

# Supplemental Financial Information

This section is intended to provide readers with background on the Town's current financial situation as well as the basis for the Select Board and Finance and Warrant Commission's FY20 budget recommendations.

This information is drawn from the numerous presentations made throughout the budget process at public meetings of the Select Board, Finance and Warrant Commission, Long Range Financial Planning Committee, and Budget Steering Committee.

If you would like additional information, please visit the Town's website: [www.town.westwood.ma.us](http://www.town.westwood.ma.us) for more detailed financial data including, but not limited to:

- Town wide FY20 Overall Budget Summary book.
- Municipal and School Budget detail books.
- Annual financial statements.
- Credit ratings.
- Bond sale official statements.
- Other Post Employment Benefits (OPEB) liability information.
- Financial policies and current status.

# FY20 Budget Summary

The FY20 overall budget strives to provide a well-balanced, comprehensive budget for the community. The Select Board, working closely with the Long Range Financial Planning Committee, the Finance and Warrant Commission, and Town and School officials and administration, has continued to work cooperatively to balance the many needs of the community.



There are many needs to provide for in each budget year. It is important to maintain quality services provided to our residents through the school and municipal departments. It is also important for the budget to provide for appropriate funds for the capital budget, so that the Town's assets are well maintained. In addition, it is very necessary for the Town to maintain appropriate balances in our reserve accounts, as well as to provide for long term liabilities such as pensions and OPEB. It is also important to remember the impact of the budget on our residents' tax bills and to provide tax relief when we are able to do so. As the Select Board has done for several years, this budget makes progress on balancing the overall financial needs of the Town.

The Town experienced difficult budget years in FY10 – FY12. The already challenging budgets in those years had additional pressure through declining revenue due to the poor national economy and high fixed cost increases. Through those difficult years, all Town and School parties worked cooperatively, striving to remain within limited resources and providing the best services as possible to the community. Because Town and School officials responsibly addressed those difficult years and did not seek to use one time budget balancing solutions, the Town was better positioned with a structurally balanced budget and emerged from those difficult years in an enhanced position to move forward.

The Town budgets in FY13 through FY19 exhibited overall improvement in the economy and revenue sources. This coupled with significant savings due to health insurance reforms, allowed for budgets that provided for moderate operating budget growth while making continued progress on capital, reserves, and long term liability needs.

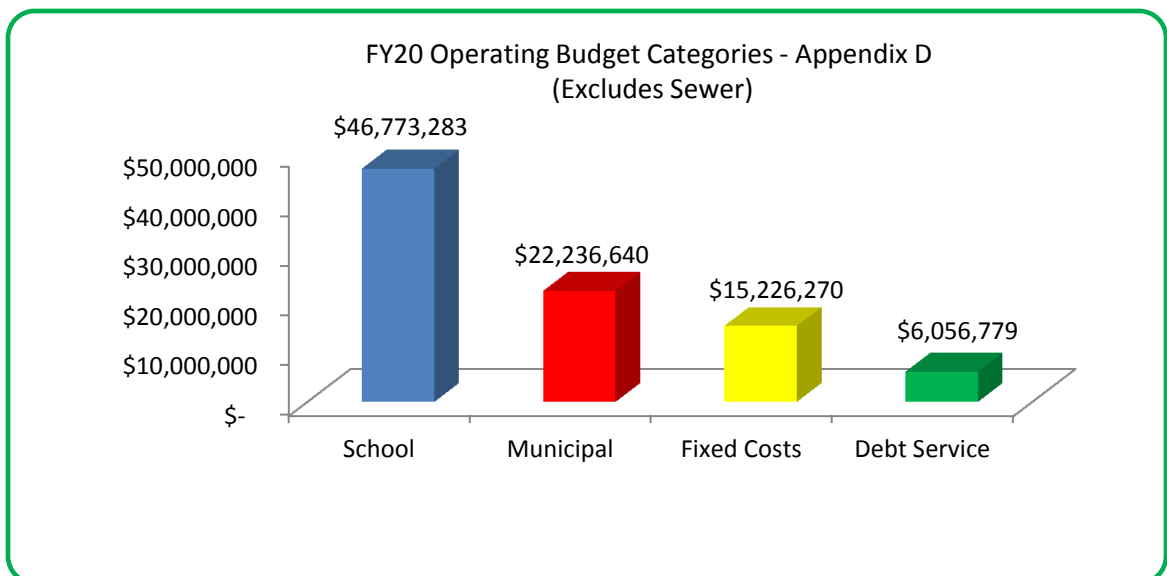
# FY20 Budget Summary

As the economy has improved, the Town continues with disciplined measures, focusing on the multiple budgetary needs and implementing sound decisions allowing the Town to stay on track going forward. Some of these measures include:

- Moderate operating budget increases so as to provide for future sustainability of services and staffing levels.
- Responsible labor contracts.
- Significant changes to the employees' health insurance costs.
- Prudent use of debt financing to capture historically low interest rates.
- Commitment to capital reinvestment and appropriate funding of reserves and liabilities.
- Careful use of new tax revenue from the University Station project.

The FY20 proposed budget continues with this discipline and seeks to balance all of the many needs of the community. The FY20 budget currently includes:

- Commitment to high quality services provided by school and municipal departments.
- Approximate 3.5% increase to municipal and school operating budgets.
- Commitment to high level of ongoing base school and municipal capital \$2,339,000.
- Continue to fund additional capital items beyond the base level.
- Continue small annual allocation to the Stabilization Fund of \$125,000 funded from free cash to keep account in line with financial policies.
- Commitment to OPEB liability fund, by funding \$1.44M annual appropriation. This allows the Town to remain on target with the liability funding schedule.
- Implement first phase of Road Bond work within Proposition 2 ½



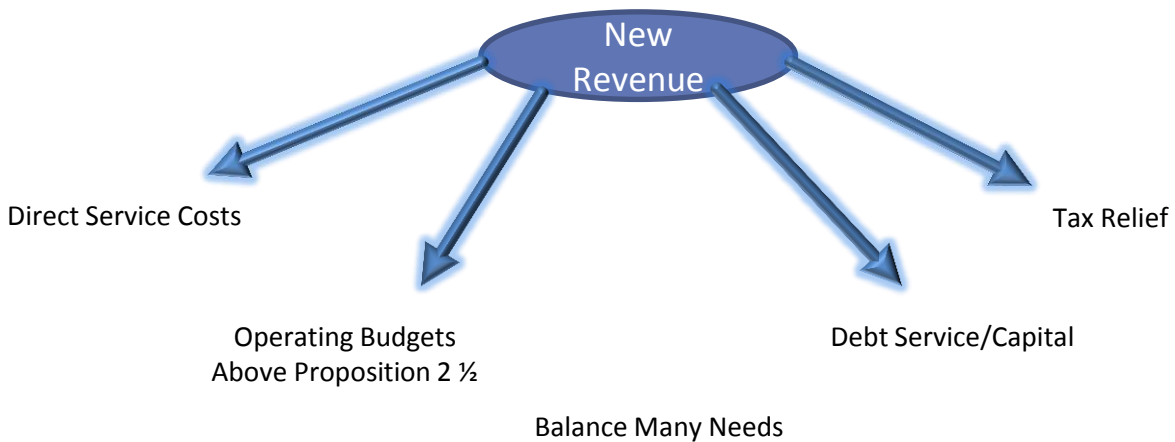
# FY20 Budget Summary

## University Station

Through significant work by so many in Town for so many years, the University Station project has finally come to fruition and continues to provide a significant opportunity for the Town to continue with the responsible established budget practices.

FY20 will represent the sixth year of new tax revenue from the University Station project. To date through FY19, the project has increased our tax levy by \$5.4M.

The new revenue, starting in FY15, has been used to address several areas of the Town's finances.



The Town has worked to make sure that the revenue has been used cautiously and meets as many budget needs, including tax bill mitigation efforts, as possible. This new revenue has had a very positive impact on our budget needs.

In the FY20 budget, there is \$680,000 in University Station revenue available, coming from \$555,000 of unused FY19 levy and anticipated new tax growth of \$125,000. The Select Board is proposing that \$587,500 of this funding be used for direct University Station services including \$537,500 for public safety funding and \$50K for school transportation needs. In addition, \$92,500 will be used toward debt service for the first phase of a new Road Improvement Bond.

*Detailed information on total revenue from this project and the particular use of the funds is included in the University Station section in this book.*

## **Striving to Provide Balance to All Areas of the Budget**

*This budget continues to balance the operations, capital, reserves and long term liabilities of the community.*

All areas of Westwood's government and schools provide a high level of quality service for our residents and community. Our residents desire this level, while understanding the difficulty in meeting these needs within our budget parameters and the tax bill impact.

Our Town and School administration and staff have done a tremendous job in maintaining quality services within the difficult budget structure of Proposition 2 ½. We must continue to, and the community must support, a continual change of programs to ensure efficient and optimal delivery of services.

In addition, as the University Station project continues to come on line, new demands on our services will occur. We must adjust our budgets accordingly to respond to these new demands, particularly on our public safety and school departments. We must also continue to monitor the University Station revenue – and be sure to properly set aside revenue that occurs before direct service impact. We need to have the funding available when the direct service costs are realized.

The overall budget must also continue to address capital needs, reserve levels, and our long term pension and OPEB liabilities. The real challenge is to balance these needs and continue moving forward in all areas, not specifically one need at the expense of others.

All of these areas of spending must be balanced against the impact on the residential tax bill. While our residents demand a high level of services, Westwood, as a typical suburban community, is funded through tax revenue and therefore the budget must be mindful of the resulting tax bill impact and seek to slow the annual tax bill growth.

The Select Board will continue to structure the annual budget proposals to provide progress on all areas and maintain the quality and sustainability of services that our residents deserve.

As always, the Select Board appreciates the significant time and attention that our elected Town and School Officials, Finance and Warrant Commission members, all appointed Boards and Committees and staff, and our Town residents give to the budget process each year.

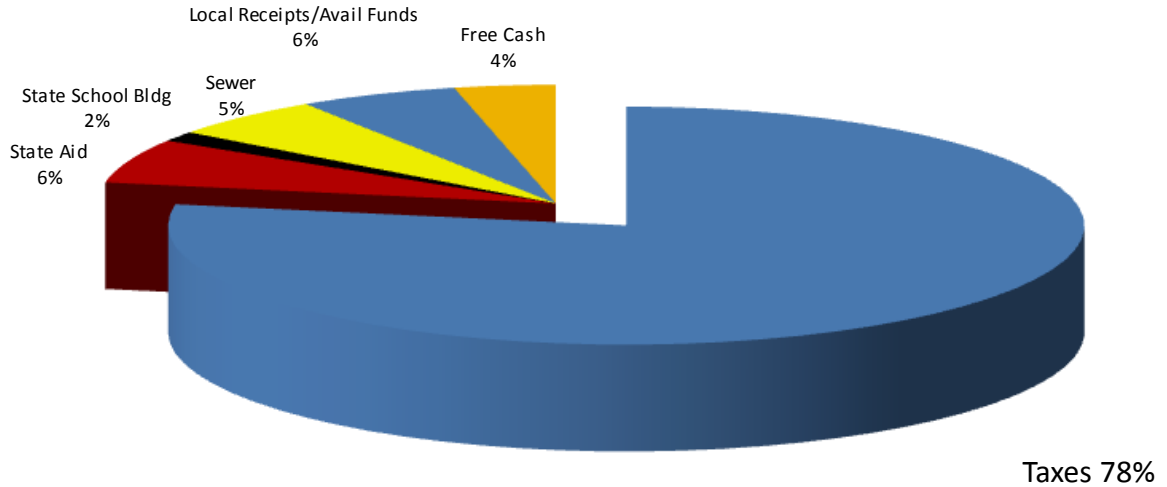
# Town of Westwood Summary of Proposed FY20 Budget

## Town of Westwood Summary of Proposed FY20 Budget

	FY2017 Approved Per Recap	FY2018 Approved Per Recap	FY2019 Approved Per Recap	FY2020 Proposed
<b>BUDGET CATEGORIES</b>				
<b>Appropriations Made by Town Meeting:</b>				
Operations Budget	\$83,797,429	\$87,726,490	\$91,193,470	\$94,627,947
Capital - Municipal	\$850,100	\$867,000	\$886,900	\$1,322,000
Capital -Schools	\$885,050	\$867,000	\$867,000	\$1,017,000
Capital - Sewer	\$135,000	\$600,000	\$420,000	\$1,050,000
Stabilization Account Appropriation - annual article	\$100,000	\$100,000	\$100,000	\$125,000
Capital Stabilization Appropriation	\$0	\$397,000	\$0	\$0
OPEB Account Appropriation - annual article	\$1,350,000	\$1,390,000	\$1,415,000	\$1,440,000
Other Financial Warrant Articles	\$90,000	\$1,406,000	\$1,125,000	\$0
Prior yr. Adjustments voted at Town Meeting	\$421,000	\$403,800	\$331,000	\$99,500
	\$0	\$0	\$0	\$0
Other Capital - School & Municipal	\$750,000	\$949,000	\$1,300,760	\$1,407,000
	\$0	\$0	\$0	\$0
<b>Total Appropriations -Town Meeting</b>	<b>\$88,378,579</b>	<b>\$94,706,290</b>	<b>\$97,639,130</b>	<b>\$101,088,447</b>
<b>Other Amounts to be Raised (not Voted at Town Meeting)</b>				
State Aid Offsets (Funds which must be restricted )	\$19,646	\$18,602	\$19,478	\$22,307
State and County Charges	\$591,670	\$624,344	\$676,612	\$699,378
Overlay (Reserve for abatements/exemptions)	\$639,929	\$584,151	\$586,416	\$600,000
Other - Snow & Ice Raised on Recap	<u>\$121,492</u>	<u>\$69,715</u>	<u>\$121,480</u>	<u>\$123,172</u>
<b>Total Other Amounts</b>	<b>\$1,372,737</b>	<b>\$1,296,812</b>	<b>\$1,403,986</b>	<b>\$1,444,857</b>
<b>Total Expenditures</b>	<b>\$89,751,316</b>	<b>\$96,003,102</b>	<b>\$99,043,116</b>	<b>\$102,533,304</b>
<b>Financial Resources</b>				
<b>State Revenue:</b>				
State Aid	\$5,781,433	\$5,965,655	\$6,212,883	\$6,212,883
State School Building Assistance Funding	\$1,401,276	\$1,401,276	\$1,401,276	\$1,401,276
<b>Local Revenue:</b>				
Total Property Taxes	\$70,500,803	\$74,005,710	\$76,955,697	\$80,435,435
Local Receipts	\$3,312,000	\$4,043,415	\$4,204,479	\$4,195,857
Enterprise (Sewer ) Funding (for all - capital , articles, etc)	\$4,250,511	\$5,067,862	\$5,118,071	\$5,790,177
Available Funds for misc articles	\$228,000	\$769,800	\$1,038,760	\$167,000
Available Funds	\$536,243	\$528,334	\$520,832	\$527,176
Meals Tax	\$0	\$0	\$432,000	\$515,000
Capital Stabilization Fund	\$650,000	\$0	\$0	\$0
Free Cash to Reduce the Tax Rate	\$500,000	\$500,000	\$0	\$0
Free Cash	<u>\$2,591,050</u>	<u>\$3,721,050</u>	<u>\$3,159,118</u>	<u>\$3,288,500</u>
<b>Total Revenues</b>	<b>\$89,751,316</b>	<b>\$96,003,102</b>	<b>\$99,043,116</b>	<b>\$102,533,304</b>
<b>Total revenue less expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Authorization to borrow (Projects approved at Town Meeting -funds are borrowed and debt service included in future budgets) :</b>				
Approved at 2016 ATM -Police Station Construction	\$13,205,000			
Approved at 2016 ATM -Sewer System Inspection + Repair - through MWRA Grant/Loan	\$666,000			
Approved at 2018 ATM -School MSBA Program Eligibility Phase			\$1,750,000	
Approved at 2018 ATM -Redevelopment Islington/Wentworth Library			\$3,500,000	
Proposed for 2019 ATM -Road Improvement Project				\$900,000

# FY2020 Projected Budget Revenue

## FY2020 Projected Budget Revenue



## FY2020 Projected Budget Revenue

	FY2019 Per Recap	FY2020 Proj	\$ Increase	% Increase
Taxes	\$76,955,697	\$80,435,435	\$3,479,738	4.5%
State Aid	\$6,212,883	\$6,212,883	\$0	0.0%
State School Bldg Reimbursement	\$1,401,276	\$1,401,276	\$0	0.0%
Sewer Enterprise	\$5,118,071	\$5,790,177	\$672,106	13.1%
Local Receipts	\$4,204,479	\$4,195,857	(\$8,622)	-0.2%
Available Funds	\$520,832	\$527,176	\$6,344	1.2%
Available Funds - prior year/other articles	\$1,038,760	\$167,000	(\$871,760)	-83.9%
Meals Tax	\$432,000	\$515,000	\$83,000	
Free Cash	\$3,159,118	\$3,288,500	\$129,382	4.1%
<b>Total</b>	<b>\$99,043,116</b>	<b>\$102,533,304</b>	<b>\$3,490,188</b>	<b>3.5%</b>

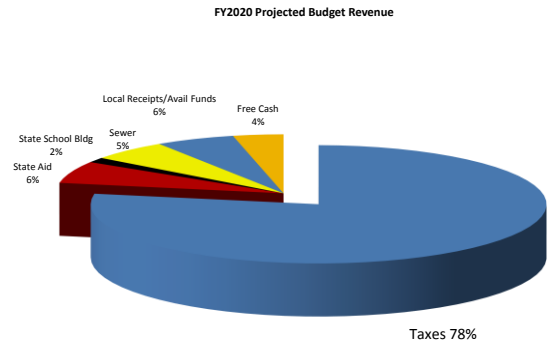
# The Tax Levy

The Town's main revenue source is property tax revenue. In Massachusetts, tax revenue is governed by State law.

## What is Proposition 2 ½?

Proposition 2 ½, passed in November 1980, places a limit on the property taxes a community can levy each year. The taxing capacity of the Town is limited to a 2.5 percent increase of the prior year's levy limit. In addition, the total levy may increase by taxes attributable to new growth. A town may choose to "override" these limits.

Therefore, without any overrides, the total levy limit is increased by 2.5 percent and a new growth amount certified by the Department of Revenue.



There are Different types of Overrides

## What is a General Override?

A general override can be passed to obtain additional funds for any municipal purpose. A general override permanently increases the Town's levy limit. An override question may be placed on the ballot by a majority vote of the Board of Selectmen and must be passed by a majority of voters.

What is a Debt Exclusion?

## What is a Capital Outlay Expenditure Exclusion?

Proposition 2 ½ allows communities to raise funds for certain purposes above the amount of their levy limits or levy ceilings. Subject to voter approval, a community can assess taxes in excess of its levy limit or levy ceiling for the payment of certain capital projects and for the payment of specified debt service costs. An exclusion for the purpose of raising funds for debt service costs is referred to as a debt exclusion and an exclusion for the purpose of raising funds for capital projects costs is referred to as a capital outlay expenditure exclusion.

The additional amount for the payment of debt service is added to the levy limit or levy ceiling for the life of the debt only. The additional amount for the payment of the capital project cost is added to the levy limit or levy ceiling only for the year in which the project is being undertaken. Unlike overrides, exclusions do not become part of the base upon which the levy limit is calculated in future years.

The history of Westwood's total tax levy and the history of Westwood's override questions are presented on the following pages.



