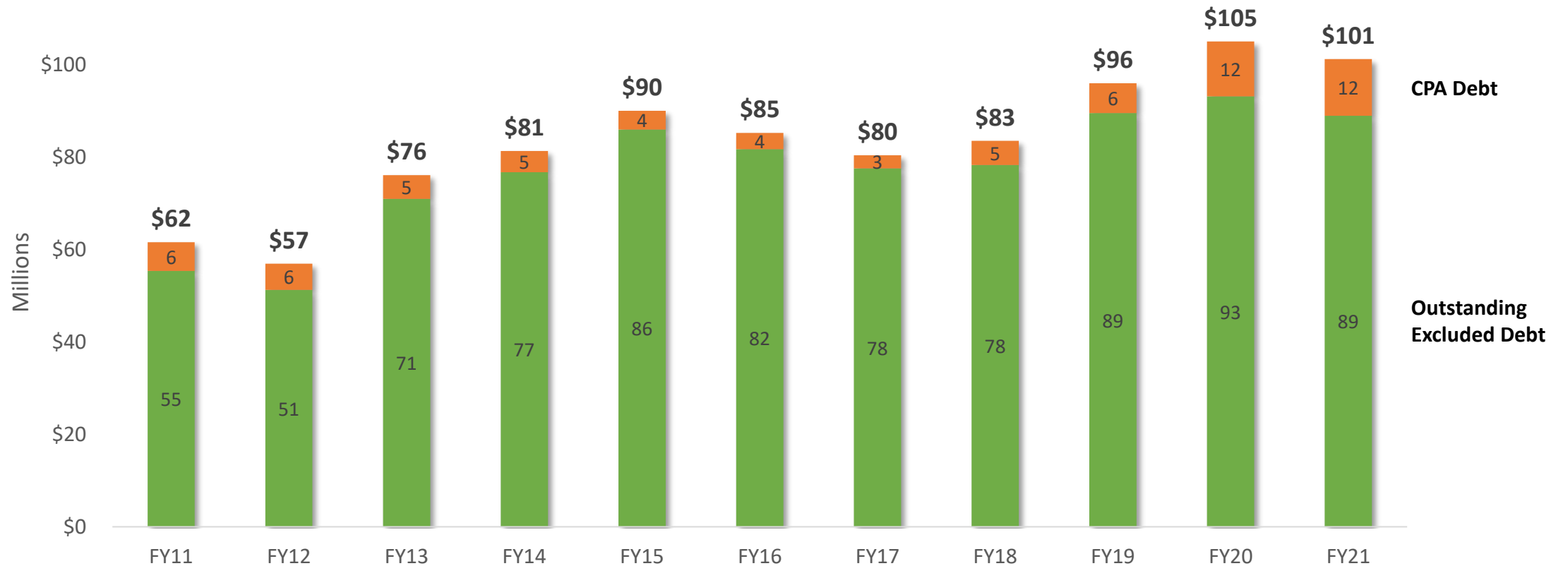
	Growth Rates		
	Weston Taxes	Inflation*	
FY21 vs FY20	4.9%	2.1%	est.
5 Year (FY21 vs FY16)			
- Total %	17.6%	12.2%	
- Annualized %	3.3%	2.3%	
10 Year (FY21 vs FY11)			
- Total %	43.0%	20.7%	
- Annualized %	3.6%	1.9%	

* Boston CPI-U
Based on Median Household Value of \$1,241,244

Sources: Weston Finance Department, Bureau of Labor Statistics

13 Our debt has also grown significantly

Total Outstanding Debt (FY11-FY21 projected, \$ millions)



Source: Weston Finance Department