
TOWN OF WESTWOOD, MASSACHUSETTS

PROPOSED TOWN BUDGET SUMMARY

FOR FISCAL YEAR 2006

JULY 1, 2005 – JUNE 30, 2006



Islington Town Center

BOARD OF SELECTMEN
NANCY C. HYDE, CHAIRMAN
PATRICK J. AHEARN
ANTHONY J. ANTONELLIS

MICHAEL A. JAILLET, EXECUTIVE SECRETARY
PAMELA DUKEMAN, FINANCE DIRECTOR

TABLE OF CONTENTS

This report is a summary of the Fiscal Year 2006 budget as well as an overview of the Town's finances.

Transmittal Letter i
Town Meeting Financial Articles Summary iv
Summary of FY2006 Budget v
FY2006 Projected Budget Revenue x

FY2006 Proposed Budget

FY2006 Proposed Municipal Budget Summary Budget-1
FY2006 School Superintendent Recommended Budget Summary – See School Superintendent's Recommended Budget Document
FY2006 Capital Budget Summary Budget-23

Financial Summary

Summary Financial-1
A Look at the Total Current FY05 Budget Financial-2
A Look at the Budget History Financial-6
Important Areas Financial-8
 Salaries, Health Insurance, Taxes, Commercial Values, Debt, Stabilization Fund
Financial Policies Status Update Financial-15
What Is Proposed For FY06 Revenue? Financial-17
Looking Ahead – FY06 Potential Budget Gap Financial-18
Looking Ahead – Five Year Forecast Financial-19

Information to Know...

The Town of Westwood 1
Westwood's Organization 2

Everything You Wanted to Know About:

The Tax Levy:

- Explanation of Proposition 2 1/2 3
- History of Overrides 4
- Tax Levy History 5
- Tax Rate/Bill History 6
- A Look at Assessed Values 7
- History of Tax Rates 8

State Aid 9
Free Cash 11
Reserve Fund 12
Debt Management 13
Typical Taxpayer Costs 15
Municipal Personnel Summary 16
Stabilization Fund 17
A Look at Municipal Grants 18
How Does Westwood Compare with Other Communities? 19
Some Facts about Westwood 20
Financial Policies 21
What Do Those Financial Terms Really Mean? 27



TOWN OF WESTWOOD

COMMONWEALTH OF MASSACHUSETTS

BOARD OF SELECTMEN

Nancy C. Hyde, Chairman
Patrick J. Ahearn
Anthony J. Antonellis

Michael A. Jaillet, Executive Secretary
Pamela Dukeman, Finance Director
Barbara Benway, Executive Assistant

February 21, 2005

The Honorable Board of Selectmen,

I herewith submit for your review the Proposed FY2006 budget document. It contains several summaries which highlight the proposed budget, as well as a section which provides significant information on the Town's overall finances. Summaries of the school, municipal, and capital budgets are incorporated in this report, with further detail available in the separate school, municipal, and capital budget documents.

The Selectmen have been committed to providing clear, concise and understandable information to Town residents and officials, and I am confident you will find this document a comprehensive, easy to use reference tool.

As experienced by other Massachusetts communities, the Fiscal 2006 budget continues to present a significant challenge for Westwood. The budget challenges for FY06, similar to those faced in FY04 and FY05, are centered on the following issues:

Limited New Revenue

The Town continues to experience limited growth in revenue. The Town's major revenue source, property taxes, is limited by the constraints of Proposition 2 ½. The only significant growth in the tax base comes from new commercial development, which has been limited in the recent struggling economy. Recent efforts to attract new commercial development should bring critical new commercial tax dollars to future budgets, but will not impact FY06 or FY07.

State aid is expected to be level funded in FY06, with a small increase in lottery receipts. While the stabilization of state aid is welcomed after several years of uncertainty and decline, the state aid Westwood will receive in FY06 is still well below levels received in prior years.

Increases in Fixed Costs

Coupled with this limited revenue growth is the continued growth in the fixed cost budgets, particularly employee costs, such as health insurance, pension assessments, and payroll taxes. The health insurance budget continues to grow at a significant rate. This growth is caused not only from rate increases, but by the continuing growth in the number of employees and retirees on the health plans. The growth in number of enrollees

will continue in the next several years. This growth is particularly fueled by the turnover generated by the state's early retirement program for teachers. As teachers retire and new employees are hired to replace them, the total enrollment increases. The health insurance budget burden is significantly offset by the 40% employee contribution rate, which is much higher than other municipalities.