## Proposition 2 ½ Overrides

Project Date of Vote	Amount	Type of Override	Year Cost Impact to be Completed
School Override 1995 Annual Town Election	\$560,413	General Override	Permanent change to the allowable taxation levy limits
School Override 1999 Special Town Election	\$999,164	General Override	Permanent change to the allowable taxation levy limits.
School Override 2002 Annual Town Election	\$1,615,203	General Override	Permanent change to the allowable taxation levy limits.
School Override 2007 Annual Town Election	\$2,777,387	General Override	Permanent change to the allowable taxation levy limits.
<b><i>Debt/Capital Exemption Overrides Approved &amp; Still Ongoing</i></b>			
High School - New Construction 2000 Special Town Election	\$35,962,000	Debt Exemption*	Will be completed in 2023. Net cost to average home \$4,693 or \$233/yr. for 20 years.
High School – Additional Appropriation for New High School 2002 Annual Town Election	\$8,333,640	Debt Exemption*	
Library – New Construction 2010 Annual Town Election	\$9,300,000	Debt Exemption	Will be completed in 2031. Net cost to average home \$1,947 total, or \$97/yr. for 20 years.
*Amount of taxation is directly reduced by state reimbursement (59% of total project).			
For debt exemption overrides - debt payment each year is raised outside of Proposition 2 1/2.			
<b><i>Debt/Capital Exemption Overrides Completed</i></b>			
Vote to Exempt Sewer Construction Bonds 1982 Annual Town Election	\$4,000,000	Debt Exemption	Completed – FY1993
Capital Equipment 1989 Annual Town Election	\$298,000	Capital Exemption	Completed – FY1990
Road Improvement Program 1990 Special Town Election	\$1,703,000	Debt Exemption	Completed - FY2001
Reconstruction of Middle School 1990 Special Town Election	\$2,282,000	Debt Exemption*	Completed - FY2002
Road Improvement Program 1994 Annual Town Election	\$2,200,000	Debt Exemption	Completed - FY2005
Middle School/Fields 1997 Annual Town Election	\$2,373,430	Debt Exemption*	Completed – FY2009
Middle School/Gymnasium 1997 Annual Town Election	\$550,000	Debt Exemption*	Completed – FY2009
Downey School Expansion 1999 Annual Town Election	\$6,500,000	Debt Exemption*	Completed - FY2012
Martha Jones School Expansion 2000 Special Town Election	\$7,200,000	Debt Exemption*	Completed – FY2012

## Proposition 2 ½ Overrides (Continued)

<i>Overrides Not Approved</i>			
1984 Annual Town Election		Debt Exempt	Exempt Sewer Bond for Sewer Work
1988 Annual Town Election		Debt Exempt	Exempt Road/Sewer Bond
1989 Special Town Election	\$1,500,000	General	General Override for Budget
1991 Special Town Election	\$394,435	Capital Excl	Specific Capital Items
1991 Special Town Election	\$1,282,000	Debt Exempt	Bond for Road Improvement Work
1991 Special Town Election	\$250,000	Debt Exempt	Bond for Purchase of Conservation Land
1993 Annual Town Election	\$500,000	General	General Override to fund teaching positions/curbside recycling
1999 Annual Town Election	\$1,285,320	General	General Override for School Budget
2005 Annual Town Election	\$525,616	General	General Override for Municipal Budget
2005 Annual Town Election	\$2,394,199	General	General Override for School Budget
2005 Annual Town Election	\$1,500,000	General	General Override to fund Capital Stabilization Fund

# History of Tax Levy – Budget FY2020

Tax Levy Calculation	FY2016	FY2017	FY2018	FY2019	Budget FY2020	
Prior Year Levy Limit	\$60,753,121	\$66,435,457	\$70,367,740	\$73,558,364	\$76,623,854	
Plus 2.5% Increase	\$1,518,828	\$1,660,886	\$1,759,194	\$1,838,959	\$1,915,596	Plus 2.5%
Plus New Growth**	\$921,201	\$1,099,667	\$1,252,430	\$950,531	\$450,000	New growth
New Tax Levy - University Station	\$3,242,307	\$1,171,730	\$179,000	\$276,000	\$125,000	Uni Station growth
General Overrides	\$0	\$0	\$0	\$0	\$0	General Override
<b>Tax Levy Limit</b>	<b>\$66,435,457</b>	<b>\$70,367,740</b>	<b>\$73,558,364</b>	<b>\$76,623,854</b>	<b>\$79,114,450</b>	
<b>Exempt Debt*</b>	<b>\$1,740,624</b>	<b>\$1,642,706</b>	<b>\$1,523,690</b>	<b>\$1,429,505</b>	<b>\$1,320,986</b>	Exempt Debt
<b>Levy Capacity</b>	<b>\$68,176,081</b>	<b>\$72,010,446</b>	<b>\$75,082,054</b>	<b>\$78,053,359</b>	<b>\$80,435,436</b>	What we could tax
Actual Levy Assessed	\$67,637,558	\$70,500,803	\$74,005,710	\$76,955,697	\$80,435,436	What we actually tax
Excess Levy(Taxes not raised )	\$538,523	\$1,509,643	\$1,076,344	\$1,097,662	\$0	Unused tax levy
Increase in Actual Levy (including new growth)	9.1%	4.2%	5.0%	4.0%	4.5%	
Increase in Levy without new growth	2.39%	0.88%	2.94%	2.33%	3.77%	

Unused Tax Levy Detail	FY2018	FY2019	Budget FY2020
Unused University Station	\$279,000	\$555,000	\$0
Other New Growth Higher Than Budgeted	\$797,344	\$542,662	\$0
<b>Total Unused Levy</b>	<b>\$1,076,344</b>	<b>\$1,097,662</b>	<b>\$0</b>

\* Exempt debt - This is the net principal and interest payment required each year for borrowing projects approved outside Proposition 2 1/2.

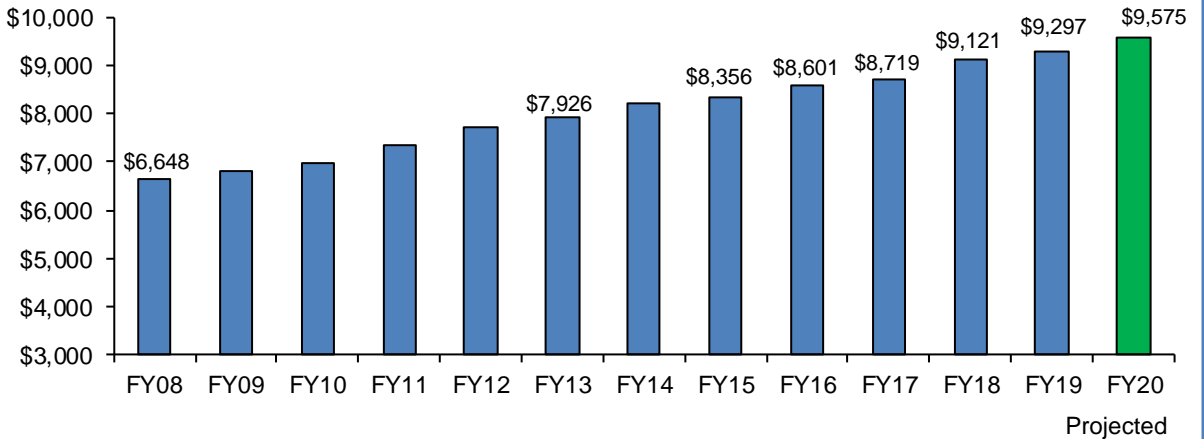
\*\*New Growth - This represents taxes from new residential and commercial development.

- No general override since 2007
- Exempt debt declines each year, High School bond ends in 2023

# Tax Rate/Tax Bill History

Tax Rate per Thousand	FY13	FY14	FY15	FY16	FY17	FY18	FY19	Projected FY20
Residential	\$14.89	\$15.40	\$15.24	\$14.66	\$14.57	\$15.09	\$14.65	
Commercial	\$27.28	\$28.18	\$28.79	\$28.27	\$28.20	\$29.30	\$28.24	
<b>% of Total Town Value</b>								
Residential Property	86.7%	86.8%	87.5%	85.5%	85.1%	84.9%	84.1%	
Commercial Property	13.2%	13.1%	12.5%	14.4%	14.8%	15.1%	15.9%	
Tax Shift Factor	1.65	1.65	1.70	1.70	1.70	1.70	1.68	
<b>% of Total Town Taxes</b>								
Residential Properties	78.1%	78.3%	78.7%	75.4%	74.8%	74.3%	73.3%	
Commercial Properties	21.8%	21.6%	21.3%	24.5%	25.2%	25.7%	26.7%	
<b>Average Residential Tax Bill</b>								
Home Value	\$532,345	\$532,345	\$548,315	\$586,697	\$598,431	\$604,000	\$634,636	
Tax Bill	\$7,926	\$8,198	\$8,356	\$8,601	\$8,719	\$9,121	\$9,297	\$9,575
<b>Average Tax Bill Increase</b>	2.8%	3.4%	1.9%	2.9%	1.3%	4.6%	2.0%	3.0%
<b>Single Tax Rate</b>	\$16.53	\$17.08	\$16.93	\$16.63	\$16.59	\$17.24	\$16.81	
<b>Savings to Average Tax Bill from Having Split Tax Rate</b>	\$874	\$894	\$926	\$1,155	\$1,207	\$1,300	\$1,370	

**Average Residential Tax Bill**



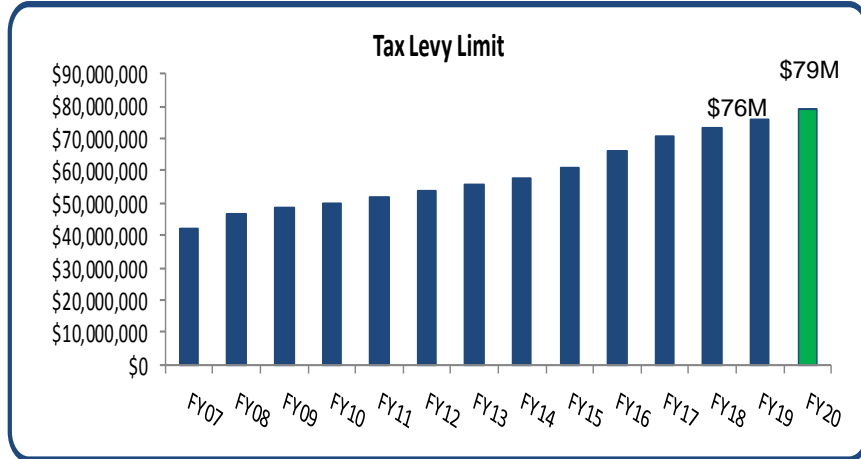
# The Components of the Tax Levy

Property tax levy:

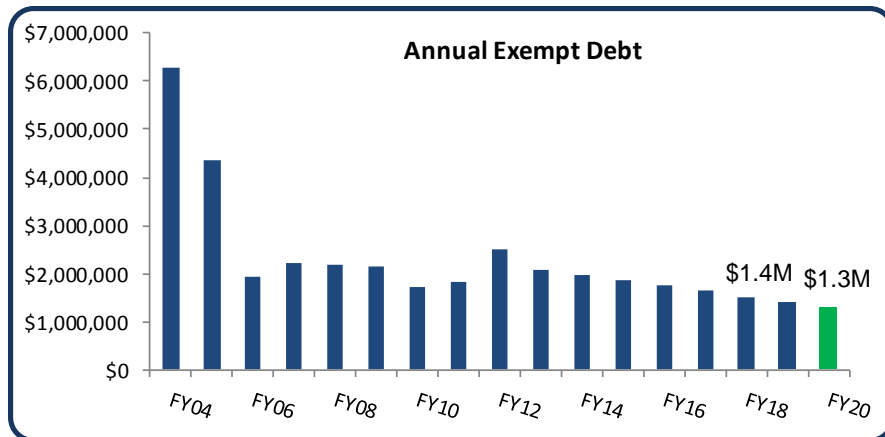
- Revenue a community can raise through property taxes.
- Proposition 2 ½ places constraints on the amount of the levy raised by a community and on how much the levy can be increased from year to year.

There are 2 categories of the tax levy:

- **General Taxes:**
  - Can increase by 2.5% each year.
  - Also can include taxes from new construction.
  - Can increase more than 2.5% with a voter approved override.



- **Exempt Debt:**
  - Principal & interest for bonds for projects voted outside of Proposition 2 ½.
  - Exact amount of debt cost is taxed.
  - Not limited to 2.5% increase – It is what it is.

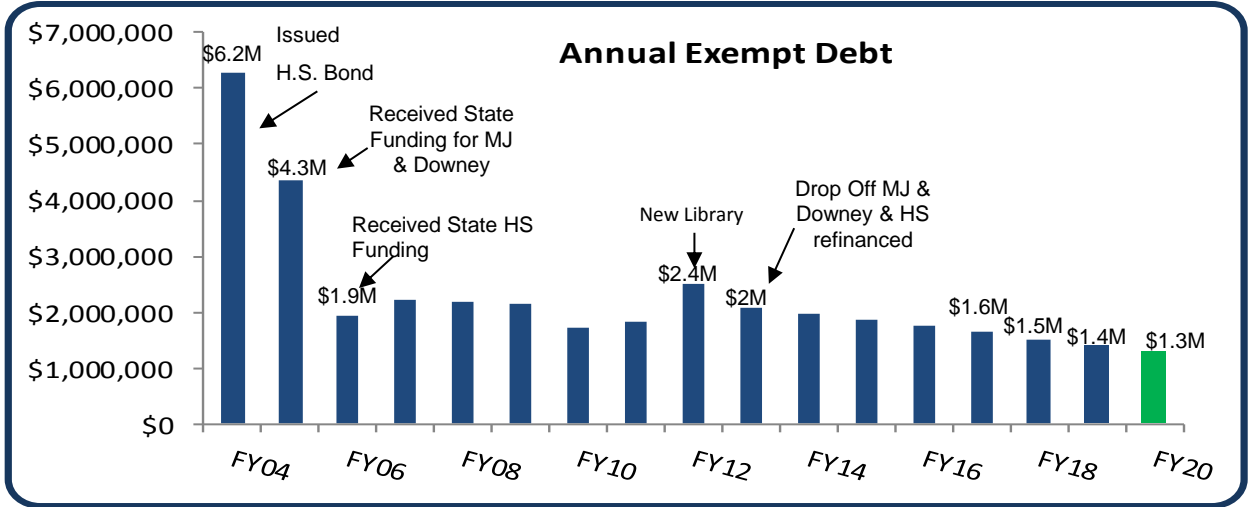


Proposition 2 ½ governs total taxes raised by the Town,  
not an individual home's bill.

# Exempt Debt – Changes Each Year with Debt Payments

- Principal and interest payments for projects approved outside Proposition 2 ½.
- Exact amount of debt cost, net of state school reimbursement, is raised in taxes.
- When bond ends, exempt taxes end.

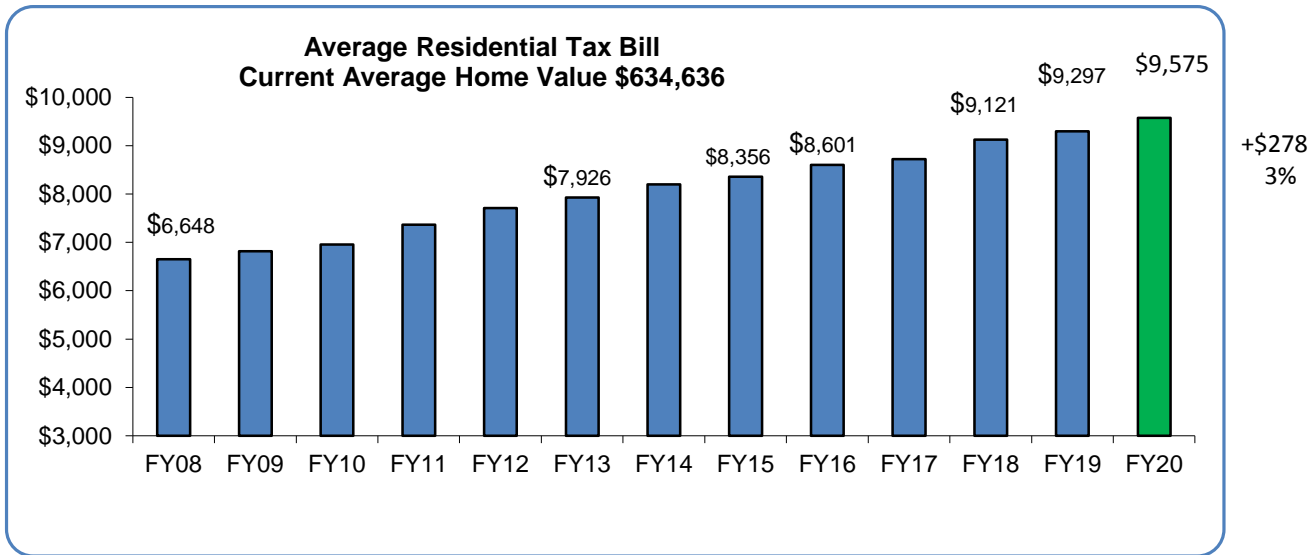
## Annual Exempt Debt



- FY12:
  - New library bond added to exempt debt.
- FY13:
  - MJ and Downey bonds completed in FY12.
  - High School bond refinanced.
- Exempt debt will decrease approximately \$100K a year until the high school bond is completed in 2023. Library Bond ends 2031.
- FY20 Exempt Debt:
 

High School	\$659,234
Library	<u>\$661,752</u>
Total	\$1,320,986

# A Look At the Average Tax Bill



- FY20 bill increase of \$278 or 3%.
  - Based on net tax levy change only, not any change in commercial/residential shift.

	FY15	FY16	FY17	FY18	FY19	Projected
Average Tax Bill Increase	1.9%	2.9%	1.3%	4.6%	2%	3%
Savings to Average Tax Bill Resulting from Split Tax Rate	\$926	\$1,155	\$1,207	\$1,300	\$1,370	
Average Residential Tax Bill Home Value	\$548,315	\$586,697	\$598,431	\$604,000	\$634,636	
Average Tax Bill	\$8,356	\$8,601	\$8,719	\$9,121	\$9,297	\$9,575

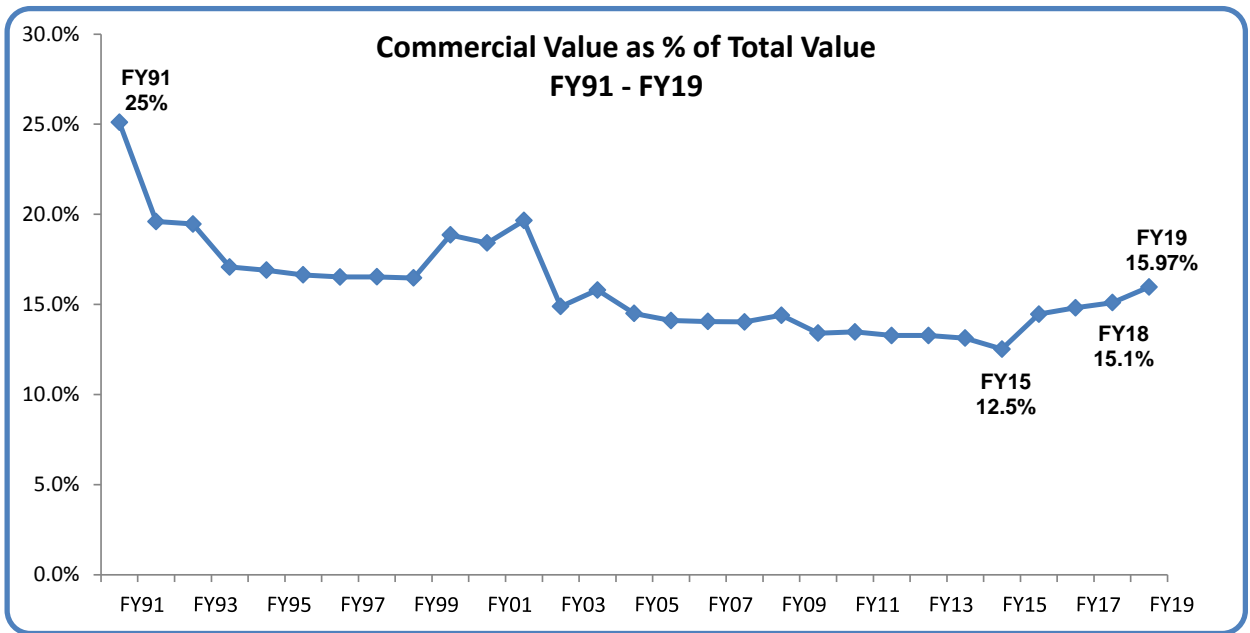
## Westwood's Ranking in the State Average Tax Bill

FY14	FY15	FY16	FY17	FY18	FY19
18	17	17	18	17	18

# Assessed Value by Classification

- The Town’s total value includes both commercial and residential property
- A split tax rate is utilized, with the Town charging a higher tax rate to commercial properties than to residential

Year	Assessed and Actual Values and Tax Rates										
	Residential	Residential	Commercial	Industrial	Personal	Total	Commercial	Commercial	% of	Single	Total
	Value	Tax Rate	Value	Value	Property	Value	Tax Rate	Total Value	Tax Rate	Value	
2015	\$3,201,759,309	\$15.24	\$305,143,078	\$104,513,800	\$48,705,000	\$458,361,878	\$28.79	12.5%	\$16.94	\$3,660,121,187	
2016	\$3,479,561,719	\$14.66	\$429,192,713	\$100,498,400	\$58,369,200	\$588,060,313	\$28.27	14.5%	\$16.63	\$4,067,622,032	
2017	\$3,620,229,895	\$14.57	\$467,768,522	\$90,401,550	\$71,406,300	\$629,576,372	\$28.20	14.8%	\$16.59	\$4,249,806,267	
2018	\$3,644,725,298	\$15.09	\$479,097,796	\$91,967,650	\$77,631,000	\$648,696,446	\$29.30	15.1%	\$17.24	\$4,293,421,744	
2019	\$3,848,500,382	\$14.65	\$549,160,539	\$93,693,650	\$85,728,200	\$728,582,389	\$28.24	15.9%	\$16.81	\$4,577,082,771	



→  
University Station  
comes on line

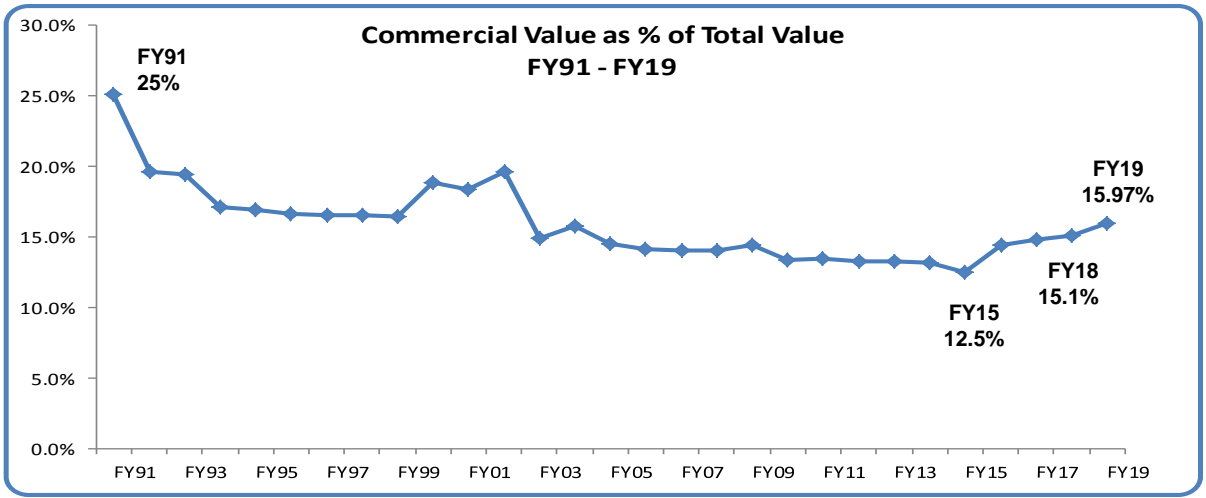
University Station has significantly strengthened the Town’s commercial value since opening in 2015.

