

# **It's time**

**REPORT AND EXECUTIVE SUMMARY  
Regarding Westport's Fiscal Future**

**To the Westport Select Board  
From the Westport Fiscal Stability Group**

**February 1, 2023**



# **It's time**

## **Executive Summary**

We are a group of long-time and engaged Westport residents alarmed at Westport's growing structural deficit and concerned about our town remaining a place where all people of all income and conditions want to live. This paper summarizes our study and analysis of the crisis over the past year and explains the rationale for our proposals using data and local examples of the deteriorating fiscal health of our Town.

We invite all residents to examine our study, join this discussion, suggest alternatives, ask questions, and debate this issue, in order to guide us all to a better solution with the urgency that the situation deserves.

### **The Town of Westport teeters on the edge of a fiscal cliff**

After more than a decade of shrinking revenue and increasing costs, Westport and its quality of life for all of our residents is in danger. Highly respected leaders, including then-interim Town Administrator Jack Healey and groups including the Master Plan committee of 2016 and 2021 have been warning for years that Westport is barreling towards a fiscal precipice. Most recently, the 2021 Master Plan said:

*"The People of Westport need to be informed about the causes of the structural deficit as well as the possible solutions so that they can understand why it needs to be addressed and how best to accomplish it."*

The Westport Finance Committee, in its report to the May 2022 Town Meeting, stated that in the coming fiscal years, with no major sources of new revenue, expense growth will continue to outpace revenue growth, inflation will add to the structural deficit, and the Finance Committee is in support of an override at a future Town Meeting.

### **How has the Town Government operated thus far with insufficient funds?**

This paper outlines the extraordinary measures Town management and Town Meeting have had to take to navigate Westport's fiscal realities. In the face of shrinking State contributions in general, in school aid in particular, increased State assessments, state-imposed unfunded mandates, and Proposition 2 ½ constraints, the Town has been forced to reduce services and underfund statutory obligations, which include, but are not limited to:

- Critical decrease in the Stabilization Fund balance
- Reduction in workforce across many departments
- Negotiated nominal pay increases for town and school employees that have made salaries and benefits less competitive with surrounding towns. The net impact of this will be felt for years to come.
- Delay of capital expenditures.
- Increased borrowing with higher interest rates.

In hindsight, this approach was shortsighted. We believe that all members of our community need to understand how we got where we are, and where we will most likely be if we do not act now.

### **FY23 “belt-tightening” and the FY24 landscape**

The list of impacts this year and the potential cuts and reductions for next year demonstrate the continued erosion of services that will affect us all, but they will most notably hurt people who can't send their children to private school or can't pay for services that are often provided by other towns. In FY23, the School Department has managed to keep teachers in classrooms by shrinking the administrative staff. For example, for four schools, we have two principals, and all the administrators take on work outside of their job descriptions. With the budget as projected for next year, without the use of onetime funds the department projects up to 19 in-classroom educators will lose their jobs, leading to increased class size.

On the Town side, vacancies in public safety and the highway department mean delayed response time. Town and school employees will receive less-than-cost-of-living increases. Capital expenses and deferred maintenance will continue to be delayed. Only with draconian cuts will we be able to balance the FY24 budget.

As our paper shows, these cuts in our FY23 budget have negatively impacted operations in departments that include Police, Fire, Education, Veterans' Services, Council on Aging, Town Cemeteries, Transfer Station, Animal Control, Public Health, Library, Building Inspection, and general maintenance of town property and equipment. In order to attempt to achieve a balanced budget for FY24, further cuts will have to be made that will seriously impact the operations of the above departments and others and require unsustainable reductions in capital expenditures, Assessor's Overlay, and retirement contributions. It will also force us into aggressive revenue estimates and use of free cash beyond best municipal finance practices.

### **It's time to stop the red ink and to reinvest in our community**

This paper proposes that it is time to seek voters' approval for a Proposition 2 ½ override of at least \$3 million for next fiscal year. This override would cost individual property owners between \$69/year and \$2,742/year, depending on the property value – an average of \$330/year. We also look at options for easing the pain on elderly residents with low incomes and asset values.

We know that low taxes are greatly prized in town and that to suggest raising taxes is the third rail of local politics. But taxes are the dues we pay to live in a civilized society, where our streets are repaired and plowed, our children are well-educated and prepared to enter the workforce, we can count on emergency support from our police and fire departments, where we respect and value the Town and School employees who serve us, and we provide all of our residents with the services they need to thrive in Westport.

The Massachusetts Department of Revenue estimates that a \$3 million override in Westport would increase the property tax rate from the level set for Fiscal Year 2023 of \$8.16 per \$1,000

to \$8.83 per \$1,000, a tax rate increase of 8%. We use these two tax rates in our paper to illustrate the effects of a \$3 million override on individual value brackets.

### **How does Proposition 2 ½ constrain us?**

Proposition 2 ½ became law after it was proposed by a citizens petition and approved in 1980. It took effect in 1982. It limits annual increases in a town's property tax levy to 2 ½ percent plus new growth. The effect of the legislation has been to impose constraints on local tax revenues so that the revenue needs of town governments are not available to meet its necessary expenses. The legislation provided an escape valve where voters by a simple majority could approve an increase by more than 2 ½ percent for specific purposes. It was never intended to gut Town and School services.

Westport has attempted 19 overrides since 1990. It has passed only two for a total of \$160,000, the last one approved in 1994. Please see the paper for the complete discussion.

### **Shrinking support from the state for schools and general aid**

Aid for schools (Chapter 70) and for general unrestricted aid (UGGA) are based on formulas that are heavily affected by property values and income. Because of Westport's high average income and property values, we are considered a minimum aid community. Added to that is the shrinking value of the aid we receive. While the discussion can seem complicated, in short, because of our property values and income as a whole, the formula affects the aid we receive.