Continued Budget Constraints

The FY06 budget is particularly difficult to balance as it represents the third year of significant budget constraints. In FY04, due to budget constraints, the municipal and school budgets were level funded, which resulted in streamlining of budgets. In FY05, the budget constraints resulted in very limited increases to the municipal and school budgets, all of which were funded by one time revenue sources. As these one time revenue and expense reduction efforts have already been used, the FY06 budget balancing options become very restricted.

Impact on Tax Bill

The budget requests each year must be balanced against the tax bill impact for our residents. Proposition 2 ½ limits the base tax growth each year and in times of increases in fixed costs, has resulted in a significant structural imbalance in simply maintaining services. However, the override options available to supplement the budget must be balanced against the resultant tax impact.

The average residential tax bill in Westwood experienced significant increases of 15% in FY03 and 13% in FY04. The majority of these increases related to the debt payments associated with the Martha Jones, Downey, and High School construction projects. These major capital projects appreciably updated the capital assets of the Town and will serve the residents for years to come.

In FY05, the state made considerable changes to the state school building assistance funding program. A major restructuring of the program has resulted in a significant speeding up of projects on the state waiting list. As a result, in FY05 Westwood received \$1.3 million in first year funding for the Martha Jones and Downey School projects. This funding went directly to the tax bill, resulting in a relatively low .67% increase to the average bill. Not only will these funds continue in future years, but the High School funds are also projected to begin in FY06. This state money drastically reduces the tax burden our residents have been paying for these projects.

Westwood will continue to strive to provide quality programs and services to residents even in difficult economic times. The Board of Selectmen is committed to all the needs of the Town, including quality schools; the public safety needs of the community, including police, fire, inspection, and ambulance services; as well as providing quality recreational facilities, solid waste removal and safe roadways. In addition, significant funds must be provided for the capital budget to ensure proper maintenance of the Town's assets.

Westwood has made significant achievement over the last year in the areas of land preservation, school infrastructure improvements, strengthening the commercial tax base and upgrading and expanding recreational facilities. In addition, the Board of Selectmen has acknowledged that tax increases necessitated by some of these achievements have increased the tax burden on the Town's senior citizens and life long residents. The Board of Selectmen continues to support

efforts to mitigate this tax burden on the elderly, including supporting both the Elderly Tax Relief Fund and similar efforts at the State level.

We must all continue to work diligently in the months ahead to prepare a balanced budget to submit to town meeting. The budget discussions must include an honest assessment of the Town's finances and the tax impact on residents. Education and explanation of any tax override proposals will be a priority to ensure that residents have the necessary information to assess both budget and tax impacts. Working together we can provide the best in services for the residents of Westwood.

I would like to thank the Finance team; in particular, Finance Commission Administrator Sheila Nee and Town Accountant Marie O'Leary for their assistance in preparing this budget document. These efforts have resulted in clear and accurate financial information, which is so necessary for Westwood officials and residents to make educated decisions.

Sincerely,

Pam Dukeman
Finance Director

**Summary of 2005 Annual Town Meeting
Financial Articles**

Article No.	Article Description	Amount	Description
Article Numbers Not Yet Assigned	FY05 Supplemental Operating Budget	*	Article will only transfer funds from one FY05 budget account to another. No increase in cost to residents.
	FY05 Supplemental Operating Budget	*	Article will utilize additional FY05 available funds. No increase in cost to residents.
	FY05 Supplemental Budget – Stabilization Fund	Minimum \$25,000	Article transfer funds from free cash to stabilization. No increase in cost to residents.
	Unpaid Bills of Prior Years	*	Article will transfer funds from one budget account to another; no increase in cost.
	Rescind Debt Authorization	*	Article will only rescind previous debt authorizations that will not be needed.
	Appropriation for High Street road improvement	\$1,000,000	Article will be borrowing article.
	Appropriation for capital improvements stabilization fund	*	Additional tax dollars for capital improvements.
	Appropriation for actuarial analysis of post-employment health insurance costs	*	
	Appropriation for High School project	*	
	Operating Budgets	\$55,696,788	
	Municipal Capital	\$490,000	
	Sewer Capital	\$0	
	School Capital	\$406,000	
	Total FY2006 Appropriation Requests Within Proposition 2 ½	\$56,617,788	The FY2006 maximum tax levy within Proposition 2 ½ will result in a 1.39% increase or \$85 to the average home.