A report listing all individual property values for FY18 and FY19 can be found on the Town’s web site at [www.townhall.westwood.ma.us](http://www.townhall.westwood.ma.us).



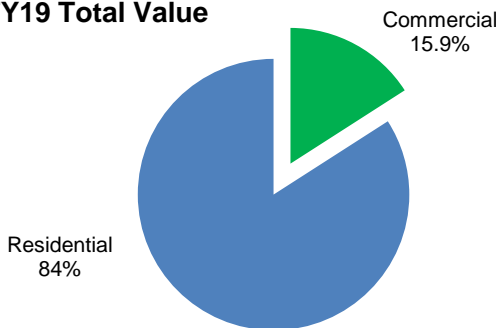
# Commercial Value is Important to Town Finances, and Serves to Moderate Residential Tax Bills

Commercial Property is taxed at a higher rate than Residential Property, this is called a “split tax rate”.

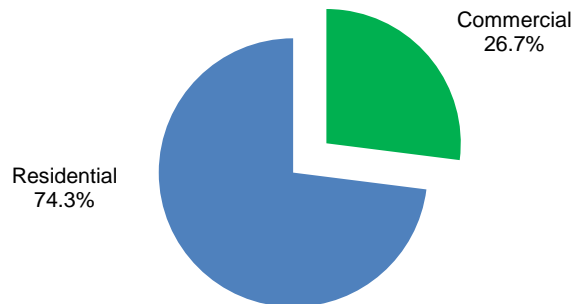


Type of Property	Tax Rate
Commercial	\$28.24
Residential	\$14.65

**FY19 Total Value**



**FY19 Taxes Paid**



Commercial is 15.9% of value, but pays 26.7% of taxes

In FY19, the split tax rate saves the average homeowner \$1,370 or 15% of their tax bill

The Board of Selectmen has worked to structure tax relief into recent budget proposals. As the University Station project has come on line, a portion of the new revenue has been used to mitigate the growth of the average residential tax bill.

## Tools for Tax Relief

There are several methods to try to limit the growth of the annual property tax bill. These include:

- General tax relief for all taxpayers:
  - Not use full levy limit
  - Keep annual school and municipal operating budgets with Proposition 2 ½ limits.
  - Pay for debt for new projects within Proposition 2 ½ vs. debt exemption outside of Prop 2 ½.
  - Commercial tax shift – higher commercial tax rate
  - Apply free cash to tax rate – general appropriation to reduce overall tax levy
    - Each \$100K appropriated provides approximately \$13 in annual tax savings to the average home
    - So \$500K appropriation provides approximately \$65 tax savings to the average home
- Targeted tax relief for the senior population:
  - Assist most vulnerable residents through the Aid to the Elderly and Disabled Fund.
  - Promote available state programs including senior exemptions and tax deferral.

# Tax Relief Efforts

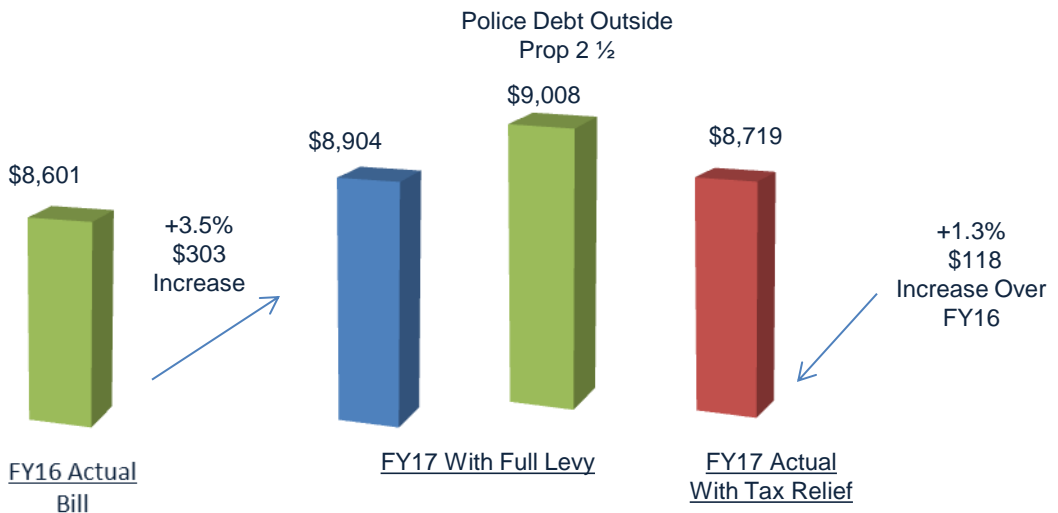
## Recent Steps Taken to Address Residential Tax Relief

### FY17:

- Approved new police station debt within Proposition 2 ½.
- Not utilizing all of the available tax levy (approximately \$1.5 million) permitted by state law. Historically, the Town had used all of the available levy.
- Allocating the unused tax levy of \$1.5M to provide general tax relief to all homeowners.
- Appropriating \$500K from free cash to directly reduce the tax rate.

These measures resulted in an average tax bill increase of 1.37% vs. a potential 4.73% increase.

Without these tax measures, the average home bill would have been \$9,008 vs. the actual \$8,719.



### FY18:

The Board of Selectmen continued with tax relief measures in FY18.

These included:

- Keeping all debt and operating budget requests within Proposition 2 ½.
- Maintain the beneficial commercial/residential tax split.
- Appropriate \$500K free cash to directly reduce the tax rate.
- Allocating the unused tax levy of \$1.1M to provide general tax relief to all homeowners.

### FY19:

The Board of Selectmen continued with tax relief measures in FY19.

These include:

- Keeping all debt and operating budget requests within Proposition 2 ½.
- Maintain the beneficial commercial/residential tax split.
- Allocating the total unused tax levy of \$1.1M to provide general tax relief to all homeowners.

### FY20:

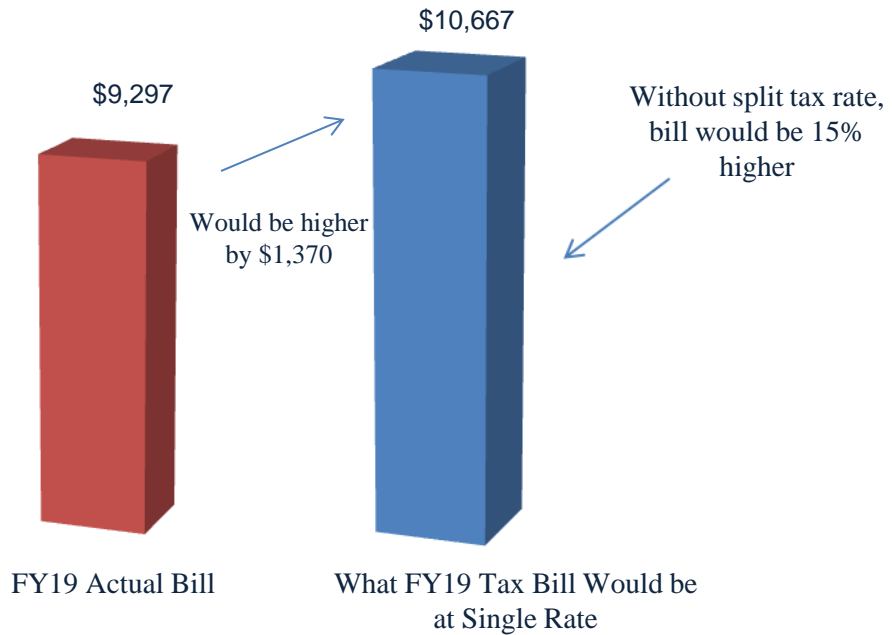
The Board of Selectmen will continue with tax relief measures in FY20.

These include:

- Keeping all debt and operating budget requests within Proposition 2 ½.
- Paying for increased public safety service impact with University Station revenue.
- Maintain the beneficial commercial/residential tax split.

# Tax Relief Efforts

## Benefits of Commercial Tax Rate



The commercial split tax rate provides significant relief for homeowners.

In FY19 that relief is \$1,370.

The Town has a split tax rate, charging commercial property a higher rate than residential. The Board of Selectmen, in consultation with the Board of Assessors, voted to set the FY19 shift factor, which sets the different rates, at 1.68.

In FY19, commercial property, while only representing 15.9% of the Town's value, will pay 26.7% of the total taxes, a slight increase from 25.7% in FY18.

### FY19 Tax Rates

Residential	\$14.65
Commercial	\$28.24

# University Station

Through significant work by so many in Town for so many years, the University Station project is now in place and continues to provide a significant opportunity for the Town to continue with responsible established budget practices.

University Station has provided important new commercial tax revenue for the community.

University Station New Growth Tax Revenue						
FY15	FY16	FY17	FY18	FY19	Estimated FY20	Total
\$565,000	\$3,242,307	\$1,171,730	\$179,000	\$276,000	\$125,000	\$5,559,037

This chart shows the additional tax revenue each year from the project. The annual revenue is now \$5.5M. As taxes on the property before development were approximately \$2million, the total current University Station development pays over \$7.5M in annual taxes.

## How has the revenue been used?

The Town, as planned before the start of the project, has utilized this new revenue for several important financial areas including:

- Direct Service impact costs of the project (such as public safety and schools impact)
- Providing for sustainable growth for the school and municipal budgets above the limits of Proposition 2 ½%.
- Helping to limit the annual tax bill increase.
- Funding debt service for major capital projects within Proposition 2 1/2.
- Funding the Capital Stabilization reserve.
- Stabilizing the commercial/residential split tax rate.
- Providing support to maintain the Town's AAA bond rating



# University Station

- In FY15, the initial revenue (\$565K) was used to implement identified direct service needs for the project. These funds, combined with previously received mitigation funds, allowed for important increases to police and fire staffing levels. These staffing needs had been identified at the project review and initial acceptance as direct services to be funded from the new tax revenue, and were the first increases to public safety staffing in decades.
- In FY16, new tax revenue from the project was \$3.2M. Approximately \$1.5M was voted toward the FY16 operating budget to provide an increase over the base 2 ½% to 5.2% for both school and municipal departments. The funding was allocated as follows:

FY16 Budget	
School	\$1,020,225
Municipal	\$461,578
Blue Hills/Other	\$93,197
<b>Total</b>	<b>\$1,575,000</b>

This means that the FY16 school and municipal operating budgets were significantly funded and benefited from University Station revenue.

In addition, the 2015 Fall Town Meeting allocated \$925K of the FY16 revenue as a one-time appropriation to the Capital Stabilization Fund to be used for important capital needs by future Town Meetings. This was the first ever significant infusion of funds to the important Capital Stabilization Fund.

# University Station

- In FY17, final new tax revenue from University Station was \$1.17M. Appropriation of \$1.15M was voted toward the FY17 operating budget to provide an increase over the base 2 1/2 % to provide higher increases to both the school and municipal operating budgets. The funding for operating budgets was allocated as follows:

FY17 Budget	
School	\$883,000
Municipal	\$272,000
<b>Total</b>	<b>\$1,155,000</b>

In addition, in FY17 direct services costs of \$215,000 were allocated for school services for University Station expenses. Additionally, \$800,000 of University Station revenue was allocated for additional debt service for the police station construction. This allowed the debt to remain within Proposition 2 ½, providing relief to taxpayers. In FY17 a balance of \$670,000 of revenue was not utilized. This left unused tax levy, which provided significant tax relief to our residents.

- **In FY18**, \$570,000 was allocated for direct service costs for public safety staffing needs. These funds provided for additional police and fire staffing, the first since FY15. In addition, \$279K of new revenue was not utilized in the budget. This left unused tax levy, which provided significant tax relief to our residents.
- **In the FY19** budget, new tax revenue was \$276,000. There was no allocation of that revenue into the budget. Combined with \$279,000 of prior year unused levy, there was \$555,000 of tax levy revenue not utilized for additional budget items. This unused tax levy of \$555,000 provided tax relief for our residents.
- **In the FY20** budget, projected new revenue is \$125,000. This, combined with prior year unused levy of \$555,000, provides \$680,000 of new tax levy to consider in the budget process. The Board of Selectmen is proposing to utilize \$537,500 for public safety needs, including two new firefighters, two new police officers, and one Communications Center Director. In addition, \$50,000 will be allocated to the school budget to provide for costs of additional University Station related transportation needs. \$92,500 will be used towards the debt service for a portion of the Route 109 bond costs, keeping this within Proposition 2 ½.

# University Station – Summary of Use of New Tax Revenue

## Operating Budgets - Support Operating Budgets Outside the Constraints of Proposition 2 ½ Total \$2.6M

### Operating Budgets

Revenue used to supplement budgets beyond the limits of Prop 2 ½. These funds have allowed the Town to provide a high level of services, without a Prop 2 ½ override. Funds listed are then added annually to the ongoing budget. For example, the School Department budget is now \$1.9M higher each year than it was before the University Station project.

	FY15/FY16	FY17	Total
School	\$1,020,225	\$883,000	\$1,903,225
Municipal	\$461,578	\$272,000	\$733,578

## Direct Service Costs – Provides for Increases in Service Costs Primarily Public Safety Total \$1.93M

### Direct Service Costs

Revenue used to provide for increases in service costs due to the project. Funds listed are then added annually to the ongoing budget. School costs provide for any impact/transportation costs for students in the development. The municipal costs provide for additional public safety staff. Police and Fire staffing and services have been significantly enhanced, with the addition of 14 new firefighters, 7 police, and 2 dispatch positions.

	FY15/FY16	FY17	FY18	FY19	FY20 Proposed	Total
School		\$215,000			\$50,000	\$265,000
Municipal	\$565,000		\$570,000		\$537,500	\$1,672,500

## Capital – Revenue to Fund Capital Projects Within Proposition 2 1/2

### Capital

Revenue used to fund capital projects. The debt service is permanently added for the life of the bond.

One Time appropriation to Capital Fund in FY16	\$975,000	
Debt Service – Police Station bonding beginning in FY17		\$800,000
Debt Service – Route 109 Road Bond		\$92,500

## Tax Bill Relief – Apply Revenue to Subsidize Tax Bills for all Residents

### Tax Bill Relief

Each year some of the new revenue is left “unused”. This means that the budget is not increased to spend this money, but instead the funds are applied to existing budgets providing relief to all Town residents.

	FY15/FY16	FY17	FY18	FY19	FY20 Proposed
Unused Tax Levy	\$500,000	\$670,000	\$279,000	\$555,000	\$0



# State Aid

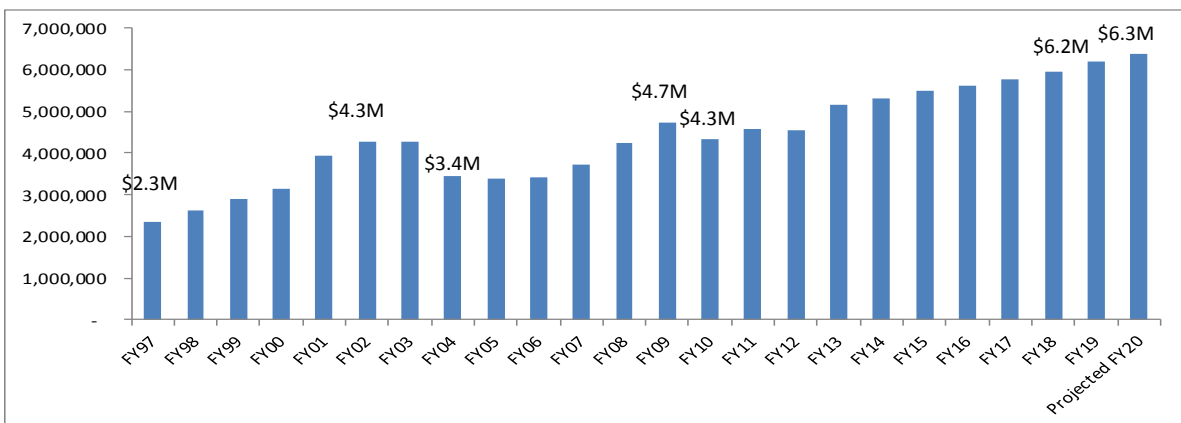
State Aid is annual revenue from the state of Massachusetts and consists of distributions, reimbursements, and offsets. Distributions are aid programs through which towns receive funds according to varying formulas, such as Chapter 70 Education and Municipal aid. Reimbursements are amounts paid to reimburse towns for certain activities or services provided, such as veteran's programs. Offsets are reimbursements for special programs that must be spent for a particular purpose by local officials without appropriation in the local budget, such as library funding.

The Town's two main categories of aid are Chapter 70 education aid and general municipal aid. The State also annually charges the Town for programs including a County Tax and MBTA assessment. These charges do not need to be voted by Town Meeting and are deducted from the State payments. The detail on amounts received and charged are shown in the table below. Every year, State aid is subject to the State budget process and often amounts are not known until very late in the Spring.

- Proposed FY20 budget is level funded for revenue.
- Governor's preliminary FY20 local aid projections are the initial step of the State budget process. We will monitor the State budget process and update the estimate accordingly.

				<b>Governor</b>
				<b>Projected</b>
	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>
Chapter 70-Education	\$4,971,878	\$5,111,033	\$5,336,202	\$5,482,152
Municipal Aid	\$701,474	\$728,832	\$754,341	\$774,708
Other	\$88,435	\$107,188	\$102,862	\$100,722
Offsets (Restricted to Metco, Library, School Lunch)	\$19,646	\$18,602	\$19,478	\$22,307
<b>Total Receipts</b>	<b>\$5,781,433</b>	<b>\$5,965,655</b>	<b>\$6,212,883</b>	<b>\$6,379,889</b>
<b>Charges</b>				
County Tax	186,851	196,478	201,390	200,141
MBTA Assessment	321,728	325,361	353,806	363,653
Other	\$83,091	\$102,505	\$121,416	\$135,584
<b>Total Charges</b>	<b>\$591,670</b>	<b>\$624,344</b>	<b>\$676,612</b>	<b>\$699,378</b>
<b>Net State Aid</b>	<b>\$5,189,763</b>	<b>\$5,341,311</b>	<b>\$5,536,271</b>	<b>\$5,680,511</b>

## Long Term History of State Aid



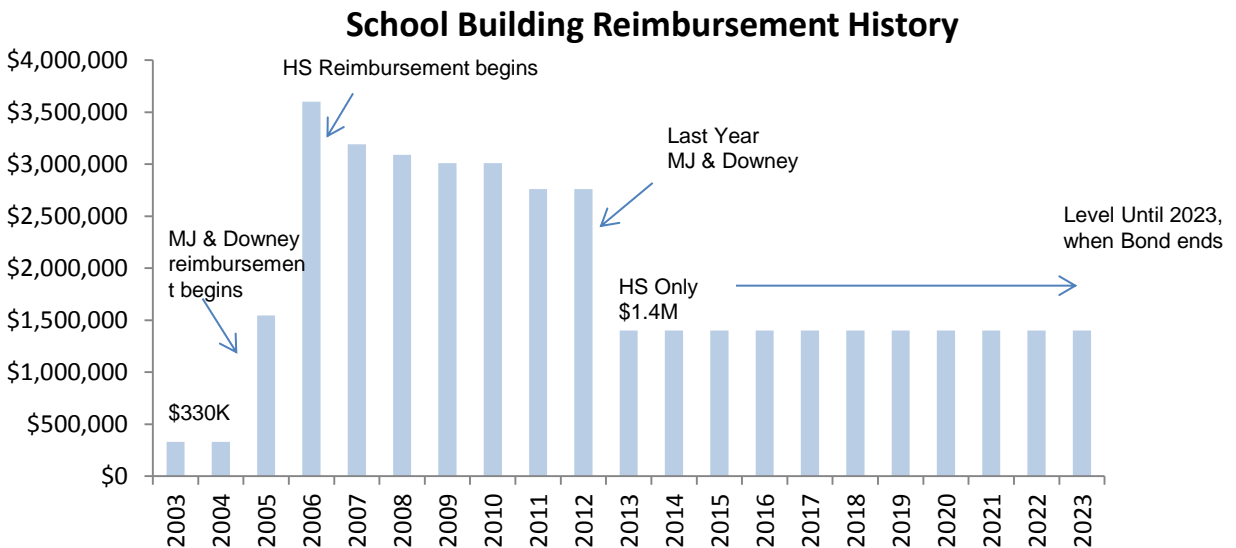
# State School Building Assistance

School building projects have been done as part of the Massachusetts School Building Assistance Program. Through this program, the State pays a significant portion of the total cost of the project. The Town renovated and expanded the Martha Jones and Downey schools and constructed the new High School all through the state program.