### **Building trust and accountability**

Considering this override requires all residents to be at the table to contribute thoughtfully to the discussion and decision. We make these recommendations as a springboard for dialogue, improvement, and action.

- We respectfully request that the Select Board present an override question to the voters of at least \$3 million. The purpose of this override is to provide necessary funding for municipal and school expenses beginning in FY24.
- We commit ourselves to help explain the appropriation process to build trust in the Town's financial management and to engage our fellow residents in their role at Town Meeting.
- We urge all residents to be involved in the appropriation of these funds through Town Meeting. Budgets are built through the thorough process of department recommendations, review by the Town and School Administrators, Finance Committee, Select Board, for final approval by Town Meeting.

### **It's time**

This executive summary provides an overview for consideration, with points fleshed out within the report that follows. We encourage you to examine our thinking and consider what kind of

town we want. Do we have the will and the capacity to provide residents with the services and support uniquely provided by local government?

*Respectfully submitted by the Westport Fiscal Stability Group  
Al Lees, convener*

## **It's time**

### **A report and recommendations regarding Westport's financial future**

#### **The Town of Westport teeters on the edge of a fiscal cliff**

After more than a decade of shrinking revenue and increasing costs, Westport and its quality of life for all of our residents is in danger. This is not a new or hidden problem. In 2013, then interim Town Administrator Jack Healey alerted the Town that we were approaching a structural deficit and we needed to increase revenue to maintain our town. Warnings were given in the Westport Master Plan of 2016 and repeated (below) in the Master Plan Update of 2021.

*"The People of Westport need to be informed about the causes of the structural deficit as well as the possible solutions so that they can understand why it needs to be addressed and how best to accomplish it."*

The Westport Finance Committee, in its report to the May 2022 Town Meeting, stated that in the coming fiscal years expense growth will continue to outpace revenue growth and inflation will add to the structural deficit. The Finance Committee supported an override at a future Town Meeting.

#### **Who we are and what we propose**

As long-time and engaged residents of Westport alarmed at the fiscal picture that has developed over the last few years, we have been meeting weekly for almost a year to brainstorm ways to address this situation. We strongly believe that it is time for us as residents of Westport to face the financial situation with purpose and resolve to end the fiscal death spiral, putting aside politics and personal bias for the greater good of our town, now and for our future.

We respectfully request that the Select Board take the necessary steps to seek voters' approval for a Proposition 2 ½ override of at least \$3 million for next fiscal year. This paper summarizes the Town's situation as we have studied it, explains our rationale for this proposal, outlines the effect of passing an override on the property tax levy, and what will happen if we don't pass it.

We know that low taxes are greatly prized in town and that to suggest raising taxes is the third rail of local politics. This is an invitation to all residents to participate in this discussion, suggest alternatives, ask questions, and debate this issue, to guide us all to a better solution with the urgency that the situation deserves.

The Massachusetts Department of Revenue has estimated that a \$3 million override in Westport would increase the property tax rate from the level set for Fiscal Year 2023 of \$8.16 per \$1,000 to \$8.83 per \$1,000, a tax rate increase of 8%. We use these two tax rates in the table to illustrate the effects of a \$3 million override on individual value brackets.

Please see Appendix A.

To maintain trust and transparency, we also propose that the Town demonstrate its commitment to excellent stewardship of these funds and set measurement benchmarks that will be used and regularly report progress.

This paper ends with a list of recommendations to consider and discuss.

### **How has the Town Government operated with insufficient funds?**

Navigating the financial minefield of diminished State contributions, increased assessments, unfunded mandates, and Proposition 2 ½ constraints costs townspeople in reduced service and underfunded statutory obligations, which include, but are not limited to:

- Critical decrease in the balance in the Stabilization Fund.
- Reduction in workforce across many departments.
- Negotiated nominal pay increases for Town employees that ultimately make salaries and benefits less competitive with surrounding towns. The net impact of this will be felt for years to come.
- Delay of capital expenditures.
- Increased borrowing with higher interest rates. Low-cost borrowing is over for the foreseeable future. Our underfunded stabilization fund increases our interest rate; borrowing will be more expensive. The stabilization fund is currently at \$1.5 million; accounting practices say that a minimum of \$5 million is required for the best interest rates.

The Town has balanced its budget in the past through non-funding or under-funding much needed and in fact statutory obligations. In hindsight, this approach was shortsighted, and it is our strong conviction that all members of our community need to understand how we got where we are, and where we will most likely be if we do not act now.

### **FY23 “Belt-Tightening” Budget**

The current FY23 budget relied on \$389,260 of one-time funds from free cash just to meet minimum staffing levels and provide level services. This came with a cost. Expense and salary line items were approved at minimum levels, leaving little to no contingency funds. With the current inflationary costs departments struggle to provide level services with the approved budgets.

Other line items were funded at the bare minimum including the assessor’s overlay account, health insurance, OPEB (pensions) and property insurance.

