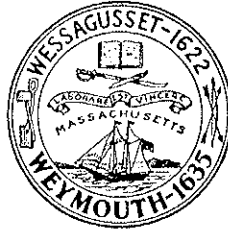


*Town of Weymouth
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April 15, 2015

Dear Councilors,

I hereby submit my proposed operating budget for Fiscal Year 2016 as required by the Town's Charter.

The FY2016 budget, as presented, reflects less than level service for a number of key departments as compared to FY2015. This is a direct result of increased needs within our larger departments, a significant increase in fixed costs, in particular health insurance, and structural revenue deficiencies.

For many years, with your support, we have kept municipal services functioning at appropriate levels while dealing with the Great Recession. You and I have experienced tight budgeting due to minimal annual increases in state aid, additional unfunded mandates, and escalating employee benefit costs.

This budget does reflect additional revenues from SouthField, but does not reflect any additional revenue sources that may result from a proposition 2½ override that was recommended to me by members of the Town Council and a unanimous vote of the School Committee. I have agreed with this request, knowing we have exhausted the many creative, fiscally sound ways to avoid layoffs and provide adequate services. I commend our elected officials for having the courage to ask residents for help in ensuring a better revenue flow to the Town. This will be critical in the next few years. Should a proposition 2½ override be placed on a ballot and voted by the taxpayers, I will submit a supplemental budget to allocate additional funds to the departments as outlined in the ballot question.

Fiscal year 2015 has also been exceptionally challenging. We lived through an historic winter where record snowfalls drove our snow removal costs higher than the previous three years combined. The deficit in that line item stands at over \$3.2 million. The Commonwealth of Massachusetts, through the Governor's Office, submitted a request for assistance to the federal government. This request included extraordinary expenses incurred by the cities and towns, as

well as the state for the back to back storms that hit us the end of January and throughout the month of February. Unfortunately, the President has only declared the costs associated with the first storm in January eligible for assistance. While this will be welcome, the majority of our expenses were incurred with the heavy accumulation of snow that compounded an already burdensome event in January.

Much has happened around the Town of Weymouth during this fiscal year. New legislation regarding the SouthField project was proposed by the master developer and approved by the state legislature. These changes included the elimination of South Shore Tri-Town Development Corp and the creation of a new entity, SouthField Redevelopment Authority. With this change came a new structure for taxation that includes the three towns collecting taxes rather than the Authority doing so. This change will take place July 1, 2015 and as I have stated is factored into the revenue projection used to formulate the FY2016 budget.

In addition, a separate definitive agreement was entered into with the master developer that included payments to the Town of Weymouth for capital projects. These include \$1 million to complete a feasibility study for the Maria Weston Chapman Middle School and \$2 million for vehicles and equipment as delineated in our capital improvement plan. That \$2 million can and will be used to fund the needs of multiple departments to provide equipment necessary to protect and serve the residents of Weymouth.

Legion Field began to take shape and will be online officially as a park before the end of June. The turf field is in as are the tennis courts and lighting fixtures. The field house is under construction and additional landscaping will take place over the next couple of months. Completing this project brings this wonderful centerpiece of the Town back to being a pristine, centrally located, passive and active recreation facility. Other positive projects were: replacement of the DPW salt shed, new boilers for Seach School along with playground repavement and windows were replaced at Hamilton School. Meals tax revenue was used for selected improvements at Great Hill Park, Great Esker Park, Weston Park, and Stella Tirrell Park, where a new street hockey rink was completed.

The Fiscal Year 2016 budget totals \$149,046,710. This budget reflects an increase of \$5,336,682 or 3.7% from Fiscal Year 2015.

On the revenue side, there are three key factors driving the increase. The first is state aid. Our projections, based on the Governor's budget, include an increase in aid of about \$280,000 compared with the budgeted amount at the beginning of FY15. This includes local aid, Chapter 70 education aid, and veterans' benefits. This increase is less than last year. The second factor is an increase in motor vehicle excise tax of \$400,000. The final factor is property taxes in the amount of \$4.7 million, which reflects our proposition 2 ½ allowable increase plus new growth. That new growth includes the property in Southfield that will become part of our tax base in FY16. We will begin to issue tax bills for Southfield as of July 1. Along with this, there will be a revenue decline of \$400,000 which is the amount that was budgeted in FY15 for the services provided to Southfield. Instead of being paid for services, we will be taxing directly.