- The Town is currently receiving State School Building reimbursement on the high school construction project. The State paid 59% of the total project cost.
- The debt service and reimbursement for Martha Jones and Downey projects have been completed.

School Building Reimbursement			
Project	Payment Years	Total State Reimbursement (59% of Project)	Remaining Annual State Payments
High School-Annual Payments	FY06-FY2023	\$31,755,382	\$1,401,276/yr

- High school reimbursement continues until FY2023, when the debt ends.
- High school bond was refinanced to a lower interest rate in FY13.
- The State payment is applied directly to the current debt.

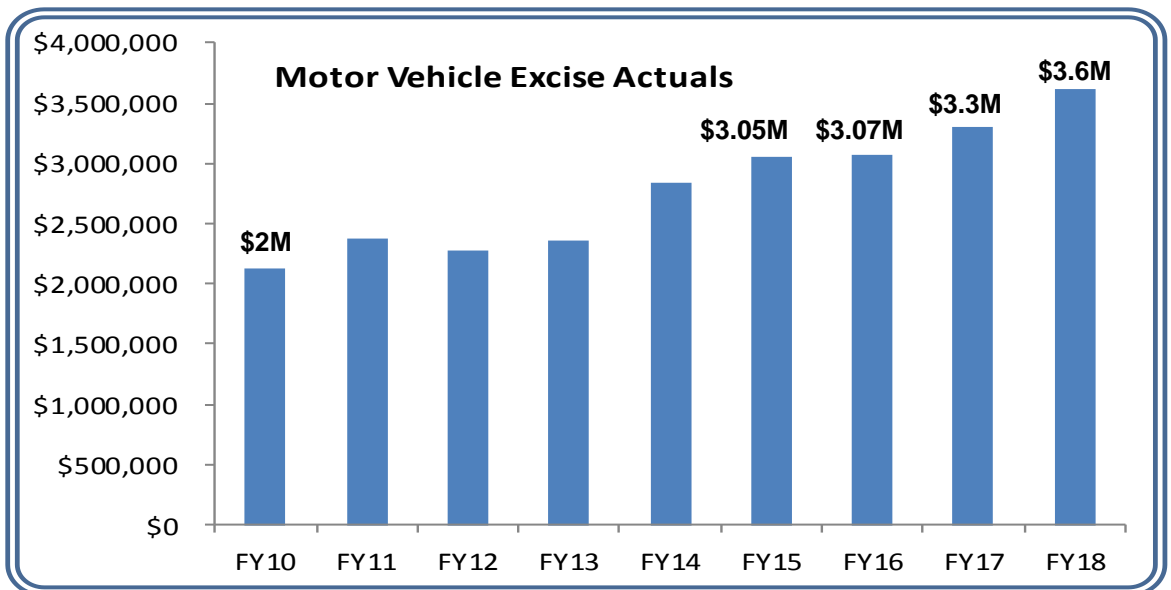


## FY2020 Local Receipts

Local receipts are various revenue sources collected at the local level – categorized as such by the Department of Revenue and used to fund the budget.

	FY16	FY17	FY18	FY18	FY19	FY20
	Actual	Actual	Budget	Actual	Budget	Budget
Motor Vehicle Excise Tax	\$3,077,486	\$3,300,477	\$2,673,415	\$3,624,505	\$2,673,415	\$2,673,415
Penalties and Interest	\$186,350	\$147,442	\$90,000	\$244,434	\$90,000	\$90,000
License/Permits	\$1,052,958	\$1,007,287	\$580,000	\$1,060,376	\$550,000	\$550,000
Departmental Receipts	\$502,643	\$365,321	\$325,000	\$804,325	\$474,500	\$474,500
Investment Income	\$56,770	\$119,026	\$35,000	\$173,501	\$40,500	\$40,500
Recreation	\$180,000	\$180,000	\$180,000	\$180,000	\$341,064	\$332,442
Other	\$217,269	\$225,518	\$160,000	\$98,217	\$35,000	\$35,000
	<b>\$5,273,476</b>	<b>\$5,345,071</b>	<b>\$4,043,415</b>	<b>\$6,185,358</b>	<b>\$4,204,479</b>	<b>\$4,195,857</b>

- As a financial policy, the budget is set to be a conservative estimate for local receipts. All actual receipts higher than budget flow to free cash each year. Maintaining a conservative budget protects the Town from fluctuations in actual receipts that may occur.
  
- Major revenue in this category is motor vehicle excise tax. Motor vehicle revenue has recently been very strong after several years of fluctuations due to the economy. Accordingly, the motor vehicle budget has been increased, with the increase in budget applied to capital funding.



## FY2020 Available Funds

Available funds are local revenue used to fund the budget, in accordance with State regulations.

Available Funds Allocated	FY15	FY16	FY17	FY18	FY19	FY20
	Budget	Budget	Budget	Budget	Budget	Budget
Conservation Receipts	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000
Cemetery Trust	\$1,000	\$0	\$0			
Cemetery Lot Sales			\$110,250	\$105,750	\$101,250	\$96,750
Ambulance Receipts for Ongoing Budget	\$376,500	\$376,500	\$376,500	\$376,500	\$376,500	\$391,075
High School Bond Premium	\$20,281	\$17,812	\$15,738	\$13,084	\$10,912	\$8,690
Additional One Time Use Ambulance for Operating Budget						
Library Bond Premium	\$19,170	\$17,963	\$16,755	\$16,000	\$15,170	\$13,661
	<b>\$433,951</b>	<b>\$429,275</b>	<b>\$536,243</b>	<b>\$528,334</b>	<b>\$520,832</b>	<b>\$527,176</b>

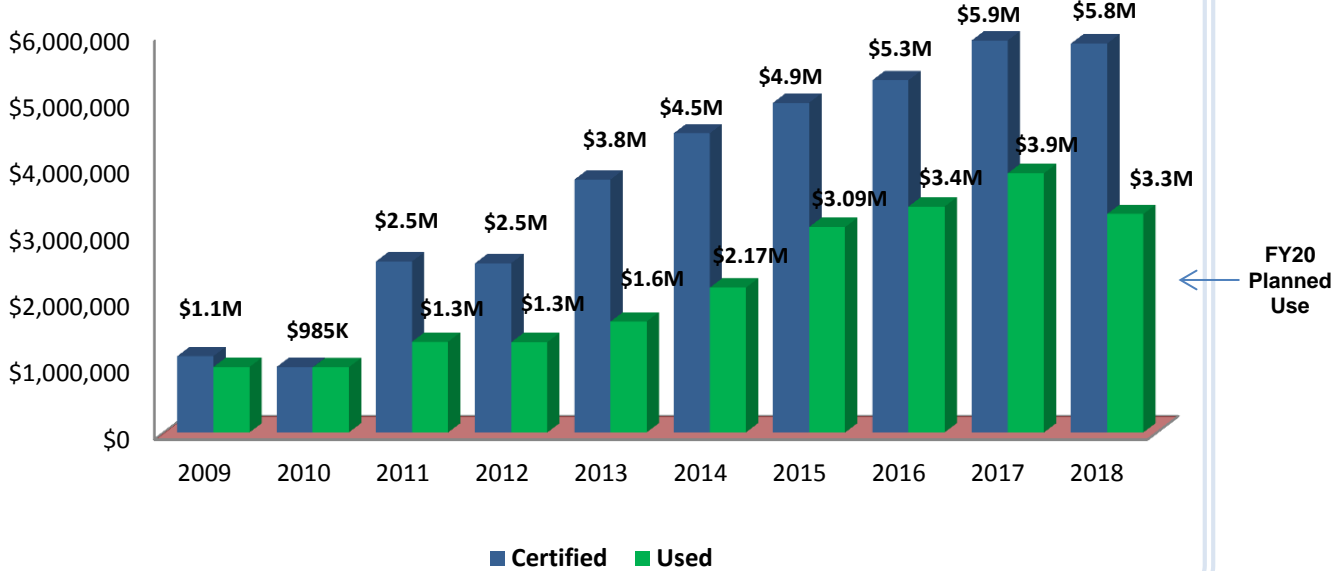
Available Funds for Prior Year/Misc Warrant Articles	FY15	FY16	FY17	FY18	FY19	FY20
	Budget	Budget	Budget	Budget	Budget	Budget
Additional Ambulance (equipment/salaries/purchase ambulance)	\$448,000	\$131,000	\$208,000	\$372,800	\$514,760	\$141,000
Sale of Assets Account	\$275,000					
Overlay Surplus	\$25,000	\$35,000			\$35,000	\$26,000
Cemetery Lot Sales for special article						
Additional State Aid						
Bond Premium		\$725,000		\$397,000		
Miscellaneous Funding			\$20,000		\$489,000	
	<b>\$748,000</b>	<b>\$891,000</b>	<b>\$228,000</b>	<b>\$769,800</b>	<b>\$1,038,760</b>	<b>\$167,000</b>

- Available funds are transferred from these accounts to the general fund to support the corresponding appropriation.
  - Major available fund is ambulance receipts – used to offset costs of providing service.
    - Current balance in ambulance account (1/19) before appropriation - \$470K.
  - High School and library bond premium – this is a required annual apportionment of bond premium received from the sale of bonds to fund the high school and library debt. As the debt was approved outside of Proposition 2 ½, an apportionment of the premium must be used each year to offset the exempt taxes.
  - The FY17 , FY18, FY19 and FY20 budgets include cemetery lot sales to pay for cemetery debt service for a 5-year bond approved at May 2015 Town Meeting. This will end in FY21.

# A Look at Free Cash

- Certified Free Cash as of June 30, 2018 is \$5,854,683.
- Good FY18 budget to actual results and continued strong motor vehicle revenue.
- Disciplined use of prior year balance.
  - Not applied to operating budgets. Not using full allowance.
  - In line with Financial Policy, apply higher amounts to capital needs.
- FY20 budget uses \$3.1M for capital, and \$125,000 for Stabilization.

### Certified/Used Free Cash



Certified Date	July 2018	July 2017	July 2016	July 2015	July 2014	July 2013	July 2012	July 2011
Amount	\$5,854,683	\$5,900,219	\$5,386,795	\$4,961,737	\$4,502,878	\$3,806,582	\$2,547,593	\$2,572,798
<b>Proposed 2019 ATM:</b>								
Fall Town Meeting/ Other		\$801,000	\$256,000	\$456,000	\$155,000			
Stabilization	\$125,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$500,000	\$344,000
Capital	\$3,163,500	\$2,198,118	\$1,769,050	\$1,652,050	\$1,523,000	\$1,308,150	\$800,000	\$700,000
Articles		\$861,000	\$1,295,000	\$883,000	\$401,509	\$260,500	\$58,000	\$320,000
<b>Total Used</b>	<b>\$3,288,500</b>	<b>\$3,960,118</b>	<b>\$3,420,050</b>	<b>\$3,091,050</b>	<b>\$2,179,509</b>	<b>\$1,668,650</b>	<b>\$1,358,000</b>	<b>\$1,364,000</b>
<b>Unallocated</b>	<b>\$2,566,183</b>	<b>\$1,940,101</b>	<b>\$1,966,745</b>	<b>\$1,870,687</b>	<b>\$2,323,369</b>	<b>\$2,137,932</b>	<b>\$1,189,593</b>	<b>\$1,208,798</b>

- Financial Policy target is approximately \$3.2M unallocated.

# Meals/Hotel Tax

In 2009 the State allowed municipalities to adopt by local vote a local revenue component of the State Meals and Hotel tax. The Department of Revenue collects the fee and sends the Town's portion on a quarterly basis.

## Meals Tax

- Municipalities are allowed to add a .75% charge to the State 6.25% excise tax on restaurant meals.
- Westwood adopted the additional meals tax at the 2014 Fall Town Meeting and it became effective January 1, 2015.

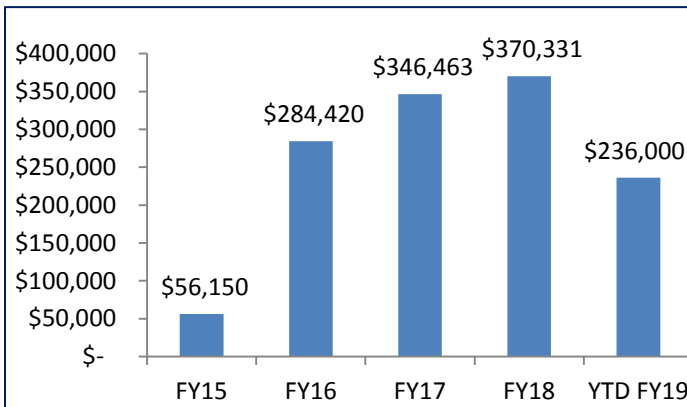
## Hotel Tax

- Municipalities are allowed to charge a local hotel tax up to 6%.
- Westwood adopted the 6% charge at the 2016 Annual Town Meeting.

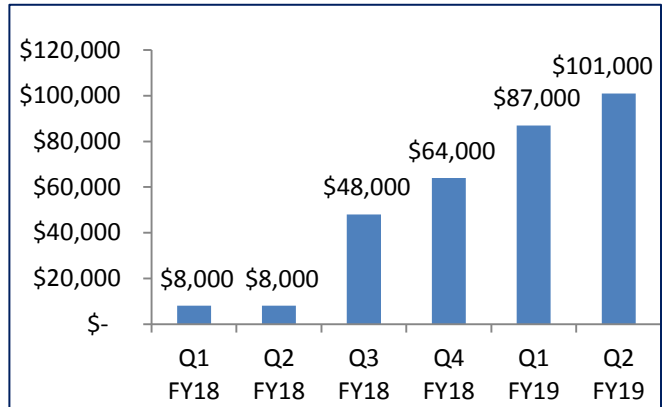
## Restricted Funding

- At the November 2017 Town Meeting, the residents approved establishing a special purpose fund to hold all Hotel and Meals Tax revenue until appropriated by future Town Meetings. All use of funding requires a 2/3 vote by Town Meeting.

### Meals Tax Revenue



### Hotels Tax Revenue



Total Hotels Tax Revenue Received in FY18 was \$129,000

## Use of Funds

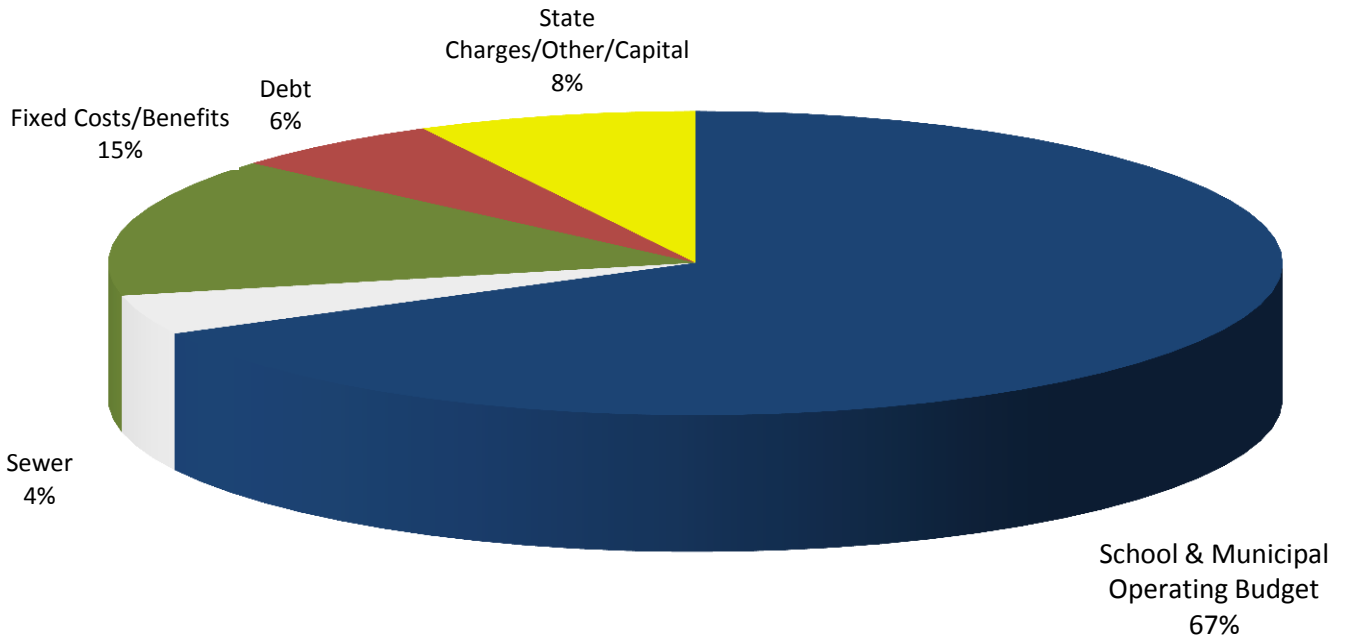
- May 2018 Town Meeting appropriated \$432K of funds for two town wide capital projects:
  - Lighting of the High School tennis courts
  - HVAC project at the High School pool
  - Both of these facilities receive extensive use by residents of all ages.