Here are some reductions we currently experience:



- *Unfunded fire/emergency medical (EMT) position* – Westport is already short 4-5 positions according to national standards. Calls for service remain robust in Town – in the first two weeks of January alone, public safety responded to 90 calls for assistance.
- *Uncompetitive salaries and understaffing make recruitment and retention challenging* – Surrounding towns pay better than we do and cover more of the cost of health insurance. We see more skilled workers in Town and in the schools leaving for better pay. Often those positions don't get filled or get held open to save money, and other employees need to take up the slack. In the schools, there are currently two principals who each oversee two schools. Administrators in the schools cover several disparate responsibilities outside of their job descriptions, leading to stress and burnout.
- *Lack of maintenance/unfunded emergencies*—Adequate contingency funds for emergency spending do not exist. For example, the Town farm oil tanks unexpectedly failed in January. Also, at the elementary school, the septic pump failed – a \$30,000 repair. All must be immediately dealt with but excess funds do not exist. They will have to be taken from other needs. In January, Town Hall was evacuated because an electrical outlet caught fire. Are there funds set aside for such emergencies? According to Town leadership, the answer is no. Are these deferred maintenance issues? It seems irresponsible to plan for emergencies by crossing our fingers and hoping we don't have any.
- *Broken service tools* – A Town maintenance truck was evaluated as unsafe to use. The front loader at the transfer station needs costly repairs. There are no dedicated funds to replace them or repair them.
- *Understaffed Veterans Office* – When the staff member is out for whatever reason, the office must close, limiting services to the Town's veterans.
- *Library collections curtailed* – Lack of funds cause increased wait times for books, because Town libraries prioritize their own residents for books reserved online. Popular materials not held by our library means our residents may wait months for access. Limited funds delay acquisitions that keep the collection up to date.
- *Delayed technology upgrades* – The lack of funding for library technology limits the use of the library as a remote school or workspace.
- *Town buildings need repair* – There are no maintenance funds for the Annex Gym. Lights don't work, there are holes in the floor.
- *Public safety* – The police department has pursued and received grants, but grants can't pay for personnel. The department waits to hire until the incumbent leaves, but with mandatory training the new officer is off the roads until training is done. This results in extra stress and overtime for current officers.
- *Council on Aging* – COA has been successful in winning grants for basic services, such as transportation, outreach, the supportive day program, and activities. Most towns fund most of these services for seniors. The COA also has maintenance issues, (including reoccurring phone system issues), old computers, and lack of technology for residents to use.
- *Understaffed animal control* – The open position will be cut for FY24, leaving only one employee to serve the Town and creating gaps in coverage.

- *Traffic safety at the transfer station* – The transfer station contracts out plowing and sanding, which eats into their operations money. Their salaries are low compared to other towns, creating a challenge to recruit workers.
- *Inadequate perpetual care in Town cemeteries* – Only three full-time people manage the services, to meet with the bereaved, manage the accounts, arrange all burials, dig the graves, maintain the grounds, repair the equipment, must be available 7 days a week for burials, and enforce the rules. This department also mows 38 smaller cemeteries in town. Outside vendors and seasonal help mow the grass in spring and summer and have broken stones through inexperience. Grieving families meet with staff in the cemetery maintenance garage to discuss arrangements.

### **There will be more pain in next year's budget**

The proposed FY24 budget for next year is not a level-services budget, but rather a reduced services budget. Town residents will feel the loss of services from the Town and from the schools:<sup>1</sup>

- *Eliminates or modifies* the following Town positions:
  - Firefighter/EMT (unfilled)
  - Building Inspector (unfilled)
  - Assistant Animal Control Officer (unfilled)
  - (3) Highway Department workers (unfilled)
  - Town Nurse reduction in hours
  - Possible reduction in hours of Library staff
- *Postpones* critical capital purchases and facilities maintenance.
- *Significantly reduces employee overtime*, which will impact Highway Department support for town events such as snow plowing, tree clearing, road repairs, grass mowing, after hour events, etc. Will extend permit review and inspection time for departments.
- *Continues to postpone deferred maintenance*. Because our fiscal situation has not allowed for capital investment, building maintenance and infrastructure improvements have been neglected. Some building repairs and road construction projects have been completed using outside funding sources such as CPA and other grants, and state Chapter 90 (highway) funds. But as large-budget items reach the end of their life cycle, such as furnaces, roofs, and public safety equipment, they sap the ability to invest in maintenance needed for public property.
- *Salaries and benefits* – The 2% annual employee pay increase does not cover cost of living in this high inflation environment. Westport employees are already underpaid in comparison to their compatriots elsewhere, causing skilled employees to go elsewhere. Inflation also affects the cost of health insurance. Town and school employees already pay more for their share of health insurance than many others in the state. This fuels a migration out by skilled workers who can make more elsewhere. For example, the Town

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<sup>1</sup> These cuts are currently proposed by the Town Administrator and School Superintendent in building FY24. Ultimately cuts could be adjusted by the Select Board, School Committee, and Town Meeting.

was trying to hire a part-time worker at \$20.50/hour. The person turned down the job, saying they could make \$25/hour elsewhere.

- *Required spending and unfunded mandates* – The district assessment for the construction of the new Diman Regional will put pressure on the budget. We have legally agreed to this assessment, so it needs to be paid. Students who require out-of-district placements or need special education out-of-district are funded through our school budget, placing additional pressure on the bottom line. Because we do not have the professional staff to address the special education needs of Westport students (which range from physical disability to emotional and mental health needs), too many students need to be transported out of town. Appropriate transportation of each of these students can cost anywhere from \$300 to \$700 a day. These costs come out of the school budget and end up in eating away the funds to serve other students. The school department wants to serve all Westport students in-district, and with sufficient funds can do this.
- *Larger classes and fewer teachers* – With a level-funded budget for FY24, the School Department projects it will have to lay off 15-19 classroom teachers and aides. Over the last few years, the school leadership has eliminated administrators, counseling staff, and other management positions to maintain classroom services. But the School Committee does not believe there is any more room to protect direct service faculty.
- *School aid* -- With the opening of the new middle/high school, enrollment has increased for the first time in 10 years. We are optimistic that Westport school headcount will increase over the next few years, both strengthening our state aid and limiting the number of students who go out of district for their education (and take their state aid with them.) However, we also must acknowledge that there are students who need out-of-district placements for special needs, and we are responsible for those costs. We have some catch up to do here. Keeping students in-district will keep state aid funds in town and help the school budget substantially. Investing in improved course offerings and retaining good teachers will keep students in district.
- *School services* – Nationally and regionally, there is ample evidence of the struggles children and families face, from broken homes to housing and food insecurity, emotional and mental health, and substance abuse. These were exacerbated by the pandemic. Westport is not immune from these struggles, and our school staff serve students in this very challenging environment. School leadership last summer developed in-school programs to address these challenges, but the staffing and funds were not available to implement them. But the needs remain, and as students present issues the schools have to access out-of-district services. Offering more of these services in-district will save money that can be used for other educational programming.
- *Curriculum to prepare students for the 21<sup>st</sup> century* – To prepare today's students for tomorrow's jobs, all students must be competent with technology; and not just computers, but with the advanced technology that will be required for jobs in the near future. Not all students can attend our local vocational schools, but all students need access to the enhanced technology that will prepare them for work. The schools need to have access to the resources to implement these pathways to careers.