***Amounts for each article, if necessary, are determined by the March budget public hearings.**

**Town of Westwood
Summary of 2006 Budget - FY06**

	FY2004 Approved Per recap	FY2005 Approved Per recap	FY2006 Current Proposed
BUDGET CATEGORIES			
Appropriations Made by Town Meeting:			
Operations Budget	\$53,284,147	\$55,083,669	\$55,696,788
Capital - Municipal	\$472,819	\$490,000	\$490,000
Capital Schools	\$306,000	\$406,000	\$406,000
Capital - Sewer	\$95,000	\$133,000	\$0
Stabilization Account Appropriation	\$0	\$25,000	\$0
Misc Warrant Articles	\$13,163	\$39,000	\$0
Prior yr Adjustments voted at Town Meeting	\$224,443	\$14,160	\$0
	\$0	\$0	\$0
Total Appropriations -Town Meeting	\$54,395,572	\$56,190,829	\$56,592,788
Other Amounts to be Raised (not Voted at Town Meeting)			
State Aid Offsets (Funds which must be restricted)	\$166,850	\$188,436	\$187,957
State and County Charges	\$514,980	\$514,888	\$487,425
Overlay (Reserve for real estate abatements/exemptions)/other	<u>\$863,405</u>	<u>\$816,644</u>	<u>\$350,000</u>
Total Other Amounts	\$1,545,235	\$1,519,968	\$1,025,382
Total Expenditures	\$55,940,807	\$57,710,797	\$57,618,170
Financial Resources			
State Revenue:			
State Aid	\$3,107,498	\$3,154,138	\$3,254,544
State School Building Assistance Funding	\$327,161	\$1,544,068	\$1,566,775
Local Revenue:			
Total Property Taxes	\$43,112,384	\$43,092,347	\$43,976,383
Local Receipts	\$3,520,759	\$3,520,759	\$3,573,959
Enterprise (Sewer) Funding (for all - capital , articles, etc)	\$3,858,130	\$3,950,252	\$4,050,276
Available Funds/ - for misc articles	\$224,443	\$46,000	\$0
Available Funds	\$1,190,433	\$951,963	\$288,765
Free Cash (for all - incl article 2)	<u>\$600,000</u>	<u>\$1,451,270</u>	<u>\$600,000</u>
Total Revenues	\$55,940,808	\$57,710,797	\$57,310,702
Total revenue less expenditures	\$0	\$0	(\$307,468)
Authorization to borrow (Projects approved at Town Meeting -funds are borrowed and debt service included in future budgets) :			
Approved at 2004 Annual Town Meeting	Purchase Street Lights	(\$225,000)	
Approved at 2004 Annual Town Meeting	University Ave Landscaping	(\$325,000)	
Approved at 2004 Annual Town Meeting	Sewer Eng and Construction	\$750,000	
Approved at 2004 Annual Town Meeting	Purchase Islington Church	\$600,000	
Proposed for Approval at 2005 ATM	High Street Road Improvement		\$1,000,000

FY2006 Budget Summary

The FY06 budget presents another challenging year. It continues to be difficult to prepare a balanced budget for the community within the constraints of Proposition 2 ½. Westwood's budget experience is similar to that of municipalities across the state. The limited revenue increases available under Proposition 2 ½ are consumed by increases in fixed costs, particularly health insurance costs and debt services. This leaves little or no revenue available for increases to the operating budgets for school and municipal services. As a result, level services cannot be maintained within Proposition 2 ½ and a structural budget deficit is created. Thus, it is difficult to maintain the quality services that Westwood residents desire and deserve.

Budget decisions each year must be made within the context of the overall financial framework of the Town. Desired budget increases must be balanced against other factors. For FY06, the important financial considerations include the following:

- ***FY04 Budgets Level Funded*** – In FY04, the school and municipal budgets were essentially level funded in order to balance the overall budget within the constraints of Proposition 2 ½. In addition, the capital budget was significantly reduced.
- ***FY05 Budgets Minimal Increases*** – In FY05, the school and municipal budgets received minimal increases which were funded by one time revenue sources.
- ***Increasing Tax Bills for Asset Improvements*** – In recent years, the Town has significantly upgraded several capital assets, including full renovation and expansion projects for the Martha Jones and Downey schools. In addition, construction is nearing completion of the new High School. These projects all represent long term capital improvements that will serve the Town for years to come.