## Balance in the Account

- The balance in the Hotel/Meals account is \$1,176,000 as of December 31, 2018.
- The current proposed FY20 budget utilizes \$515,000 of this revenue for capital budget items.
- Expected balance in the account as of June 30, 2019 will be \$1,061,000

# FY2020 Proposed Expenditure Summary

## FY2020 Expenditure Summary



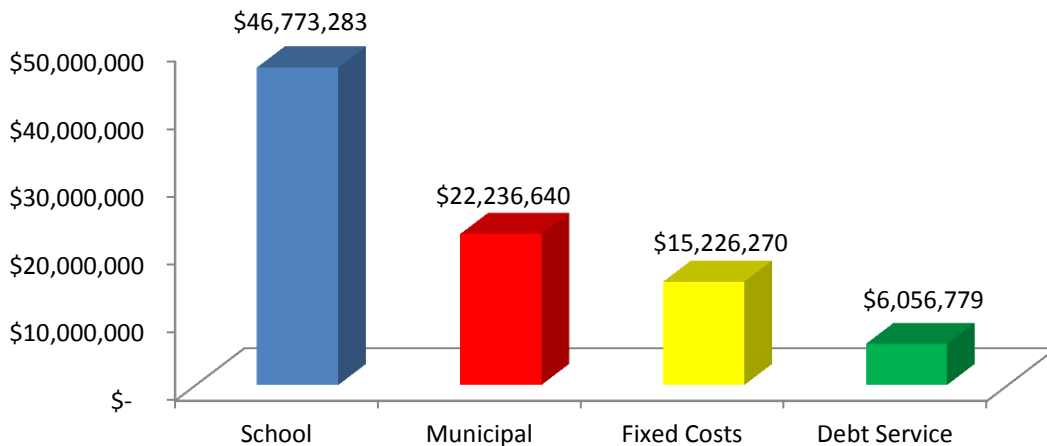
### FY2020 Proposed Expenditure Summary

	FY2019 Budget	FY2020 Projected	\$ Change	% Change
Operating Budget - School Categories	\$45,146,049	\$46,723,283	\$1,577,234	3.5%
Operating Budget - Municipal	\$20,963,382	\$21,699,140	\$735,758	3.5%
University Station Direct Services		\$587,500	\$587,500	
Benefits/Reserves/Insurance	\$14,626,822	\$15,226,270	\$599,448	4.1%
Sewer - Operating	\$4,319,239	\$4,334,975	\$15,736	0.4%
Debt Service	\$6,137,978	\$6,056,779	(\$81,199)	-1.3%
Capital Base Budget - School & Municipal	\$1,753,900	\$2,339,000	\$585,100	33.4%
Capital - Sewer	\$420,000	\$1,050,000	\$630,000	150.0%
<b>Other Appropriations:</b>				
Stabilization	\$100,000	\$125,000	\$25,000	25.0%
Additional Capital	\$1,300,760	\$1,407,000	\$106,240	8.2%
OPEB	\$1,415,000	\$1,440,000	\$25,000	1.8%
Prior Year	\$331,000	\$99,500	(\$231,500)	-69.9%
Other Financial Articles/Other	\$1,125,000	\$0	(\$1,125,000)	-100.0%
State Charges/Offsets/Overlay/Snow	\$1,403,986	\$1,444,857	\$40,871	2.9%
<b>Total Expenditures</b>	<b>\$99,043,116</b>	<b>\$102,533,304</b>	<b>\$3,490,188</b>	<b>3.5%</b>

# Operating Budget Categories

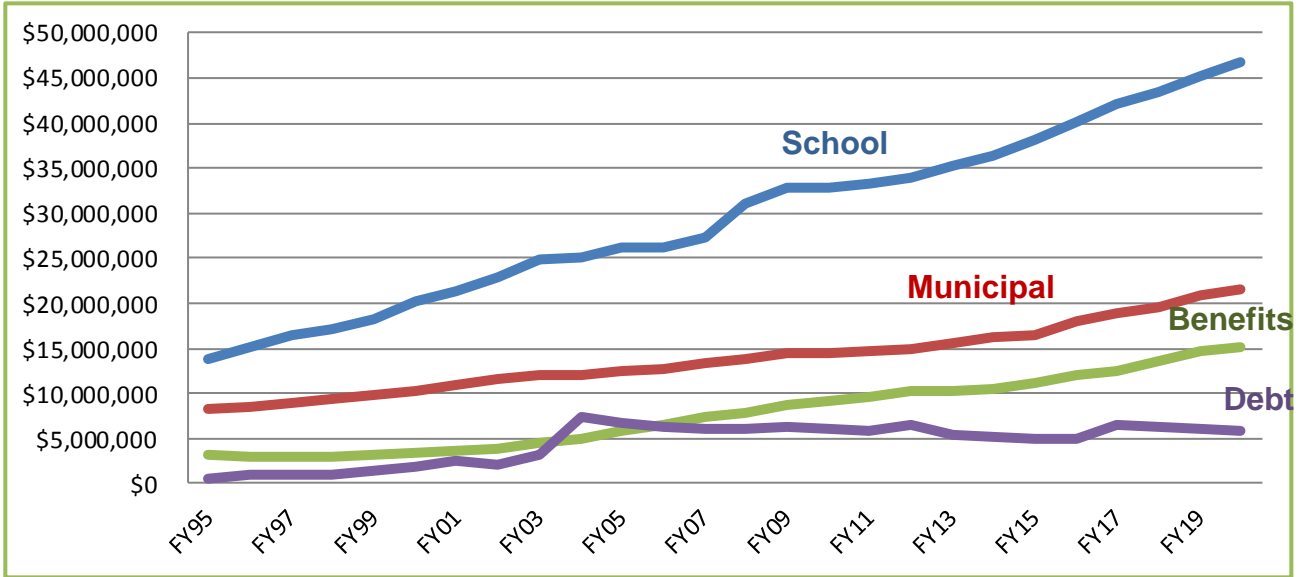
FY19 Budget	Category	Fy20 Selectmen Proposed	\$ Change FY20 v FY19	% Change FY20 v FY19
\$44,903,135	School Operating	\$46,463,031	\$ 1,559,896	3.5%
\$20,963,382	Municipal Operating	\$21,699,140	\$ 735,758	3.5%
	University Station Direct Services	\$ 587,500	\$ 587,500	
\$ 136,373	Blue Hills	\$ 149,576	\$ 13,203	9.7%
\$ 106,541	Traffic Supervisors	\$ 110,676	\$ 4,135	3.9%
\$14,626,822	Fixed Costs	\$15,226,270	\$ 599,448	4.1%
\$ 6,137,978	Debt Service	\$ 6,056,779	\$ (81,199)	-1.3%
\$ 4,319,239	Sewer	\$ 4,334,975	\$ 15,736	0.4%
<b>\$91,193,470</b>	<b>Total</b>	<b>\$94,627,947</b>	<b>\$ 3,434,477</b>	<b>3.8%</b>

FY20 Operating Budget Categories - Appendix D  
(Excludes Sewer)





# A Look at the Budget History



Budget	% Change in Budget												
	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
School Budgets	12.9%	5.8%	0%	1.7%	2%	3.3%	3.8%	4.2%	5.3%	4.9%	3.3%	3.4%	3.47%
Municipal Budgets	3.7%	5.4%	0%	0.6%	2.3%	3%	3.2%	3.4%	5.2%	3.7%	3.6%	3.8%	3.5%
Benefits/ Insurance/ Reserves	7.6%	12.3%	3.7%	5.5%	5.6%	0.5%	2.5%	5.5%	3.1%	8.8%	10.6%	8.1%	4.1%
Debt Service	-0.7%	4.1%	-3.9%	-3.7%	11.1%	-18%	-4.7%	-2.3%	-2.3%	30%	-1.4%	-3.6%	-1.3%

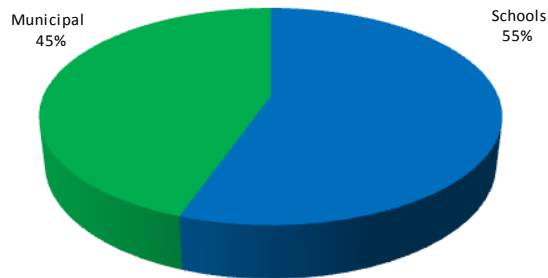
## Fixed Costs

The Fixed Costs budget provides for all Employee Benefit Accounts, Insurance and Reserve Accounts. The Employee benefits/cost accounts include pension, health insurance, unemployment, workman’s compensation and other payroll taxes.

Current Budget Provides For:	
Employee Benefits Cost – all school and municipal	\$13,242,045
Insurance/Reserve Accounts/Other	\$1,384,777
Total FY19	\$14,626,822

	School	Municipal	Total
Employee Benefit Costs	\$7,331,789	\$5,910,256	\$13,242,045

**Employee Benefit Cost**



The FY20 Fixed costs budget is \$15,226,270, an increase of \$599,448 or 4.1% over FY19.

	FY19	FY20	\$ Change	% Change
Fixed Costs	\$14,626,822	\$15,226,270	\$599,448	4.1%

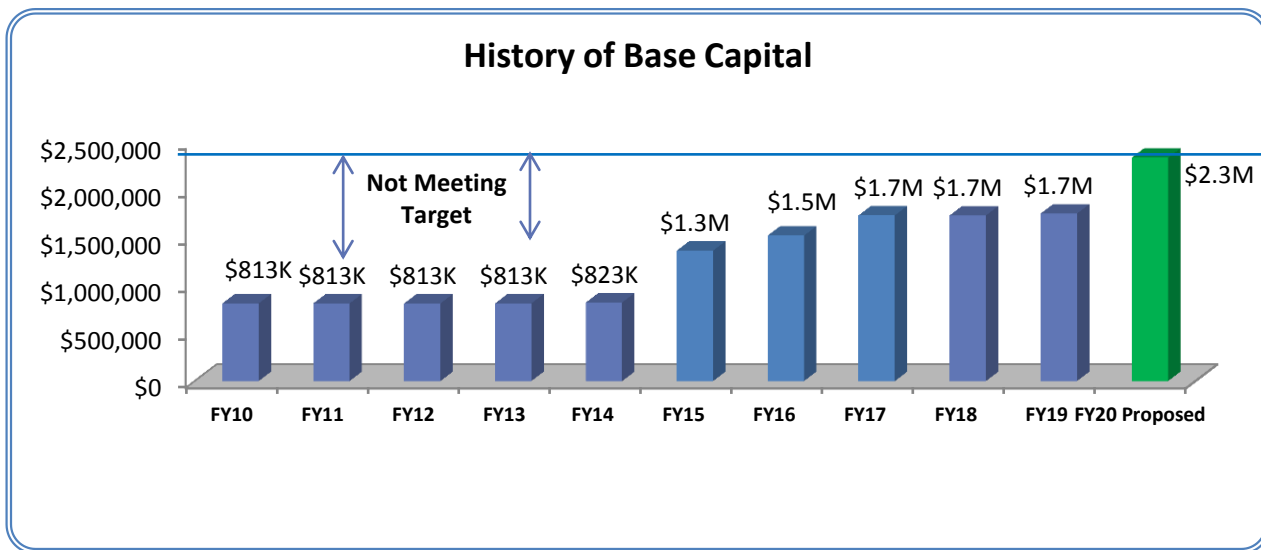
This increase includes:

- FY20 Pension Assessment of \$5.4M, a 7% increase over the prior year.
- Total FY20 Health Insurance budget of \$6.19M, an increase of 5% or \$295K.
- Other fixed cost increases (insurance, Medicare, Payroll tax) 10% - Approx \$195K.

# Capital Funding

## Capital – Continued Improvement in Ongoing Base Capital Funding

- Important to maintain Town and School assets – buildings, infrastructure, and equipment.
- Financial Policy on capital spending indicates that ongoing capital should be approximately \$2.4M
  - Policy was not met for many years during difficult economic budget cycles.
- The Town has recently made steady progress in increasing the ongoing capital budget.
- FY20 continues improvement in ongoing capital funding.



- Fund base capital at \$2.33 million
  - School - \$1,017,000
  - Municipal - \$1,322,000

# Capital Funding

## Capital – Road Improvement Bond

The Select Board considered a \$4.9M bond for road improvement, detailed below. To proceed now would have required a debt exemption override.

Item	Amount
<b>Requested Items:</b>	
Route 109 Corridor Project	\$2,000,000
Crosswalk Safety Improvements Town-wide	\$500,000
Paving/Sidewalk Enhancements Town-wide	\$1,500,000
Pavement Preservation Program Town-wide	<u>\$900,000</u>
<b>Total</b>	<b>\$4,900,000</b>

The Select Board decided to proceed with the first phase of work, \$900,000 for sidewalks and curbing along Route 109 (a portion of the \$2M total 109 project). This work was selected to proceed first due to the timing of the upcoming Dedham Westwood Water District work on Route 109.

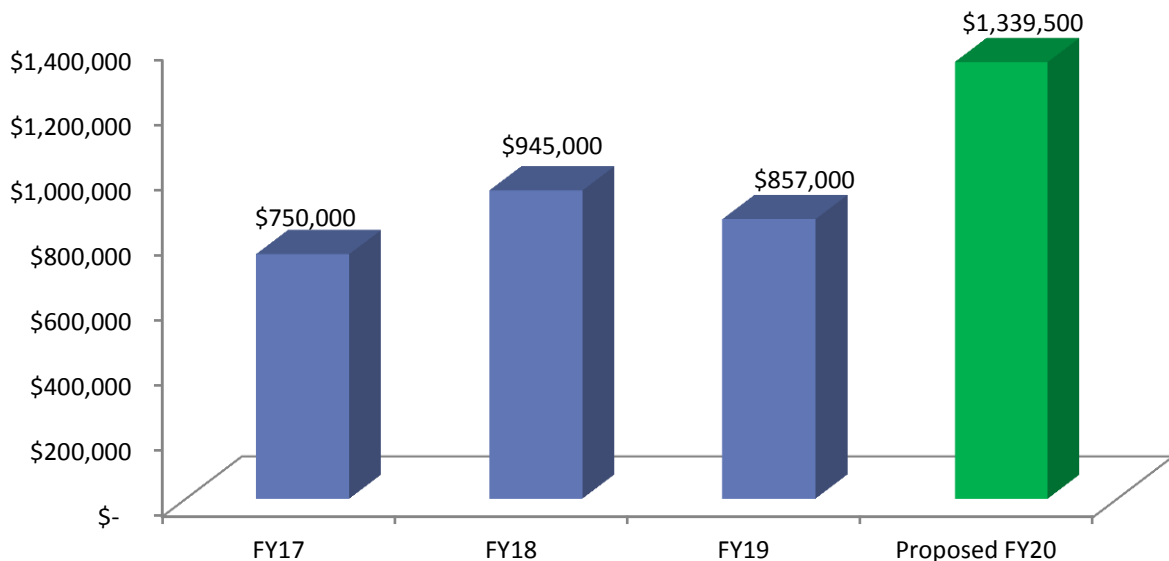
The Select Board will implement the remaining pieces of the proposed bond in upcoming Town Meetings, seeking to keep the debt within Proposition 2 ½.

# Capital Funding

## Capital Budget – Other Capital Article

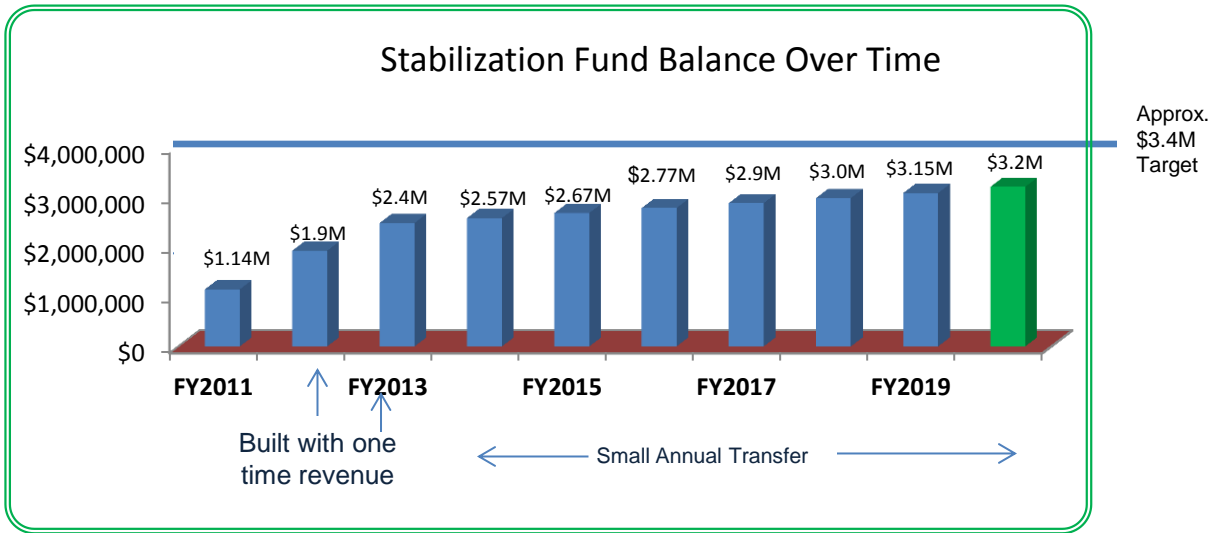
- Other Capital Articles for FY20 of \$1,339,500 and funded by free cash and meals/hotels tax
- Each year since FY17, the Town has had an “additional” capital budget article beyond the main base articles.
- The purpose is to address important capital needs with available funding, such as free cash and meals/hotels tax.
- Effort to fund:
  - Capital that has been deferred by past years of not meeting financial goal
  - Larger items that do not easily fit within base capital budget articles:
    - School IT network
    - Middle School Elevator
    - High School Tennis Court Lighting
    - Pool Renovations

**History of Additional Capital Above Base**



# Stabilization Fund

- The Stabilization Fund is the Town’s reserve account to provide for unforeseen emergencies or future expenditures.
- Prudent use of a reserve fund is vital to good financial management, protection for the Town against unforeseen emergencies, and maintenance of a top credit rating.
- Financial target approximately 4% of net general fund revenue.
- Appropriations into this Fund requires a majority vote.
- Use of this Fund require a 2/3 vote of Town Meeting.
- Funds may be used for any purpose approved by Town Meeting.

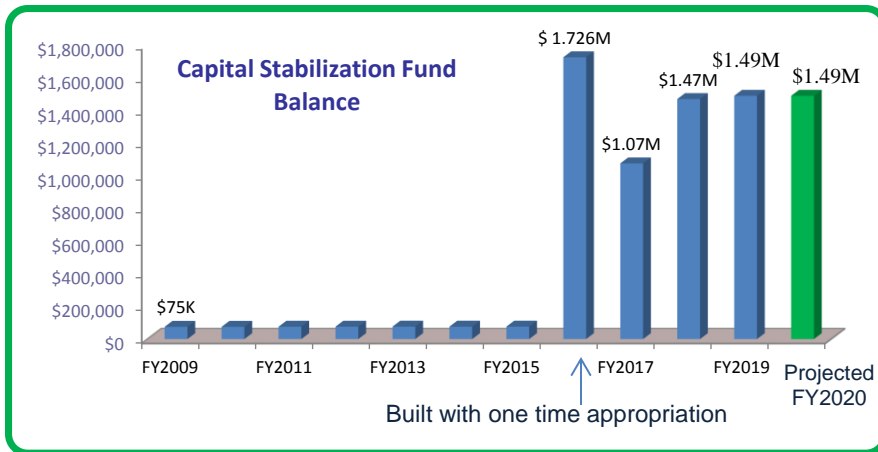


Stabilization Fund						
	FY2015	FY2016	FY2017	FY2018	FY2019	Budget Plan FY2020
<b>Annual Appropriation</b>	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$125,000
<b>One Time Appropriation</b>	\$0	\$0	\$0	\$0	\$0	\$0

- The FY20 budget provides for a \$125,000 annual appropriation funded by free cash transfer.

# Capital Stabilization Fund

- The Capital Stabilization Fund was established by Town Meeting in 2005 for the purpose of investing in the long term maintenance of the Town’s capital assets – primarily buildings and equipment.
- Appropriations into this Fund require a majority vote and uses from this Fund require a 2/3 vote of Town Meeting.
- This Fund can be a useful tool to provide funding for important capital needs.
- At the 2008 Annual Town Meeting, \$75,000 was appropriated to this account funded by some initial Westwood Station payments.
- At the 2015 Fall Town Meeting, two articles appropriated one time revenue in the account:
  - \$925,000 was appropriated into this account funded by available FY16 new taxes from the University Station project.
  - \$725,000 was appropriated into the account from one time bond premium.
- In FY16, \$650,000 was used from the account to fund replacement of the high school turf field and track resurfacing.
- In FY18, \$397,000 of one time funding was appropriated into the account



Capital Stabilization Fund						
	FY2009	FY2016	FY2017	FY2018	FY2019	Projected FY2020
<b>Annual Appropriation</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>One Time Appropriation</b>	\$75,000	\$1,650,000	\$0	\$397,000	\$0	\$0
<b>Town Meeting Voted Use</b>			\$650,000			

# Debt Management

Prudent use of debt financing is an important part of the Town’s overall fiscal planning. The primary objective of any debt management approach is to borrow at the least cost over the term of repayment of the debt. Attainment of this objective requires clear positions regarding for what purposes to borrow, when to schedule debt-financed projects and how long to extend the repayment (generally, debt issued for longer periods bears a higher interest rate).

The Town Treasurer and Selectmen support a rapid repayment schedule of ten years or less whenever possible. This ensures cost savings to the community and seeks to avoid strapping future generations with large debt loads. The High School, Library and Fire Station were bonded for 20 years and the Police Station for 30 years to mitigate the effect of the annual tax burden and to match the long term nature of the project.

All debt is issued as general obligation debt. This means that the full faith and credit of the Town is pledged to the bondholder. Debt issued on behalf of the Town’s enterprise operation (sewer) is, however, supported by sewer user revenues when authorized by vote of Town Meeting.

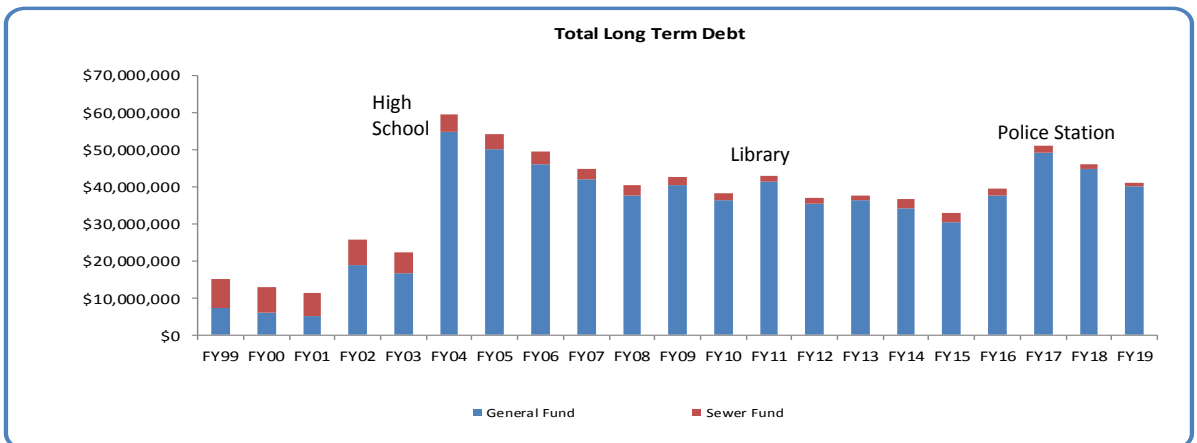
## Credit Rating

As with a personal credit rating, the Town’s credit rating is a statement of its overall fiscal health as a government and as a community. The benefit of a strong credit rating is realized in lower interest costs on the Town’s long-term debt issues.