- *Unlikely increase in state aid* – Because of our high per capita income and property values, the Commonwealth considers Westport a minimum aid community. As discussed earlier, as the state formula figures in per capita income and average property values, the formula says we don't tap the capacity of our Town revenue. Until we start to pay what the state says we can pay, we are unlikely to get additional help here.
- *Stabilization fund* – A healthy stabilization fund improves the Town's bond rating, which dictates how much short- and long-term debt costs the town. Our stabilization fund is about \$1.3 million, or approximately 3% of our annual budget. The minimum in good accounting practices is 5%. It should be a priority of an override to infuse that fund.
- *"Free cash"* – In the past two years, the Town has used \$800,000 of free cash to fund operating budgets. Free cash is generated through services performed by the Town (e.g., fees for permits), and so is not a dependable source of funds to solve long-term problems. In addition, using one-time funds for operating budgets violates the Town's own financial policy. It is also contrary to recommendations by the Department of Revenue, our auditors, and our bond rating company.

In addition to these reductions in services, to balance the FY24 budget the Town will have to rely on:

- Significant use of one-time, non-recurring sources of income (e.g., Free Cash) proposed right now at \$500,000.
- Unsustainable reductions in capital expenditures, OPEB contributions, Assessor's Overlay, etc.
- Optimistic revenue estimates.

Westport has reached a point where the growing structural deficit is doing irreparable harm to the community.

### **Who really pays for our low tax rate?**

Westport's low tax rate is seen as a virtue by many residents for years. But this low rate is hurting us. Bob Daylor, Vice Chair of the Planning Board, muses that while "low taxes is the Holy Grail," he wonders how we manage to maintain this, despite a high per capita income and burgeoning real estate values and inflation. He answers his own question: Through the people who have been laid off from Town departments, leaving the remaining employees to pick up additional work; by overcrowding classrooms; by hoping that nothing important and expensive breaks; town employees who pay a higher percentage of their health insurance compared to other towns where employees pay as little as 20 percent; and by giving Town employees modest cost of living increases that don't cover the cost of living.

Yes, taxes are low compared to other cities and towns in Massachusetts, and some of this makes sense when comparing services rendered. But our current tax levy will not support Westport's current level of services. Without additional revenue, the alternative is too draconian to imagine.

It is time to end this death spiral and have all residents pick up more of the tab.

### **Where we have been and failed Prop 2 ½ overrides**

For many years, the Town of Westport leadership has worked diligently to balance Town budgets. Because of the limits on revenue and state aid, Westport Town Meeting passed balanced budgets that underfunded basic services, underfunded our stabilization fund, and increased borrowing at higher rates because of our bond rating. While done with good intentions, it has come to a head. There is no more wiggle room – current and projected revenue will not keep pace with expenses. This long-term structural deficit will continue to grow and continue to force cutting services unless we approve a substantial override.

Despite 19 requests since 1990 to pass Proposition 2 ½ overrides, requested for legitimate needs of health, safety, and quality of education and life, only two have passed.<sup>2</sup> The last successful one, for \$100,000, passed in 1995. Considering the stark fiscal reality our Town faces in FY24, the Town has run out of options to balance our budget and provide even essential services wanted, needed, and expected in a town of our size and complexity. This task is complicated by high inflation in the last two years. Inflation alone will call for dramatic cuts in services by the Town and the schools.

We have made capital investment in infrastructure for a new middle/high school and for public safety facilities. It seems “penny wise and pound foolish” to have modern facilities built for excellence and then starve the services offered within them.

The Town is fortunate now to have new strong, talented leaders who are bringing new insights and practical improvements. For example, an increase in cyclical inspections and a new aerial software implemented in the Assessor’s Office located formerly untaxed property (new growth.) This has resulted in a one-time tax levy gain of about \$450,000, which will add to our tax base and help with next year’s budget. While this is great progress, it is our responsibility to provide our good leadership with the resources they need to continue to hunt down inefficiencies and to provide the level of services we deserve.

Our group trusts these new leaders to steer the ship of state and make good use of the resources garnered by an override.

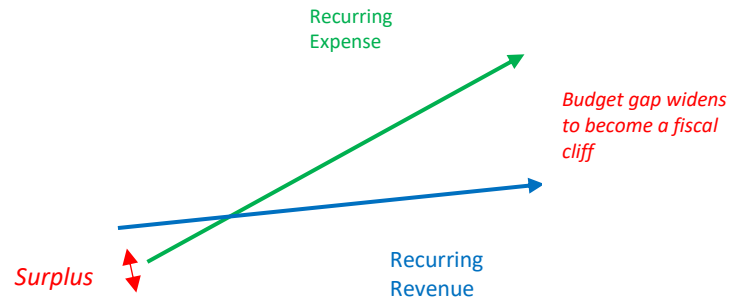
### **Our current fiscal situation**

The constraints of Proposition 2 ½ and our budget structure where recurring costs outpace our revenue creates the structural budget deficit. The gap continues to increase each year with a projected deficit of \$1.3 to \$1.5 million for FY24. This is based on level-service budgets that won’t fund level services for FY24. Both the schools and the Town will need to cut services, as discussed earlier.