On the expense side, there are a few cost drivers. Unfortunately, health care costs are increasing by over 6% or \$1.3 million. This is compared to last year's 1% increase. Other expense changes include: pension contribution increase of over \$350,000, and state assessments increase of almost \$150,000. During FY14 and FY15 we were able to negotiate contracts with almost all town unions for FY14-FY16. These contracts allow for a 2% increase in FY16, which I am also proposing for non-union town employees.

The total school department appropriation is recommended at \$61,859,972, which is an increase of over \$1.7 million from the beginning of FY15. This amount is lower than the number voted by the School Committee. In addition, I am proposing to transfer \$1.3 million from Free Cash to supplement the School Department for their operational needs. The Town has made great strides over the past several years in attempting to meet the Commonwealth's requirement for net school spending. The carryover deficit, which existed for several years, was eliminated in FY15. It is my goal going forward to continue to exceed the spending requirement.

Other changes in this budget include accounting for decreases in the Community Development Block Grant (CDBG) and Executive Office of Elder Affairs (EOEA) Grant. As the funding from these critical grants has been reduced, we find ourselves needing to increase our own budget to compensate.

The Capital Improvement Plan submitted to Council on March 1, 2015 outlines all we have accomplished and identifies priorities for the next five years. Investing in our capital needs is critical for the long term health of our community. That is why I am submitting two bonding measures along with my budget. The first allows us to take advantage of the low interest rates by refinancing existing debt. The second will allow us to take care of the following capital needs: repairing the Johnson School roof, replacing the Abigail Adams School boilers, replacing doors and windows at the Hamilton School, resurfacing the track at the Weymouth High School, repaving school parking lots and some roadways and sidewalks, and repairs to several Town Buildings. Our debt service for FY16, which includes my proposals, is \$10,267,597 which is an increase of \$402,957 from FY2015. As of June 30, 2014 our bonding capacity is \$327,098,775. We have \$79,065,214 in debt obligations.

I do not plan on requesting a supplemental appropriation until the Legislature and the Governor enact a FY2016 budget and the Department of Revenue has announced the impact of that budget on Weymouth. Normally, this process is completed in June or July.

Free cash for FY2015 is estimated to be \$2,000,000. This calculation is based upon projected receipts and unexpended line items contained within the FY2015 budget. This number is also dependent upon our collection rate for FY2015.

The Department of Revenue recommends that communities understand the role free cash plays in sustaining a strong credit rating and should not be depleted in one year so that the following year's calculation would begin with a positive balance. We should always keep in mind that if receipts for motor vehicle excise and real estate taxes fall below those levels in the fourth quarter, we could experience a revenue deficit during the current fiscal year. I will report to you the collection rate at our annual town meeting, which is normally held two weeks following the due date of the 4th quarter real estate tax.

I have included the Community Preservation Committee budget with no specific project requests. The Committee is currently reviewing requests and will be presenting them at a later date. I have made no changes from what was presented to me by the Committee. The budget has been requested at \$735,000, an increase of \$10,000 from FY2015.

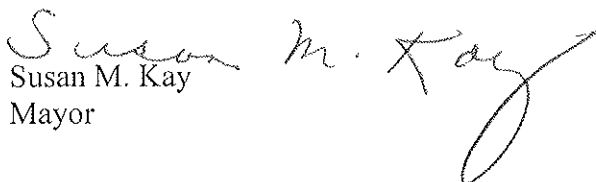
The Sewer Department budget will increase by about \$375,000 due to a projected increase by the MWRA. The Water Department budget will increase by over \$200,000. This may result in a slight fee increase in our rates. We are attempting to minimize that increase.

I have submitted additional measures in this budget booklet for deliberation before Council. They consist of: \$500,000 for the 53rd week of payroll, \$2,761,320.28 to cover snow removal costs, and \$4,760 for prior year unpaid bills.

Councilors, local municipalities do not have the ability to pass a budget that does not balance. We always find a way to live within our means. I have presented to you this evening, a balanced, efficient budget. I would like to have been able to increase the overall budget. Weymouth deserves that. However, revenues and expenses dictate our balanced mandate. I ask for your patience and support as we begin a journey to better Weymouth by increasing our revenue flow. Thank you for your attention and assistance.

As always, my staff is available to assist in your deliberations.

Sincerely,


Susan M. Kay
Mayor