The Town underwent an updated credit review in August 2016, in conjunction with the sale of a \$16.64M bond. Current Credit Ratings:

AAA Standard & Poor’s (2016)  
Aa1 Moody’s (2013).

These ratings are excellent ratings for a small community. The ratings reflect the Town’s commitment to both fiscal discipline as well as quality services.



Total Long Term Debt Issued and Outstanding	FY14	FY15	FY16	FY17	FY18	FY19
General Fund	34,100,000	30,545,000	37,525,000	49,355,000	44,710,000	40,120,000
Sewer Fund	2,661,680	2,277,620	2,122,060	1,680,000	1,274,700	868,600
<b>Total</b>	<b>36,761,680</b>	<b>32,822,620</b>	<b>39,647,060</b>	<b>51,035,000</b>	<b>45,984,700</b>	<b>40,988,600</b>



# Debt Management

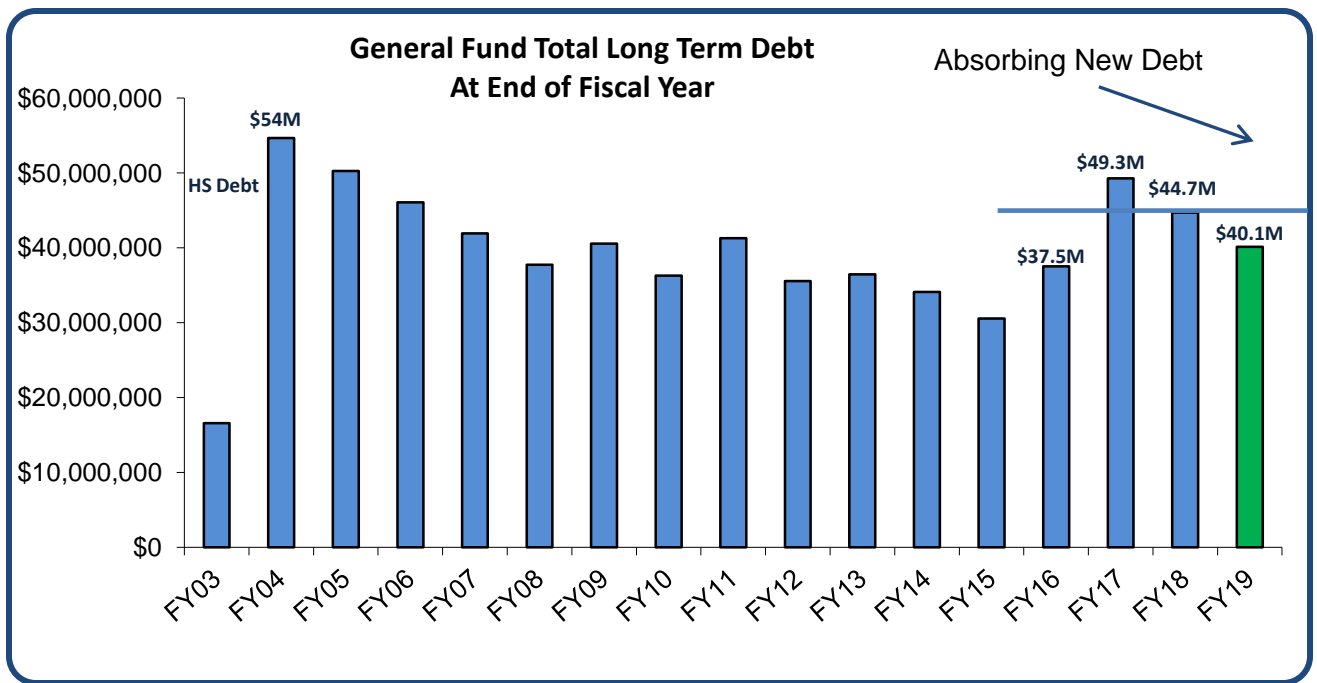
## Town Debt – Utilized Favorable Borrowing Climate

### Favorable Borrowing Climate

- Very strong credit ratings.
  - Standard & Poor's AAA.
- Excellent interest rate environment.
- Old debt retirement.
- Portion of recent bond sales replaced debt dropping off
  - Next debt drop off 2023.

### Recent Bond Sales - \$30M since 2014

- Bond sold August, 2016:
  - \$16.64M, 10-30 year term, 2.4%.
- Bond sold August, 2015:
  - \$10.45M, 5-20 year term, 2.6%.
- Bond sold May, 2014:
  - \$2.97M, 10 year term, 1.6%.



# Long Term Debt Outstanding

General Fund						Total
Description	Rate of Interest	Date Issued	Maturity Date	Amount Issued	Outstanding 30-Jun-19	
Outside of Prop 2 ½						
High School Project	1.63	5/2012	06/01/2023	\$39,262,300	\$7,195,000	
Library Construction	3.37	3/10/11	03/10/2031	\$9,300,000	\$5,580,000	
Within Prop 2 1/2						
High School Completion	3.48	8/01/08	02/01/2023	\$1,950,000	\$520,000	
Middle Sch Modular Construction	3.79	6/15/09	06/15/2029	\$3,500,000	\$1,750,000	
School Roof	1.43	12/20/12	06/01/2022	\$935,000	\$277,000	
DPW Roads/Equipment	1.43	12/20/12	06/01/2022	\$3,700,000	\$1,103,000	
DPW Roads/Equipment	1.62	05/15/14	05/15/2024	\$1,400,000	\$700,000	
Design Fire Station	2.66	9/1/2015	09/01/2035	\$850,000	\$722,500	
Construct Fire Station	2.66	9/1/2015	09/01/2035	\$8,650,000	\$7,352,500	
LED Lights Upgrade	2.66	9/1/2015	09/01/2025	\$500,000	\$350,000	
Cemetery Expansion	2.66	9/1/2015	09/01/2020	\$450,000	\$180,000	
Deerfield Rd/Parking Imprvments	2.42	9/1/2016	06/30/2026	\$2,000,000	\$1,400,000	
Land Purchase	2.42	9/1/2016	06/30/2026	\$890,000	\$620,000	
Police Station Design	2.42	9/1/2016	06/30/2045	\$1,000,000	\$895,000	
Police Station Construction	2.42	9/1/2016	06/30/2046	\$12,755,000	\$11,475,000	
<b>Total General Fund</b>					<b>\$40,120,000</b>	

- Debt authorized but unissued.
 

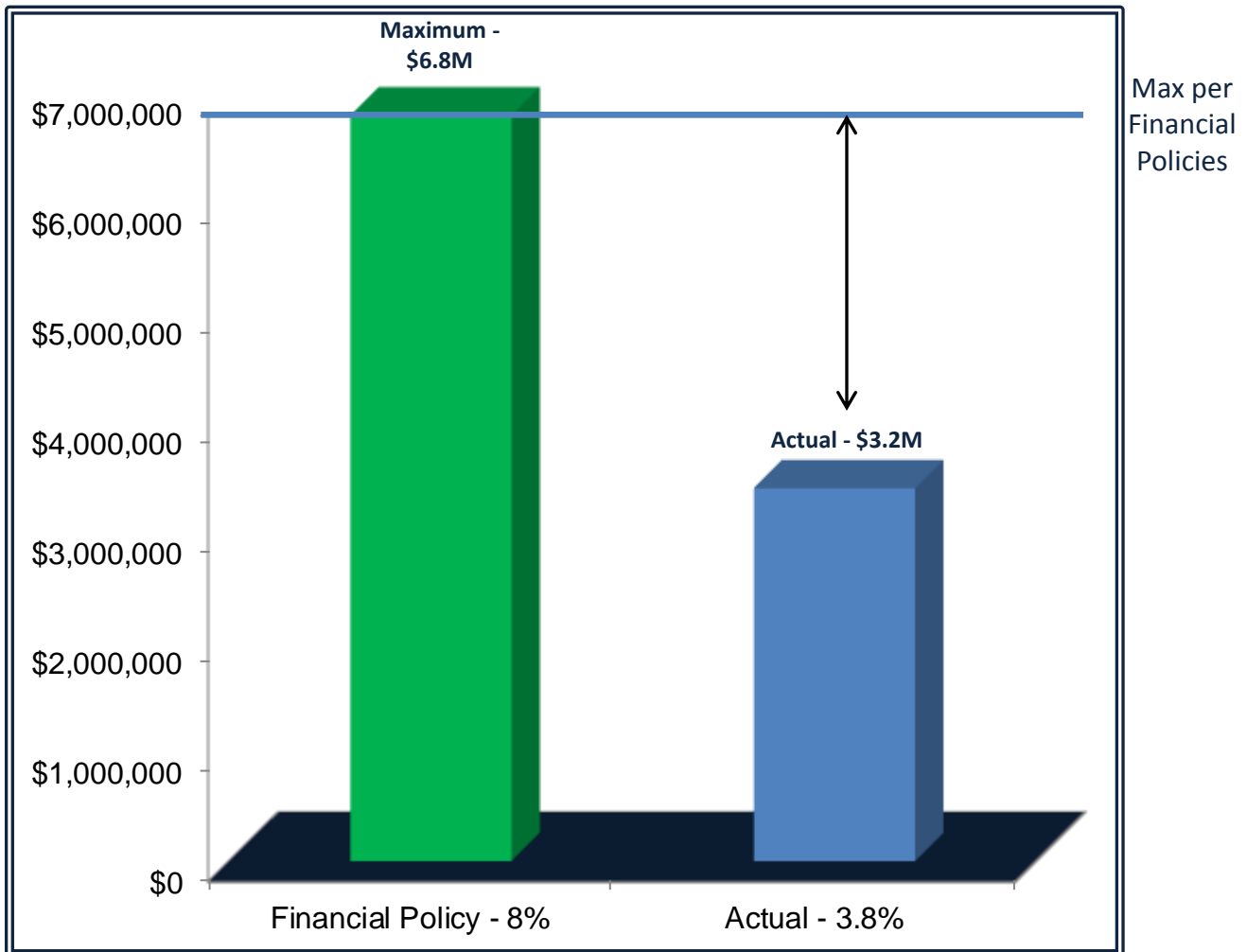
School MSBA Eligibility Phase	ATM 2018	\$1,750,000
Redevelopment Islington/Wentworth Library	ATM 2018	<u>\$3,500,000</u>
		\$5,250,000
- There is no short term debt outstanding.

Sewer Fund					
Description	Rate of Interest	Date Issued	Maturity Date	Amount Issued	Outstanding 30-Jun-19
Sewer Abatement Trust	3.88	11/1998	6/1/2019	\$3,220,700	\$0
MWRA - no interest loan	0.00	6/1/2016	6/2021	\$234,000	\$93,600
Sewer Bond	2.50	5/1/2014	6/2024	\$1,570,000	\$775,000
<b>Total General Fund</b>					<b>\$868,600</b>

# Debt Level

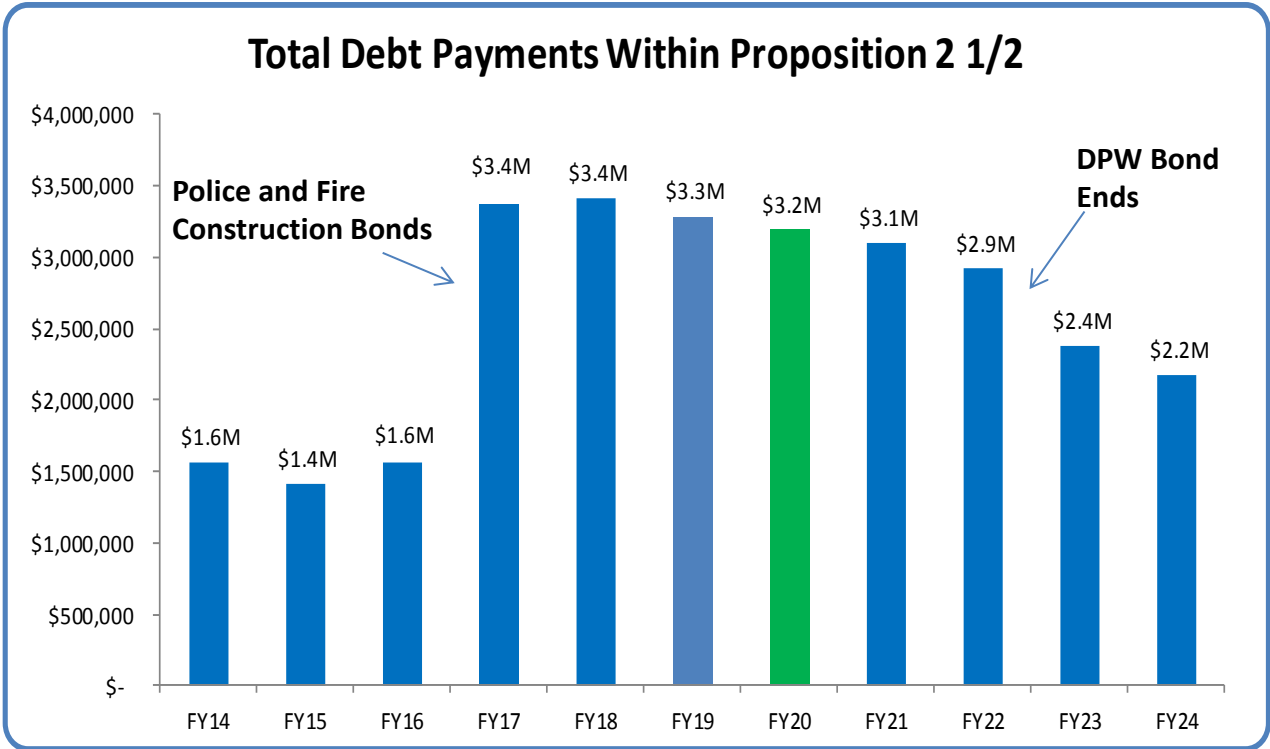
## Debt Level – Well Within Guidelines

- Financial Policies – annual debt payments should not exceed 8% of net general fund revenue.
- Debt levels are an important component of credit ratings. The Town holds a AAA rating.

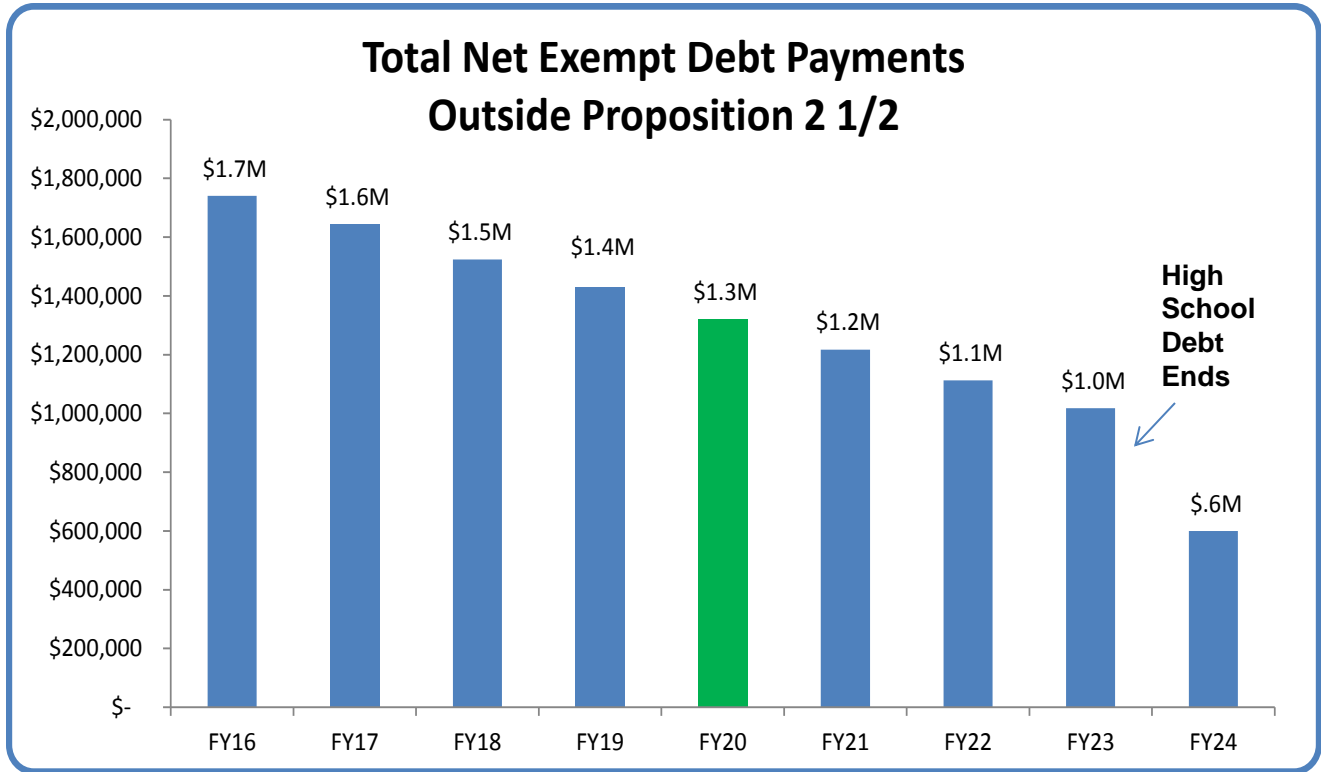


Debt is well within guidelines

# Non-Exempt Debt



- Debt drop off FY23:
  - \$4.6M, 10 year DPW bond for Roads, Equipment, and School Roofs, issued in 2012, is completed in 2022.



- Principal and interest payments for projects approved outside Proposition 2 1/2.
- Exact amount of debt cost, net of state school reimbursement, is raised in taxes.
- When bond ends, exempt taxes end.
- FY20: High School \$659,234, Library \$661K
- High School bond ends FY2023, Library FY2031
- Payments decline approximately \$100K each year
- FY2023 – High School \$406K.