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<sup>2</sup> While three debt *exclusions* have passed for the new middle/high school and the fire and police buildings, these exclusions do not address the structural operating deficit the Town faces year after year.

A structural budget deficit is created when recurring expenses exceed recurring revenues on an on-going basis. With inflation running higher than 2 ½ percent (and considerably higher in the past two years – as much as 8%), this worsens a structural deficit.



Conceptual Diagram of a Structural Deficit

The bottom line is that the Town of Westport must either approve a Proposition 2 ½ override for FY24 or make additional, painful reductions in Town and School services in the years ahead. Town Administrator James Hartnett points out that municipalities that depend mostly on residential tax revenue are hard-pressed to maintain level services without an override. Westport requires an override just to maintain the current services (which, as we point out, have been slashed in the past decade.)

Another pressure point on the budget are state unfunded mandates. These are important and required and Westport must allocate funds and staff time for them in our operating budget. If you must do these, “unrequired” but equally important items don’t get done. Some examples include:

- Changes in election law and expansion of mail-in and early voting.
- Increased accounting requirements for managing debt exclusions, septic loans, enterprise funds, and others.
- Recertification and training required under the Police Reform Act.
- Emergency management, hazard mitigation, and other requirement planning activities
- COVID-related measures.
- Unpredictable special education needs.

### **What will happen if we don’t approve an override?**

There are residents who believe that because Town leadership have worked miracles to pull us out of past holes, they will do it again. But there will be real pain over the next few years with fewer police officers, fewer fire fighters, fewer hours for the Town nurse, and up to 19 fewer teachers in the classroom. Each of these departments are stretched already – for example, each of the two principals has responsibility for two schools, and other school administrators cover several responsibilities in addition to their core jobs. Leadership of all departments say that employees are burning out. In the schools, there have been 20 administrators in 10 years – a

revolving door that doesn't serve the educational system or our families well. On the Town side, the fire department is short four to five employees according to accrediting agencies. In all departments, employees leave for better pay and health benefits.

### **What have we done without over the past two years?**

The Select Board, School Committee, and Town and School administration have tried to mitigate the pain from shrinking budgets.

- To keep educators in front of students, school administrators have each taken on multiple roles that are covered by individual professionals in other towns.
- Special education services needed from year to year are not predictable. There has been an increase in students with trauma, emotional and mental health issues, and a growing population of children being raised by grandparents and foster families in town. We have a moral and legal responsibility to provide all children with an appropriate public education, and that takes funding and support. Providing more in-district services would ultimately save money that could then be committed to implementing and expanding enrichment opportunities to better pave paths to careers.
- The schools and the Town pursue grant funding to provide some of the enhancements and for capital projects. But grants are not entitlements and are competitive. Funders often require commitment to making the project part of the operating budget after a certain time. There is cost to pursuing grants, both in effort (without a full-time grant writer) and in expenses in the future.

### **How have we gotten here?**

There are four major factors to consider regarding Westport's budget:

#### **1. Historically Low Property Tax Rate**

Westport has one of the lowest tax rates in the state, 28<sup>th</sup> from the bottom of 351 communities. This contributes to the value of that 2 ½ percent in scale when compared to communities with higher tax rates.

Our current average family property tax bill, even with the three debt-exclusion overrides (middle/high school, police and fire stations), is still \$2,300 below the State average of \$6,525, which means our Town Government spending on services and schools is similarly that much lower than the State average.

#### **2. The limits imposed through Proposition 2 ½**

The citizens' initiative petition of 1980 limits the total property tax levy increase to 2 ½ percent of property values plus new growth each year. The legislation provided an escape hatch around the 2 ½ percent limit – Town voters can authorize overrides at Town Meeting and approve it in a Town-wide ballot. Westport has attempted 19 overrides since 1990. Only two, for public safety requests totaling \$160,000, passed.

Since 2000, the yearly inflation rate was more than 2 percent in 13 out of 22 years -- including last year's staggering 8 percent.

Inflation cuts the tax levy buying power. The total property tax levy in FY23 was \$30,560,994, compared to \$20,347,506 in 2012. When adjusted for inflation, the current property levy only funds 83 percent of what it funded in 2012.

**If Westport had approved the largest override request in 1993 – \$3 million – that \$3 million would have reset the maximum tax levy from that point and given the town a new tax base with \$3 million more to work with each of those 20 years. We would not be facing the end of the road that we have kicked the can down.**

Prop 2 ½ allows for us to address outside factors that keep our revenue from going far enough to fund our basic services. Inflation is out of our control and is clearly affecting our ability to fund basic services. It is time for us to take advantage of the escape provided by the law and build for our future.

**3. Limited revenue expansion potential**

While there are options to expand our revenue base under discussion, these are potential long-term fixes. We can't wait until these big solutions present themselves – we have fiscal challenges for next year that need to be solved.

While new growth offers potential to expand our revenue, it also increases the need for services – from children in the schools, to seniors needing support – that bring an expense side as well.

**4. State aid – Westport taxable capacity vs. our effort**

The Commonwealth of Massachusetts uses various data to determine tax capacity and “effort”; that is, how well a town like Westport uses its tax capacity. Three determining points are the average property values of a town, the town's per capita income, and the average family property tax bill. (See Table 1 below.)