However, the projects considerably impacted the residential tax bills. The average residential tax bill increased 13.2% in FY04. This followed a 15% increase in FY03. These increases, primarily due to the debt service costs for the construction projects, have pushed the average Westwood tax bill from a state wide rank of 31 in FY2001 to 13th in FY2004. These tax increases can be particularly difficult for senior residents, many of whom live on a fixed income.

The tax impact of the projects was considerably moderated in FY05 due to receipt of state funds for the building projects, resulting in a .67% average tax increase for FY05.

- ***Maintenance of Reserve Funds*** – It is particularly important as the Town has taken on significant debt to maintain appropriate reserve funds in the stabilization account. These funds are vital in protecting the Town against unforeseen risks, as well as being a major component in securing a good credit rating and resulting low borrowing costs.
- ***Importance of Commercial Development*** – Commercial property is an important component of the overall financial health of the Town. Commercial property is taxed at a higher rate than residential. In FY05, commercial property will pay 23% of the overall tax levy, while representing 14.5% of total value.

This higher commercial tax rate results in an annual savings of \$663 or 11 % for the average home. Recognizing the importance of commercial development, the Selectmen continue to work with the Economic Development Advisory Board, the Planning Board, and other Town boards to enhance the opportunities for appropriate commercial development in Town.

- ***Appropriate Budget Growth*** – It is imperative each year that the operating budget requests of school and municipal departments be examined closely to ensure that budget requests are appropriate and that, if possible, opportunities for streamlining and efficiencies are examined. Ensuring that budgets are efficient and every dollar well spent is a necessary step before asking for increased taxes.

In considering the FY06 budget, several positive developments are on the horizon. These include:

- ***State School Construction Reimbursement*** – Considerable changes were made to this program in FY05. As a result, Westwood received \$1.3 million in first year funding for the Martha Jones and Downey school construction projects. High School reimbursement funds are projected to begin in FY06.
- ***Improving Economy*** – As the economy continues to improve, available revenue will grow.
- ***Stabilizing State Budget*** – As the state economy improves, the state budget struggles should lessen, stabilizing local aid.
- ***Potential Commercial Development*** – Commercial opportunities appear on the horizon, which should bring new commercial value and tax dollars. While these funds will not impact FY06 and FY07, they will bring important revenue to future years.
- ***Completion of New High School*** – As the new High School nears completion, the community will be able to utilize this new asset. Completion will also ensure that there are no cost overruns to the total project cost.
- ***Debt Reduction*** – As the Town's bonds are issued with a level principal and declining interest structure, debt service payments will continue to decline over the next several years.
- ***Capital Budget Program*** – The Long Range Financial Planning Subcommittee has created a comprehensive capital document that incorporates all school and municipal capital requests. The Town is now ready to take the next step and ask for new tax dollars to fund ongoing capital. Funding capital through a capital stabilization fund will guarantee the public that the tax dollars are used for capital needs.

All parties must work together to present an FY2006 budget to Town Meeting in May that best balances the needs of departments against the costs to residents. It will require the cooperative effort of Westwood's talented resources including elected officials, volunteer boards and staff positions to meet this challenge.

The following page outlines the current budget for FY2006.

FY2006 - Budget within the Limits of Proposition 2 1/2
FY2006 Overall Budget Detail