# Total Principal and Interest Payments

Outstanding as of 30-Jun-19		FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25-46	Total FY20-FY46
<b>Principal and Interest for Current Long term Debt Outstanding</b>													
<b>HS Construct (Exempt)-Refi 3/12</b>	7,195,000	2,530,500	2,436,000	2,353,400	2,242,600	2,158,200	2,069,200	1,980,800	1,891,200	1,807,650	0	0	\$7,748,850
<b>Library Construct (Exempt) 3/11</b>	5,580,000	760,275	741,675	723,075	711,450	698,663	675,413	656,813	638,213	624,263	609,150	3,772,313	\$6,976,163
Municipal Building	0	0	0	0	0	0	0	0	0	0	0	0	\$0
Obed Baker	0	0	0	0	0	0	0	0	0	0	0	0	\$0
Eminent domain 8/08	0	31,125	0	0	0	0	0	0	0	0	0	0	\$0
High Street Lights 8/08	0	22,350	21,600	20,800	0	0	0	0	0	0	0	0	\$0
High Street Construction 8/08	0	122,925	118,800	114,400	0	0	0	0	0	0	0	0	\$0
High School Field 8/08	0	52,088	50,400	48,600	46,800	0	0	0	0	0	0	0	\$0
High School Completion 8/08	520,000	176,865	171,990	166,790	161,590	156,390	151,190	145,990	140,660	135,330	0	0	\$573,170
Middle School Modulares 6/09	1,750,000	279,431	274,400	269,150	263,463	257,338	248,588	239,838	232,838	225,838	218,838	987,131	\$2,153,069
DPW Roadway 12/12	450,000	180,000	177,000	174,000	169,500	166,500	162,000	159,000	154,500	0	0	0	\$475,500
School Roof 12/12	277,000	112,650	110,770	108,890	106,070	104,190	101,370	99,490	91,670	0	0	0	\$292,530
DPW Equipment 12/12	138,000	55,200	54,280	53,360	51,980	51,060	49,680	48,760	47,380	0	0	0	\$145,820
DPW Drainage 12/12	65,000	29,700	29,200	28,700	27,950	27,450	26,700	21,200	20,600	0	0	0	\$68,500
DPW Equipment 12/12	450,000	180,000	177,000	174,000	169,500	166,500	162,000	159,000	154,500	0	0	0	\$475,500
DPW Roads 5/14	150,000	36,075	35,475	34,875	34,275	33,675	33,075	32,475	31,875	31,275	30,675	0	\$159,375
DPW Drainage 5/14	300,000	72,150	70,950	69,750	68,550	67,350	66,150	64,950	63,750	62,550	61,350	0	\$318,750
DPW Equipment 5/14	250,000	60,125	59,125	58,125	57,125	56,125	55,125	54,125	53,125	52,125	51,125	0	\$265,625
Fire Station Design 8/15	722,500	0	16,841	75,119	72,994	70,869	68,744	66,619	64,494	62,369	60,244	603,394	\$925,863
Fire Station Construction 8/15	7,352,500	0	171,378	764,444	742,819	721,194	699,569	677,944	656,319	634,694	613,069	6,140,419	\$9,422,013
Street Lights Replacement 8/15	350,000	0	12,500	73,750	71,250	68,750	66,250	63,750	61,250	58,750	56,250	105,000	\$411,250
Cemetery Expansion 8/15	180,000	0	11,250	110,250	105,750	101,250	96,750	92,250	0	0	0	0	\$189,000
Bond 8/16 - Police and Other	14,390,000	0	0	1,026,338	1,262,475	1,232,475	1,202,475	1,172,475	1,142,475	1,112,475	1,082,475	13,879,350	\$19,591,725
	0	0	0	0	0	0	0	0	0	0	0	0	\$0
<b>Total General Fund Debt</b>	<b>40,120,000</b>	<b>4,701,459</b>	<b>4,740,634</b>	<b>6,447,815</b>	<b>6,366,140</b>	<b>6,137,978</b>	<b>5,934,278</b>	<b>5,735,478</b>	<b>5,444,848</b>	<b>4,807,318</b>	<b>2,783,175</b>	<b>25,487,606</b>	<b>50,192,702</b>
<b>Total Non - Exempt Debt</b>	<b>27,345,000</b>												
<b>Non - Exempt Debt Payments</b>	<b>1,410,684</b>	<b>1,562,959</b>	<b>3,371,340</b>	<b>3,412,090</b>	<b>3,281,115</b>	<b>3,189,665</b>	<b>3,097,865</b>	<b>2,915,435</b>	<b>2,375,405</b>	<b>2,174,025</b>	<b>21,715,294</b>		<b>\$35,467,689</b>
<b>Change in non- Exempt Debt</b>	<b>(156,138)</b>	<b>152,275</b>	<b>1,808,381</b>	<b>40,750</b>	<b>(130,975)</b>	<b>(91,450)</b>	<b>(91,800)</b>	<b>(182,430)</b>	<b>(540,030)</b>	<b>(201,380)</b>			
<b>Total Exempt Debt</b>	<b>12,775,000</b>												
<b>Total Exempt Debt Payments</b>	<b>3,290,775</b>	<b>3,177,675</b>	<b>3,076,475</b>	<b>2,954,050</b>	<b>2,856,863</b>	<b>2,744,613</b>	<b>2,637,613</b>	<b>2,529,413</b>	<b>2,431,913</b>	<b>609,150</b>	<b>3,772,313</b>		<b>\$14,725,013</b>
<b>Change in Gross Exempt Debt</b>	<b>(118,741)</b>	<b>(113,100)</b>	<b>(101,200)</b>	<b>(122,425)</b>	<b>(97,188)</b>	<b>(112,250)</b>	<b>(107,000)</b>	<b>(108,200)</b>	<b>(97,500)</b>	<b>(1,822,763)</b>			
<b>State Reimbursement Being Received - for School Projects - all project audits completed</b>													
High School Project - FY06 - FY23		1,401,276	1,401,276	1,401,276	1,401,276	1,401,276	1,401,276	1,401,276	1,401,276	1,401,276	0		\$5,605,104
High School Bond Premium		20,281	17,812	15,738	13,084	10,912	8,690	6,468	4,197	2,098	0		\$21,453
Library Bond Premium		19,170	17,963	16,755	16,000	15,170	13,661	12,453	11,246	10,340	9,359	33,586	\$90,645
Total State/Bond Premium Annual payments		<b>1,440,727</b>	<b>1,437,051</b>	<b>1,433,769</b>	<b>1,430,360</b>	<b>1,427,358</b>	<b>1,423,627</b>	<b>1,420,197</b>	<b>1,416,719</b>	<b>1,413,714</b>	<b>9,359</b>	<b>33,586</b>	<b>5,717,202</b>
<b>Net annual Exempt Debt</b>	<b>1,850,048</b>	<b>1,740,624</b>	<b>1,642,706</b>	<b>1,523,690</b>	<b>1,429,505</b>	<b>1,320,986</b>	<b>1,217,416</b>	<b>1,112,694</b>	<b>1,018,199</b>	<b>599,791</b>	<b>3,738,727</b>		<b>9,007,811</b>
<b>Change in annual Exempt Debt</b>	<b>(115,064)</b>	<b>(109,424)</b>	<b>(97,918)</b>	<b>(119,016)</b>	<b>(94,186)</b>	<b>(108,519)</b>	<b>(103,570)</b>	<b>(104,722)</b>	<b>(94,495)</b>	<b>(418,408)</b>			

# Sewer Total Principal and Interest Payments

Outstanding as of June 30,2019	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	Total	
<b>Principal and Interest payments for current Sewer Debt Outstanding</b>										
									<b>Total FY20-24</b>	
Balance										
Sewer - Abatement Trust 11/98	0	147,042	145,735	151,207	0	0	0	0	\$0	
MWRA no interest loans - 2012	0	42,460	0	0	0	0	0	0	\$0	
MWRA no interest loans - 2016	93,600	46,800	46,800	46,800	46,800	0	0	0	\$93,600	
Sewer - \$1.5m bond 5/14 (ends 2024)	775,000	185,388	182,188	173,988	170,888	167,788	164,688	161,588	158,488	
<b>Total Sewer Debt</b>	<b>868,600</b>	<b>421,690</b>	<b>374,723</b>	<b>371,995</b>	<b>217,688</b>	<b>214,588</b>	<b>164,688</b>	<b>161,588</b>	<b>158,488</b>	<b>917,038</b>
All debt funded by sewer user fees										
The MWRA trust debt is supplemented by subsidies by the Massachusetts Water Pollution Trust (MWPAT).										
The principal and interest shown is Town portion only.										

# Other Post Employment Benefit Costs (OPEB)

## What is it?

Employees of state and local governments may be compensated in a variety of forms in exchange for their services. In addition to a salary, many employees earn benefits over their years of service that will not be received until after their employment with the government ends through retirement or other reason for separation. The most common type of these post employment benefits is a pension. As the name suggests, other post employment benefits (OPEB) are post employment benefits other than pension. OPEB generally takes the form of health insurance and dental, vision, prescription, or other health care benefits provided to eligible retirees, including in some cases their beneficiaries.

OPEB is a part of the compensation that employees earn each year, even though these benefits are not received until after employment has ended. Therefore, as benefits accrue, they are a cost of providing public services today, and should be a part of the municipality's accounting statements.

However, most governments report their cash outlays for OPEB in the year of actual distribution, rather than in the year benefits are earned. These two amounts may be vastly different and represent the unfunded liability.

GASB 45 now requires municipalities to disclose the unfunded liability as part of their financial statements. Municipalities are required to update an actuarial analysis of the liability every other year. There is currently no requirement to fund the liability.

### OPEB Liability – Most Recent Study – 6/30/17

Westwood is required to update the valuation of the liability every other year. The most recent valuation was completed in early 2018 for the period ending 6/30/17. The full report is available on the Town's website.

	6/30/13	6/30/15	6/30/17
Discount Rate		7.75%	7.25%
Unfunded Actuarial Liability	\$55.9M	\$35.6M	\$39.1M
Funded Ratio		4.6%	11.4%

As shown, there has been significant progress made on the unfunded liability. This is due to the actions taken by the Town over the last few years including:

- Transition to the State GIC health insurance.
- Elimination of Medi B payment.
- Investment of trust funds with State Prit program.
- Using health care savings to provide for base \$1.35M in annual appropriation within the budget:
  - \$700K from transition to GIC in FY16.
  - \$400K from change in health plans in FY13.

The \$39M liability is comprised as follows:

Schools	\$23.8M
Public Safety	\$8.8M
DPW/Gen Government/Other	\$6.5M
<b>Total</b>	<b>\$39.1M</b>



## Other Post Employment Benefit Costs (OPEB)

The OPEB liability needs to be addressed on both the revenue and expense sides. It is only through a combination of efforts on both sides that the Town will be able to address this long term liability.

### Funding

- The effort to fund started in FY11, with a \$20K budget item. The \$20K was funded by the exact amount another fixed cost line item, social security, was decreasing. In the FY12 budget, we continued, within the fixed costs budget, to fund the OPEB obligation with \$26K allocation.
- In FY13, we continued the funding within the fixed cost allocation at \$38K. In addition, in FY13 significant savings from changes to the health care benefits provided for a \$435K annual contribution to the OPEB liability.
- In FY14, funding continued with a \$68K appropriation from savings in the fixed costs budget and the annual health care savings costs of \$435K.
- In FY15, a \$550K annual appropriation built into the budget continued the funding program.
- The FY16 appropriation of \$650K was supplemented at the Fall 2015 Town Meeting with the savings from the GIC conversion, calculated at \$700K, bringing the new annual appropriation to \$1.35M.
- The \$1.35M appropriation will be increased incrementally by approximately \$25K - \$40K per year.
- The FY18 appropriation was \$1.39M, FY19 was \$1.415M, and the planned appropriation for FY20 is \$1,440,000.

### Benefits/Expense

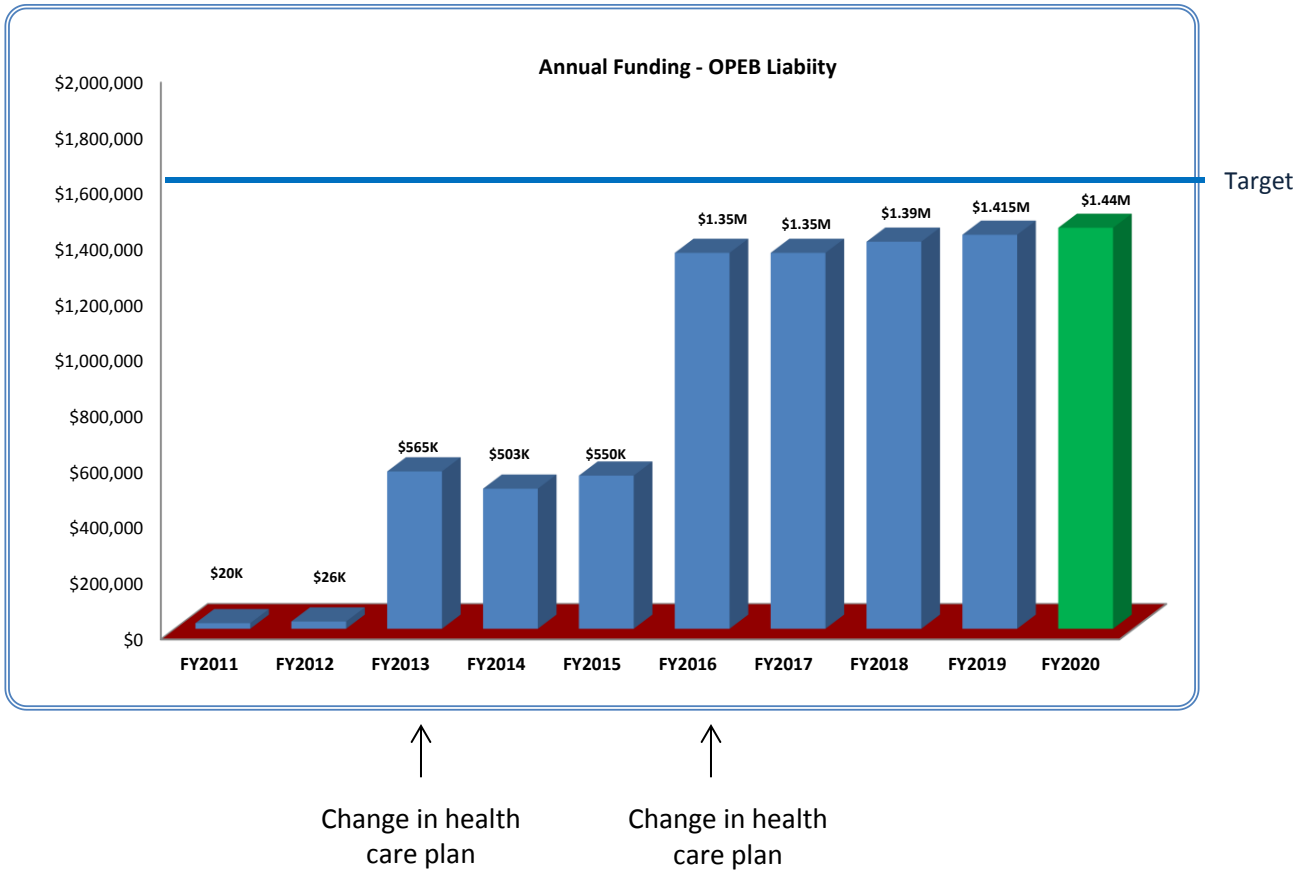
- The liability should also be addressed by making changes on the benefit/expense side.
- In FY14, the Selectmen eliminated the 50% Medicare B premium payment for all new retirees as of 7/1/2014. This action reduced the full liability by 10% or \$5M and reduces the annual funding requirement by \$400K or 25%.
- In FY15, the Board of Selectmen approved the transition of the Town's health insurance to the State Group Insurance Commission (GIC). This transition resulted in significant savings for health insurance costs for both the employees and the Town. The full amount of the annual savings was added at the Fall 2015 Town Meeting to the annual OPEB appropriation.
- The health care cost savings will also help reduce the overall OPEB liability.
- Efforts should continue on the expense side to contain costs and reduce the liability.

### Investment of Funds

- In FY15, the Town Treasurer, with approval from the Board of Selectmen, transferred funding in the OPEB Trust to the State PRIM program for OPEB funds, allowing the funds to earn a greater investment return. PRIM currently invests over \$60 billion of State and municipal retiree funds and \$600M of OPEB funds. The investments match the long term nature of these funds.
- The balance in the OPEB trust fund is \$8.3M as of 12/31/18.

# OPEB Liability – FY20 Funding

- The Town transitioned its health insurance program to the GIC effective July 1, 2015, and has been able to build the OPEB appropriation into the ongoing annual budget, through savings in health care costs. The appropriation now increases by approximately \$25,000 a year. The FY20 funding will be \$1,440,000.



- The current balance in the OPEB trust fund account as of 12/18 is \$8.3M.

# Pension System

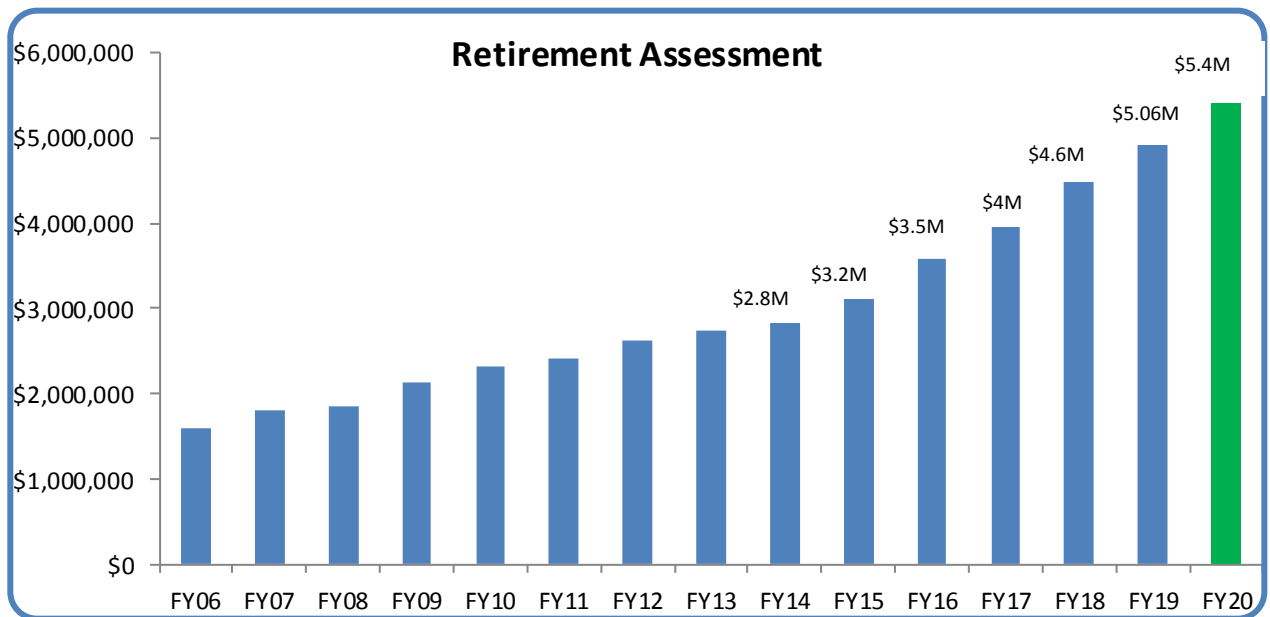
## Teachers:

- All MA teachers are part of State Teachers' Retirement System (MTRB).
- Employees required to contribute 5 - 11% of weekly earnings, depending on hire date.
- State, not Westwood, pays an annual assessment (employers' share) for Westwood teachers to MTRB FY18 (\$9.9M), FY17 (\$9.3M), FY16 (\$6.78M), FY15 (\$4.4M).

## Non teaching staff:

Westwood is part of Norfolk County Pension System:

- All non-teacher staff working 20 hours per week are required to join the system.
- Employees required to contribute 5 - 11% of weekly earnings, depending on hire date.
- Town is charged annual assessment, which is appropriated at Town Meeting.
- Norfolk County Pension System overseen by State Public Employee Retirement Commission.
- Pension System is required to be fully funded by 2031.
- The System is currently funded at 62%.
- Westwood is approximately 7% of overall Norfolk system.



- The Town is required to annually appropriate sufficient funds to cover the annual assessment of the Norfolk County Retirement System, which covers the ongoing cost, the unfunded pension liability for all current employees, and current administration costs.
- The annual assessment from Norfolk County includes an appropriation towards the unfunded liability, approximately 70% of the annual assessment is for the unfunded liability.

## Organization/Role/Responsibilities

- Established by Board of Selectmen in 2003
- Comprised of representatives from the following Boards and Committees:

Board of Selectmen	Tax Collector
School Committee	Town Treasurer
Board of Assessors	Town Administrator
Finance and Warrant Commission	Town Finance Director
Planning Board	School Superintendent
	Two at-large community representatives

## Some of the long term issues that the LRFP considers include:

- Five year projections of revenue and expenditures
- Establishment and funding of reserve accounts
- Capital budgeting and planning policy
- Debt management
- Financial Policies
- Senior Tax Relief
- Protection of credit rating
- Health insurance/benefit costs
- Adherence to financial policies
- Impact – residential/commercial tax rates
- OPEB (post employment benefits other than pensions)

## Some recent areas of review and revision:

- Financial Policies and current status.
- Review of debt schedules and ability of issuing new debt to replace debt drop off.
- McKinney-Vento School homeless issue and Town wide response.
- Use of University Station revenue.
- Future school facility needs study.
- OPEB – funding source within budgeting funds.
- Meals tax – set up of separate account and use.
- Review of senior tax relief options.
- Major capital projects

## Westwood Financial Policies

- Westwood's *Financial Policies* were originally adopted in 2004 and were revised in 2014.
  - The Town of Westwood has an important responsibility to carefully account for public funds, to manage municipal finances wisely, and to plan and provide for the adequate funding of services desired by the public and as required by laws, rules, or regulations, including the provision and maintenance of public facilities and improvements. The Board of Selectmen has set forth the financial objectives and policies in the *Financial Policies* document intended to establish guidelines for the continued financial strength and stability of the Town of Westwood.
- The *Policies* can be viewed in the finance section of the Town's web site at: [www.townhall.westwood.ma.us](http://www.townhall.westwood.ma.us).
- The current status of the *Policies* can be seen on the following pages.