**Table 1. Comparison of Westport with State Averages for Residential Property Values, Per Capita Incomes and Property Taxes<sup>3</sup>**

Key Indicators	State Average	Westport Average	Westport as % of State Aver.	Westport Rank of 351 Municipalities
Average property values	\$202,012	\$229,070	113%	96 <sup>th</sup>
Average per capita income	\$48,030	\$48,170	100%	115 <sup>th</sup>
Average family property tax bill	\$6,525	\$4,198	64%	280 <sup>th</sup>

<sup>3</sup>Based on 2020-21 data from the MA Department of Revenue.



Our property values and per capita income are at or over the state average, while our average property tax bill is well below the average of the 351 communities in Massachusetts. In fact, Westport's tax rate is 28<sup>th</sup> from the bottom in the Commonwealth. These three figures, to the Commonwealth's formula, demonstrate that we have capacity for a higher tax rate. This affects the formula for state aid, particularly Chapter 70 (school aid). Because Westport has unused capacity in this formula, the Commonwealth will not bail us out.

Even including the debt exclusion tax increases, Westport's average family property tax bill is 36 percent below the state average of \$6,525, giving Town government and schools much less than other towns to provide municipal services. (Of course, we also provide fewer services.) But more importantly, our low tax rate and the resulting revenue are not sufficient to meet the growing costs of providing municipal services and excellent schools.

This reduction in aid is not limited to Westport. In the December 2022 issue of *Commonwealth Magazine*, Evan Horowitz, executive director of the Center for State Policy Analysis at Tufts University, said this about Proposition 2 ½:

*This cap made a certain kind of anti-tax sense when inflation was muted and real estate prices were rising at a steady, but not extravagant, pace. In those circumstances, it acted as a meaningful but not debilitating check on local taxes across the 351 cities and towns in Massachusetts.*

*But at moments of high inflation and tight labor markets – like right now – Proposition 2 ½ takes on a whole different character. It doesn't just limit local tax growth; it forces municipalities to actually cut taxes (in real terms) even as it gets more expensive to hire municipal workers and purchase construction materials. <sup>4</sup>*

### **The result of our inadequate revenues – kicking the can down the road**

Much of our local revenue comes from property taxes on property owners -- 71 percent. With a small commercial base, the Town must depend on residential property owners. Surveys have shown that Westport residents want to maintain our rural character and do not support large commercial development. In addition, any possible commercial development is years down the road, and we have an immediate problem in next year's budget.

While our property tax rate is low, we have also seen our state aid shrink over the past 11 years.

### **Shrinking state aid and assessments (aka Cherry Sheet)**

Over the past decade, the Commonwealth has become an unreliable financial partner. All towns and cities receive Chapter 70 funds to support schools and Unrestricted General

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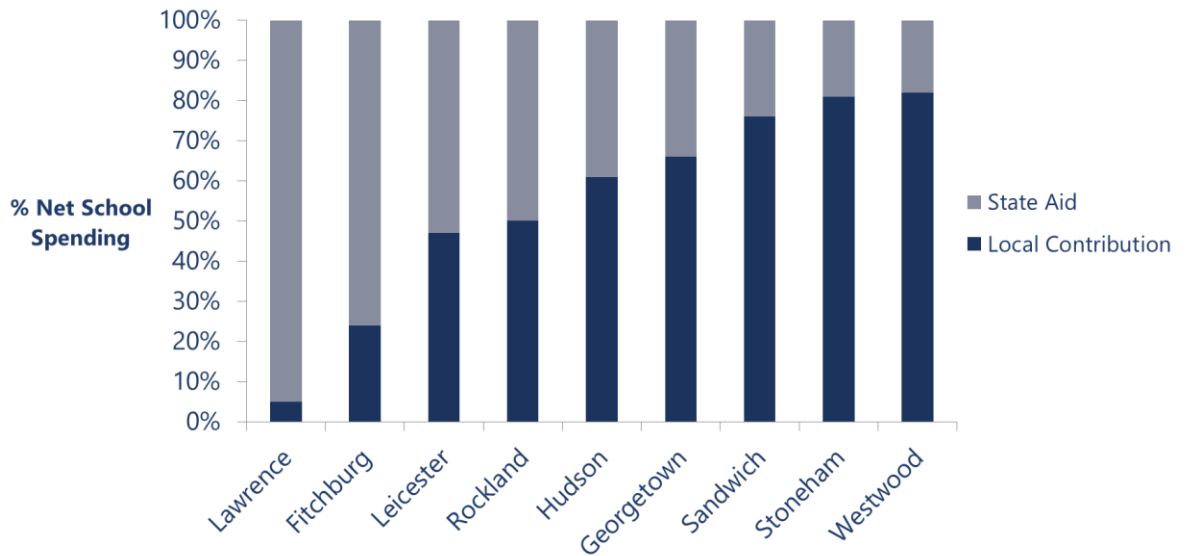
<sup>4</sup> <https://commonwealthmagazine.org/opinion/old-laws-like-prop-2-1-2-need-to-be-adapted-for-times/>

Government Aid (UGGA), the amounts based on formulas. Westport’s revenue from these funding sources has dropped substantially and has not caught up to the higher 2012 level.

**State School Aid – Chapter 70**

Chapter 70 funding is calculated from a state formula based on different factors. Income and property values of a town impact this formula heavily. Westport is a high income/high property value town, which puts makes us a minimum aid per student community in the Commonwealth’s calculations. For context, as of FY 23 Chapter 70 school funding per students) was \$3,130. Our state cap is \$5,000 per student; in other words, we receive only about 60% of the per student cap.

This chart compares the state aid of some communities vs. the local contribution that makes up their school budgets. Note that lower-income communities (such as Lawrence and Fitchburg) get more spending from the Commonwealth.



In addition, Westport Chapter 70 contributions have shrunk since 2010. In the wake of the Great Recession starting in 2009, all state aid across the Commonwealth was cut. Westport has not yet recovered that funding, and in fact we receive 10 percent less than in 2010. Inflation has made that shortfall worse and contributes substantially to our structural deficit. See below.

**Westport Chapter 70 funds: 2023 vs. 2010**

2023 State Aid Education	2010 State Aid Education
\$4,832,055	\$4,485,428
2023 State Aid Ed Assessments	2010 State Aid Ed Assessments
<u>(\$1,220,289)</u>	<u>(\$ 67,608)</u>
Net Ed State Aid	Net Ed State Aid
<b>\$3,611,766</b>	<b>\$4,417,820</b>

Source Mass Gov Cherry Sheets

[17] *It’s time: A Report from the Westport Fiscal Stability Group*

## **Enrollment and school choice**

School choice enables Westport students to attend charter schools and other public schools. Special education students can attend school elsewhere if they can't receive needed services in Westport. The Town then has to pay the tuition at the chosen school.

School enrollment started to decrease in Westport when we had to close the middle school, and with the opening of the middle/high school has started to increase. But the Chapter 70 school aid is based on the previous year enrollment. So, while local enrollment looks promising for the future, it takes some time before the state formula catches up.

If a student opts to attend an out-of-district public school, the \$3,000+ funding for that student goes with the student to the receiving school. In fact, we must pay more on top of that – if a student goes to Dartmouth, for example, we pay \$6,000+ per student – Dartmouth's aid received for their students.

In 2012, Westport was assessed for school choice (meaning the town had to deduct from the State Chapter 70 funds) \$133,746. This put the net Educational Aid from the State at \$4,020,851.

By 2022, Westport was assessed \$1,048,673. This put net Educational Aid from the State at \$3,607,759, a decline of more than 10 percent – without factoring in inflation.

Charter School assessments make even more impact. In FY22, the Commonwealth assessed Westport \$13,270 per student who attended a charter school and received \$709 back from the Commonwealth in reimbursement. The assessment for this current year – FY23 – just came in at \$16,630 per student. The Commonwealth will reimburse \$3,000 per student.

In summary:

- Westport has a low property tax rate and is constrained by proposition 2 ½ to raise the rate.
- The state school aid formula (Chapter 70) views Westport as a minimum aid community because of its high income/high property values; hence the state's low contribution to Westport schools.
- With the challenges schools have faced with closings, space, and shrinking state aid, families have voted with their feet and left the district, taking state aid money with them.
- The irony is that only an override can make a difference in the short run. Long term, our increase of our tax rate will demonstrate to the state our willingness to be a better partner in educating our children.

## Unrestricted General Government Aid (UGGA)

As its name implies, UGGA funds aid cities and towns with their overall budgets. Using data from Mass Department of Local Services (DLS):

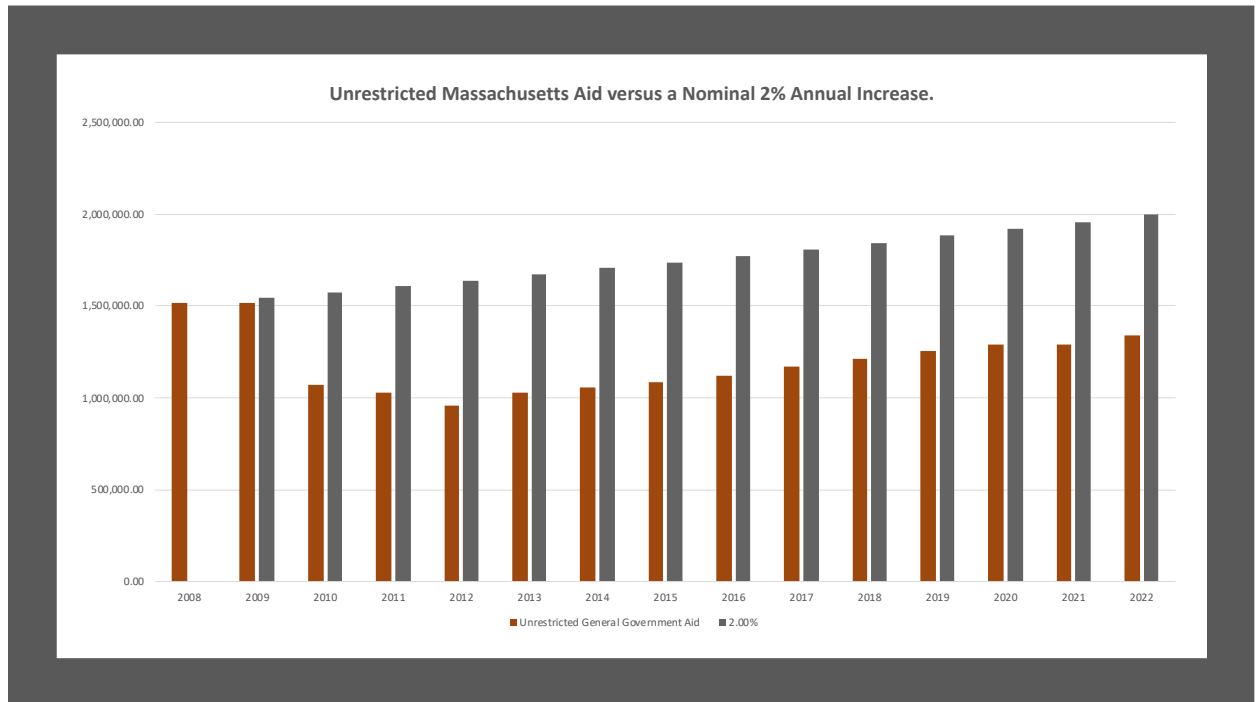


Figure 1. Source Karen Raus from State certified numbers.