# Financial Policies Status Update September 2018

	Target	Actual	Comments	Target Status	Comparison to Previous Year
<b>B. 2. Operating Reserve Fund</b> – shall be .5% of total general fund operating budget, net of debt service. Per new policy.	\$400,874 .5%	FY19 Budget \$400,000	At target. This target was recently revised. \$400,000 is comfortable budget.	✓	Continued to Meet Target
<b>B. 3. Free Cash</b> – shall maintain at 4% of general fund operating budget, net of debt service.	\$3,206,993 4%	\$5,854,683 6.8%	Actual is at goal. Full amount <u>before</u> use of any free cash. This allows us to utilize standard free cash amount for FY20 budget and still meet target. FY18 unused was \$1.9M which is below target.	X	Continued Improvement
<b>D. 3. Reserve accounts</b> – shall maintain at 8% of general fund operating revenues, net of debt service. Total reserve goals should be maintained at 4% in general fund and 4% in stabilization account.	Stabilization Target 4% \$3,426,177  Total 8% or \$6,852,354	Stabilization 3.6% \$3,118,670  Total 10.5% or \$8,973,357	Stabilization approximately \$307K short of target.  Total is over target. This would be <u>before</u> use of free cash. Allows for standard use of free cash, and then remain at target.	✓	Stable On Track With Target
<b>D.4 Annual OPEB appropriation</b> – the Town will appropriate no less than \$550,000 per year to the OPEB Liability Trust Fund.	\$550,000	\$1,415,000	FY19 budget includes \$1,415,000 appropriation. Above minimum target and on track with required funding.	✓	Significant Improvement Target to be Revised
<b>E. 4. General fund nonexempt debt service</b> should not exceed 8% of net general fund revenues.	Not exceed 8% Or \$6,852,354	3.8% \$3,281,115	Target is met. Non exempt debt service is at approximately ½ of maximum target.	✓	Continued Below Target
<b>E. 4. Total General fund exempt and nonexempt debt</b> should not exceed 10-12% of net general fund revenues.	Not exceed 12% Or \$10,278,532	7.2% \$6,137,978	Target is met. Total debt is well below target.	✓	Continue to Meet Target
<b>F. 5. Investment in capital stock</b> – will maintain 3% of general fund operating budget, net of debt, on ongoing capital maintenance and replacement.	\$2,405,244 3%	\$1,753,900 2.2%	Actual is approximately \$651K short of target. Actual at 73% of target. Base capital has been increased incrementally from \$823K to \$1,753,900. In each of the last 3 years, we have added an additional \$700-900K of capital above the base.	Not Fully Met	Continued Improvement with Additional Capital
<b>G. 5. Maintain sewer retained earnings</b> – will maintain 10% of sewer fund revenues.	\$511,807 10%	\$2,877,966 56%	Actual is well above target, due to new commercial connect fees to be used for capital maintenance of system.	✓	Well Above Target

# Financial Policies Status Update September 2018

Other Policies	Comments	Target Status	Comparison to Previous Year
<p><b>B.1. General Fund</b> – Annual budget should be prepared covering operating expenditures with current operating revenue, not non-recurring revenue sources.</p>	<p>No Free Cash used for operating budget.</p>	<p>✓</p>	<p>Target has been met consistently</p>
<p><b>D.3. Reserves</b> – Town will strive to make annual appropriation to the Stabilization Fund</p> <p><b>D.4. OPEB</b> – Town will strive to move towards fully funding ARC (Annual Required Contribution).</p>	<p>\$100,000 appropriation to stabilization reserve at 2018 Annual Town Meeting, funded by free cash. Continued in FY20 budget plan.</p> <p>Current balance in stabilization account is \$3.1M</p> <p>\$1,415,000 appropriated to OPEB reserve at 2018 Annual Town Meeting, within budget funds. This is currently on target with required annual payment (ARC).</p> <p>OPEB trust account now has a balance of \$8.5M.</p>	<p>✓</p> <p>✓</p>	<p>Target has been met consistently</p> <p>Greatly Improved On Target with ARC from Current Valuation</p>
<p><b>F.2. Capital Planning</b> – Town will develop a multi-year plan for capital improvements.</p>	<p>Produced 5-year Capital Improvement Plan document; will continue to improve document and produce on an annual basis.</p>	<p>✓</p>	<p>Same</p>

## What Do Those Financial Terms Really Mean?

<b>Abatement:</b>	A complete or partial cancellation of a levy imposed by a governmental unit; applicable to tax levies and special assessments.
<b>Appropriation:</b>	An authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and the time when it can be expended. Only a vote of town meeting or the school committee can authorize money appropriated for one purpose to be used for another. Any amount appropriated may be encumbered. Any part of the general appropriation not spent or encumbered by June 30 automatically reverts to surplus.
<b>Assessed valuation:</b>	The value placed on a particular property by the local Board of Assessors for the purpose of apportioning the town's tax levy among individual property owners equitably and in accordance with the legal requirement that property be assessed at "full and fair cash value," certified periodically by the Commonwealth's Commissioner of Revenue, no less frequently than once every three years.
<b>Audit:</b>	Work done by accountants in examining financial reports, reviewing compliance with applicable laws and regulations, reviewing efficiency and economy of operations and reviewing effectiveness in achieving program results. A basic audit examines only the financial reports and legal compliance. An outside certified public accountant (CPA) audit is directed primarily toward the expression of an opinion as to the fairness of the financial statements and submission of a management letter. An auditor must be independent of the executive branch of government. A state auditor, private CPA or public accountant, or elected auditor meets this test.
<b>Balance sheet:</b>	A statement that discloses the assets, liabilities, reserves and equities of a fund or government unit at a specified date.
<b>Budget:</b>	A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. A budget may be preliminary (the financial plan presented to the town meeting) or final (the plan approved by that body).
<b>Capital budget:</b>	A plan of proposed capital outlays and the means of financing them for the current fiscal period.
<b>Cherry sheet:</b>	An annual statement received from the Massachusetts Department of Revenue detailing estimated receipts for the next fiscal year from the various state aid accounts and estimated state and county government charges payable to the state. The actual receipts and charges may vary from the estimates.
<b>Classification:</b>	The division of the real estate tax by the selectmen into one rate for residences, another rate for business, and another rate for open space.
<b>Debt service:</b>	Payment of interest and principal related to long-term debt.
<b>Encumbrance:</b>	Obligations such as purchase orders, contracts or salary commitments that are chargeable to an appropriation and for which a part of the appropriation is reserved.
<b>Enterprise fund:</b>	A fiscal entity with a self-balancing set of accounts that is utilized to account for a governmental service when it is the intent to recover the total cost of service primarily through user charges.



## What Do Those Financial Terms Really Mean?

<b>Expenditure:</b>	The spending of money by the town for the programs or projects within the approved budget.
<b>Fiscal year:</b>	A 12-month period, commencing July 1 and ending June 30, to which the annual budget applies and at the end of which a governmental unit determines its financial position and the results of its operations. The number of the fiscal year is that of the calendar year in which it ends: FY2000 is the fiscal year that ends June 30, 2000.
<b>Free cash:</b>	Now referred to as "undesignated fund balance." Certified each July 1 by the state, this is the portion of fund balance available for appropriation. It is not cash, but rather is approximately the total of cash and receivables less current liabilities and earmarked reserves, reduced also by reserves for uncollected taxes.
<b>Fund:</b>	An accounting entity with a self-balancing set of accounts segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.
<b>General fund:</b>	The fund into which the general (non-earmarked) revenues of the town are deposited and from which money is appropriated to pay expenses.
<b>Overlay:</b>	The amount raised in excess of appropriations and other charges. It is used to cover abatements and exemptions granted locally or on appeal.
<b>Override:</b>	A vote to increase the amount of property tax revenue that may be raised over the levy limit.
<b>Personal services:</b>	The cost of salaries, wages and related employment benefits.
<b>Property tax levy:</b>	The amount produced by multiplying the assessed valuation of property by the tax rate. The tax rate is expressed per thousand dollars of assessed valuation, for example: <i>House value:</i> \$200,000 <i>Tax rate:</i> \$10 (which means \$10 per thousand) <i>Levy:</i> \$10 multiplied by \$200,000 and divided by \$1,000 <i>Result:</i> \$2,000
<b>Reserve fund:</b>	This is a reserve account established by vote at annual town meeting for the purpose of funding any unforeseen and extraordinary expenses that occur during the fiscal year. Funds are transferred to individual departments only upon recommendation of the Finance Commission.
<b>Revolving fund:</b>	Funds that may be used without appropriation and that are established for special uses. Fees, as for recreation, may be paid into a revolving fund. Revolving funds are established by state law or town bylaw.
<b>Tax levy:</b>	Total amount of dollars assessed in property taxes imposed by the Town each fiscal year.
<b>Undesignated fund balance or surplus revenue account:</b>	The amount by which cash, accounts receivable and other assets exceed liabilities and restricted reserves. It is akin to the stock holders equity account on a corporate balance sheet. It is not, however, available for appropriation in full because a portion of the assets listed as "accounts receivable" may be taxes receivable and uncollected. (See Free Cash)
<b>Warrant:</b>	A list of items to be voted on at Town Meeting.

## *Information about your Fiscal Year 2019 Real Estate Tax Bill*

This insert is intended to provide you with some information about your enclosed tax bill. The following questions are most commonly asked by residents about their tax bills.

### *Did overall property value in Westwood change from FY18 to FY19?*

Yes. FY19 is a full revaluation year, with all properties being revalued. The value of all real estate in Town increased by 6.6%, with residential value increasing 5.5 % and commercial value increasing 12.3%.

### *Did my individual home value change?*

Yes. All of the residential homes in Town had a change in value for FY19. Values are required to be updated annually to reflect market conditions and sales activity. As always, values also change due to home renovation or improvements.

Approximately 60% of homes had a value increase in the range of 3% to 8%, with the median home value increasing to \$634,000. Approximately 6% of homes experienced a decrease in value.

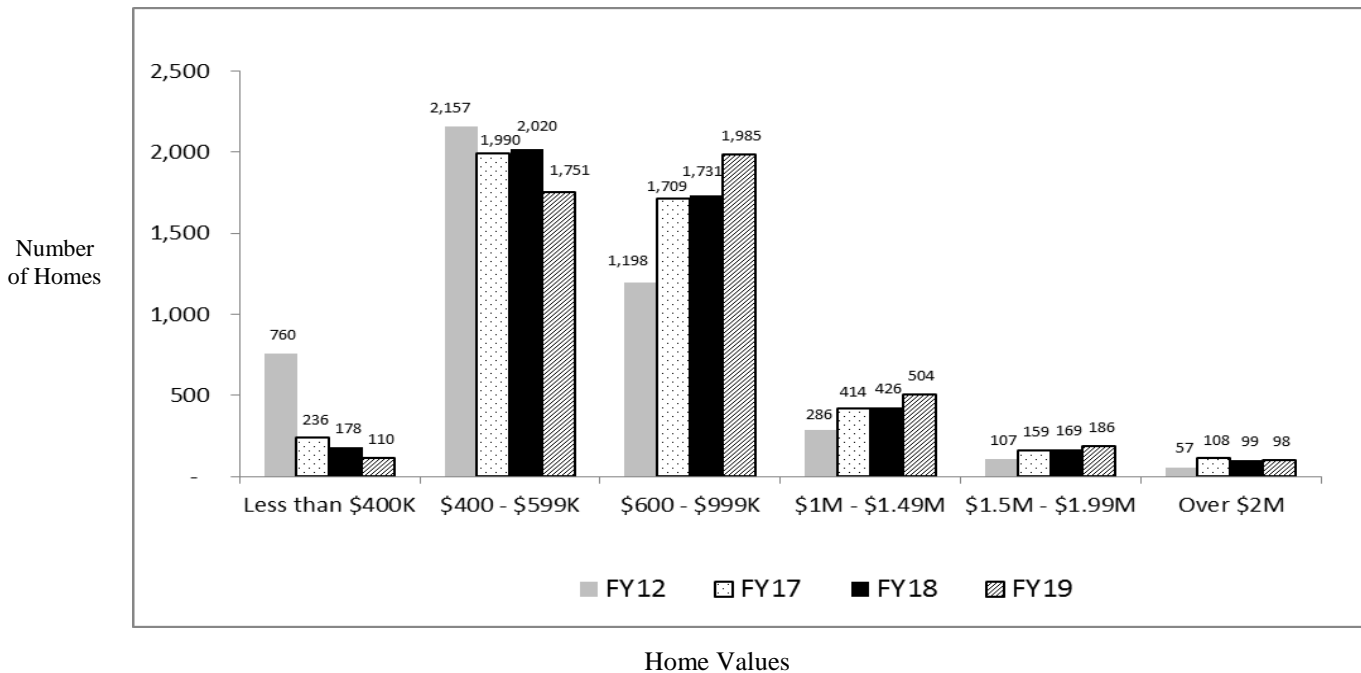
A report listing all home values for FY18 and FY19 can be found on the Town’s web site at [www.townhall.westwood.ma.us](http://www.townhall.westwood.ma.us). From the Home page, select “Residents”. Click the link for “Tax Rates and Property Assessments”. It is important to remember that state tax law dictates that your FY19 tax bill is based on the assessed value of your home as of **January 1, 2018** based on home sales that occurred during calendar year **2017**.

If you notice any data errors when viewing the on-line Assessors’ database, please contact the Assessors’ Office. The Board of Assessors is committed to ensuring that each property is fairly and accurately assessed.

### *What is the range of home values in Westwood?*

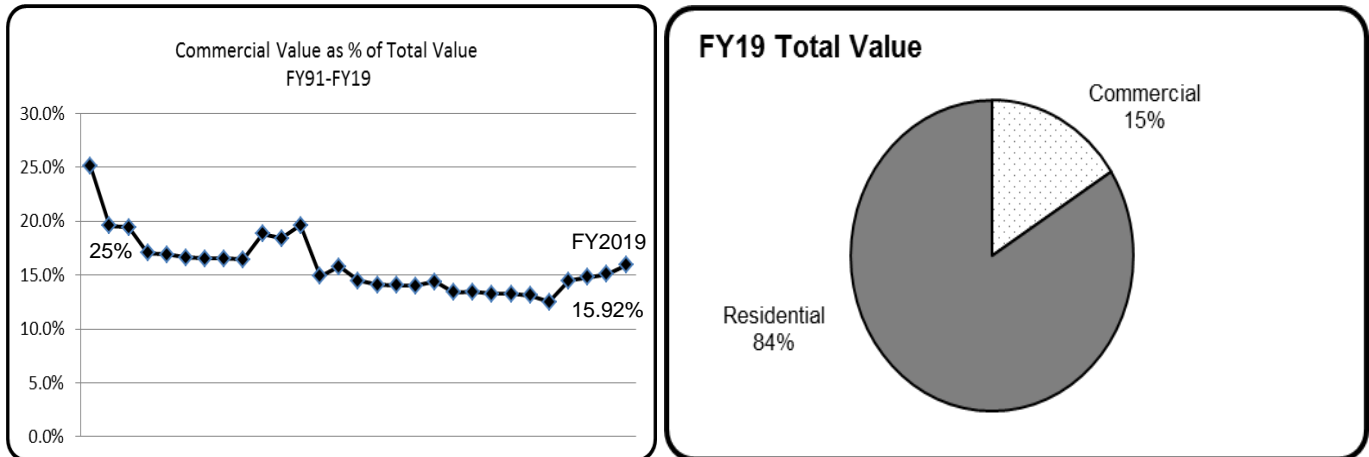
Range of Residential Property Values

Home Values by Category  
FY12 – FY19



***Did commercial property increase in value for FY19?***

Yes. The total commercial property saw an overall increase in value of approximately \$79 million or 12%. It is important to remember that state tax law looks at the value of new construction as of June 30, 2018. This increase in value came from the revaluation process, as well as new commercial development, including the new hotel and restaurants at University Station.



In FY19, commercial properties are 15% of the Town’s total value, but will pay 26.7% of total taxes.

***Does the commercial property pay a higher tax rate than residential?***

Yes. The Town has a split tax rate, charging commercial property a higher rate than residential. The Board of Selectmen, in consultation with the Board of Assessors, voted to set the FY19 shift factor, which sets the different rates, at 1.68.

In FY19, commercial property, while only representing 15% of the Town's value, will pay 26.7% of the total taxes, an increase from 25.7% in FY18.

***Does the higher commercial rate help my residential tax bill?***

Yes. Without this higher commercial split rate, the average tax bill would increase an additional 15% or \$1,370. This is a significant savings to the average residential tax bill.

***What is the change in real estate tax rates for FY19?***

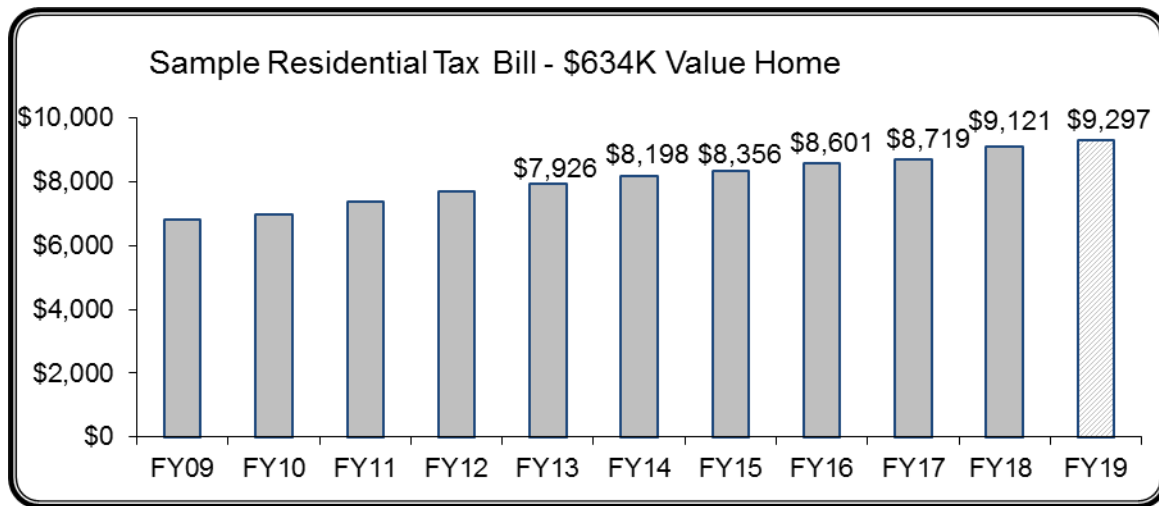
The FY19 tax rates per \$1,000 of valuation are as follows:

Tax Rate	FY18	FY19	Rate Change FY18 to FY19	% Change in Rate FY18 to FY19
Residential	\$15.09	\$14.65	-\$0.44	-2.9%
Commercial	\$29.30	\$28.24	-\$1.06	-3.6%

**What happened to my individual tax bill?**

The tax rate on your bill is based upon the value of the residential and commercial property in the Town and the amount of money that was voted to be spent at the May 2018 Town Meeting. It also includes debt currently approved outside of Proposition 2 ½. This tax rate is then multiplied by the value of your house to arrive at your new tax amount.

Proposition 2 ½ places limits on the total amount of taxes that can be raised by a city or town. It does not apply to an individual tax bill. While the total taxes collected by the Town including new growth increased by 4%, each individual tax bill is determined by the change in the tax rate and the change in valuation for that particular parcel.



*This sample home has a tax increase of \$176, or 2% from FY18 to FY19 and has a 5% increase in assessed value from FY18 to FY19.*

**Sampling of Individual Home Values/Tax Bills**

Home Value			Tax Bill		
FY18	FY19	% Change	FY18	FY19	% Change
\$ 1,842,850	\$1,843,000	0%	\$ 27,809	\$27,000	-2.9%
\$ 1,168,700	\$1,213,250	3.8%	\$ 17,636	\$17,774	.8%
\$ 950,850	\$1,032,800	8.6%	\$14,348	\$15,131	5.5%
\$ 811,850	\$875,600	7.9%	\$ 12,251	\$12,828	4.7%
\$ 714,900	\$745,550	4.3%	\$ 10,788	\$10,922	1.2%
\$ 597,800	633,950	6.0%	\$ 9,021	\$9,287	3.0%
\$ 522,950	566,600	8.3%	\$ 7,891	\$8,301	5.2%

***What debt outside Proposition 2 ½ is included in this bill?***

There are two components to the total taxes collected by the Town: 1) the general tax levy, and 2) the exempt debt, which is the principal and interest costs for the debt approved outside the limits of Proposition 2 ½.

The FY19 tax levy includes principal and interest payments that the Town will be making for the Proposition 2 ½ debt exclusion projects listed below. All other debt projects approved outside of Proposition 2 ½ have been completed, meaning the bond has been fully repaid and the cost removed from the tax levy.

<b>Project/Bond Issued</b>	<b>Fiscal Year Debt Will Be Completed</b>	<b>FY19 Debt Payments</b>	<b><u>Net Amount of Debt in FY19 Levy</u></b>
High School Construction - \$39.2 million	2023	16 <sup>th</sup> of 20	\$746,012
Library Construction - \$9.3 million	2031	8 <sup>th</sup> of 20	\$683,493

All other Town debt is being funded within Proposition 2 ½.

***Were Steps Taken to Address Residential Tax Relief?***

Yes. The Board of Selectmen proposed and Town Meeting approved several measures to continue efforts to try to mitigate the increase in the residential tax bill. These measures include:

- Striving to keep all operating and capital budgets within Proposition 2 ½.
- Not utilizing the entire available tax levy (approximately \$1.1 million) permitted by state law for FY19. This continues a tax relief measure as done in the previous year.
- Maintaining beneficial commercial/residential split tax rate.