- Westport's UGGA funding from the Commonwealth has increased from \$954,650 in 2012 to \$1,337,136 in 2022.
- But if Westport had received a nominal 2 percent increase in UGGA, this chart shows where Westport's UGGA funding would be. In 2009, Westport received more than \$1,500,000 in UGGA funding. This amount dropped in 2010 (\$1,072,000), 2011 (\$1,029,000) and 2012 (\$955,000) during the Great Recession before slowly increasing. UGGA funding increases worked off a base that was 50% lower than in 2009.
- 2022 UGGA funding for Westport was \$1,337,000, almost \$200,000 less than in 2009.
- If the State maintained level funding of +/- \$1,500,000 during the past decade, Westport would have taken in approximately \$4,500,000. The State didn't and doesn't, and Westport has had to fill this gap.
- Our property tax levy is limited to 2 ½ percent, and we raised our revenue somewhat by new growth. But UGGA funds have not increased, and in fact has shrunk, digging us into a hole.

### **Effect of a \$3 million override on individual owners' property taxes**

No one likes paying taxes. But we like living in a town where our streets are plowed, our children are well-educated, we provide services for our seniors, the public library is open when we want to go, our public health is protected, and we can count on public safety to be there when needed. What will an override mean to households? Please see Appendix A for the likely increases of a \$3 million override.

### **Options for easing the pain**

We are concerned about the elder members of our community and the effect tax increases from the override could have on them. The Commonwealth sets limits on property tax exemptions, and Westport's are lower than allowed by law.

All have political implications that will need to be discussed and considered, and these options are ultimately in the hands of voters at Town Meeting. Exemptions will help the elderly poor, veterans, and others who own less valuable property. In addition, agricultural and forestry land is in Chapter 60, 61, and 61a and won't be affected.

### **Building trust and embracing accountability**

Our group of concerned citizens has been met to wrestle with the issues we face, and we conclude that it is time for the Town to pass an override to give us some breathing room and to invest in our community. We will commit ourselves to supporting this endeavor. However, we strongly feel that to be successful in passing an override, the Town and the schools must commit to transparency on how the money is spent and what benchmarks will be established to demonstrate wise use of these funds. We stand ready to support this process and engage our community in this.

### **Our recommendations**

We make these recommendations as a springboard for discussion, improvement, and action.

- We respectfully request that the Select Board present an override question to the voters of at least \$3 million. The purpose of this override is to provide necessary funding for municipal and school expenses beginning in FY24.
- We also recommend that, if the override is successful, the Select Board commit to depositing some of the override funds each year to build up the Stabilization Fund.
- We commit ourselves to help explain the appropriation process to build trust in the Town's financial management and to engage our fellow residents in their role at Town Meeting.

- We urge all residents to be involved in the appropriation of these funds through Town Meeting. Budgets are built through the thorough process of department recommendations, review by the Town and School Administrators, Finance Committee, Select Board, for final approval by Town Meeting.

### **It's time**

As reflected earlier, we have the capacity to increase the revenue that provides residents with the services and support uniquely provided by local government. No one likes to pay taxes. But taxes are the dues we pay to live in a civilized society and invest in the Town where we live to get our streets plowed, our children educated, and our public safety strong and responsive. Our many, many years of austerity have gotten us to the precipice of a hole that we may not be able to climb out of. It's time to back off from that precipice.

Thank you.

Respectfully submitted,

The Westport Fiscal Stability Group

*Al Lees, convener*

### **Appendix A (next page)**

As shown in the table, the average value of the 1,318 properties in the lowest value bracket is \$103,051. The estimated increase in the average tax bill for those properties from a \$3 million override is \$69. The average tax bills per property value bracket rise to a top level of \$36,134 for the 8 properties in the highest value bracket and the average tax increase from the override for those properties would be \$2,742.

This way of viewing the data provides a much clearer picture of the impact a \$3 million override will have on the owners of the various levels of property values than is gained from the simple average for all properties. A property owner who has a property in the lowest value bracket, can possibly gain some comfort from seeing that his or her tax is likely to increase by an average of about \$69 which is only about 20% of the average overall increase of \$330 for all properties.

**Impact of \$3 million Override on Property Tax by Property Value Brackets**

Value of properties \$ 000	Number of properties	Assessed value of properties	Estimated tax revenue @ 8.16	Average value of properties	Average tax bill @ 8.16	Average tax bill @ 8.83	Increase in Aver. Tax Bill
<250	1318	135,820,920	1,108,299	103,051	841	910	69
250-349	1714	524,761,430	4,282,053	306,161	2,498	2,703	205
350-449	1670	660,792,280	5,392,065	395,684	3,229	3,494	265
450-549	1116	553,424,290	4,515,942	495,900	4,047	4,380	332
550-649	804	480,440,910	3,920,398	597,575	4,876	5,277	401
650-749	548	381,575,410	3,113,655	696,305	5,682	6,148	466
750-849	339	270,516,720	2,207,416	797,984	6,512	7,046	534
850-999	273	250,413,190	2,043,372	917,264	7,485	8,099	614
1,000-1,249	257	286,784,320	2,340,160	1,115,892	9,106	9,853	747
1,250-1,499	160	218,137,220	1,780,000	1,363,358	11,125	12,038	913
1,500-1,999	139	233,895,930	1,908,591	1,826,589	14,905	16,129	1,224
2,000-3,000	46	108,880,720	888,467	2,366,972	19,315	20,900	1,765
>3,000	8	32,737,060	267,134	4,092,133	33,392	36,134	2,742
<b>Totals</b>	<b>8,392</b>	<b>4,138,180,400</b>	<b>33,767,552</b>				
<b>Averages</b>				<b>493,110</b>	<b>4,024</b>	<b>4,354</b>	<b>330</b>
<b>Total Revenue @ 8.83</b>						<b>36,540,133</b>	

*Original data for 2023 from the Westport Assessors office with calculations by David Cole*