	FY2005	Total Revenue FY2006	\$ Change	%Change
Taxes	\$43,092,347	\$43,976,383	\$884,036	2.1%
State Aid, inc sch bldg reimb	\$4,698,206	\$4,821,319	\$123,113	2.6%
Sewer Enterprise	\$3,950,252	\$4,050,276	\$100,024	2.5%
Local Receipts	\$3,520,759	\$3,573,959	\$53,200	1.5%
Available Funds	\$997,963	\$288,765	(\$709,198)	-71.1%
Free Cash	\$1,451,270	\$600,000	(\$851,270)	-58.7%
Total Revenue	\$57,710,797	\$57,310,702	(\$400,095)	-0.7%
 Total Expenditures				
Operations Budget Summary				
Municipal Departments	\$12,540,022	\$12,540,022	\$0	0.0%
School Budgets				
Westwood School Budget	\$26,060,095	\$26,060,095	\$0	0.0%
Blue Hills Regional School Assessment	\$86,843	\$115,653	\$28,810	33.2%
Traffic Supervisors	\$90,935	\$90,935	\$0	0.0%
Total School Budgets	\$26,237,873	\$26,266,683	\$28,810	0.1%
Sewer Enterprise	\$3,815,092	\$4,050,276	\$235,184	6.2%
Reserves/Benefits/Insurance	\$5,767,904	\$6,537,450	\$769,546	13.3%
Debt Service	\$6,722,777	\$6,302,363	(\$420,414)	-6.3%
Total Operations Budget	\$55,083,668	\$55,696,794	\$613,126	1.1%
Capital Budget - Sewer	\$133,000	\$0	(\$133,000)	-100.0%
Capital Budget - Municipal/ School	\$896,000	\$896,000	\$0	0.0%
Total Capital Budget	\$1,029,000	\$896,000	(\$133,000)	-12.9%
Overlay	\$348,584	\$350,000	\$1,416	0.4%
State Charges/offset/other	\$1,171,384	\$675,382	(\$496,002)	-42.3%
Misc Warrant Articles	\$78,160	\$0	(\$78,160)	-100.0%
Total Other Amounts	\$1,598,128	\$1,025,382	(\$572,746)	-35.8%
Total Overall Expense Budget	\$57,710,796	\$57,618,176	(\$92,620)	-0.2%
Total Revenue Less Expenditures		(\$307,474)		

The budget outlined above shows:

- *Projected revenue available within Proposition 2 1/2
- *Projected increases to Fixed Costs Budgets - Benefits, Pensions, Debt, etc.
- *Level Funding, no increases, to school and municipal operating budgets.
- *Level Funding, no increases, to capital budgets.

Even if school and municipal operating budgets are leveled funded, there is a \$307,474 gap between revenue and expenditures.

Level Services can not be maintained within the limits of Proposition 2 1/2.

FY2006 - Budgets Requested

The budget outlined on the previous page shows the base budget with Proposition 2 1/2

*Projected revenue available within Proposition 2 1/2

*Projected increases to Fixed Costs Budgets - Benefits, Pensions, Debt, etc.

*Level Funding, no increases, to school and municipal operating budgets.

Even if school and municipal budgets are leveled funded, there is a gap between revenue and expenditures.

The FY06 municipal and school budgets do contain requested budget increases to maintain services.

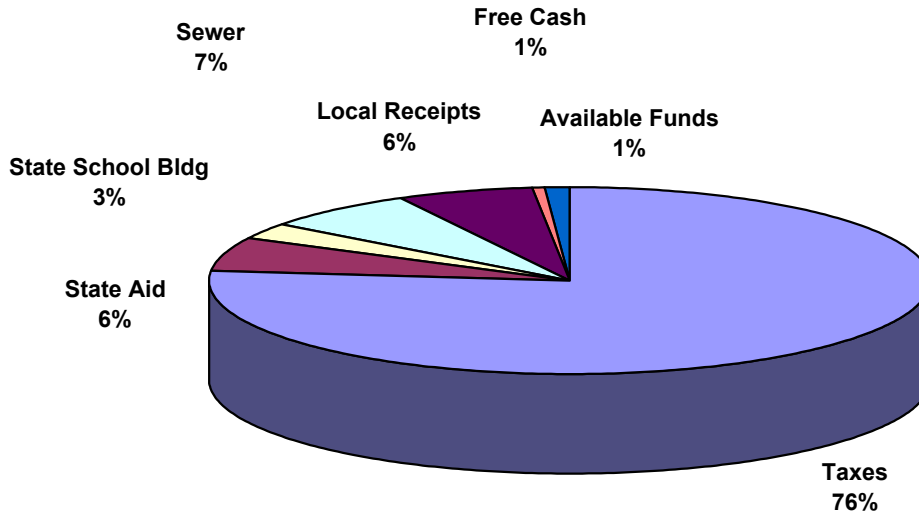
Budgets Requested are as follows:

	FY2005	FY2006	\$ Change	%Change
School Budget	\$26,060,095	\$26,060,095		
Base Increase		\$1,336,150		5.1%
Additional Request		\$1,186,446		4.6%
Total Request - FY06		\$28,582,691	\$2,522,596	9.7%
Municipal Budget	\$12,540,022	\$12,540,022		
Base Increase		\$639,516		5.1%
Additional Request		\$774,600		6.2%
Total Request - FY06		\$13,954,138	\$1,414,116	11.3%
Capital Budget	\$896,000	\$896,000		
Base Increase		\$1,500,000		
Total Request - FY06		\$2,396,000	\$1,500,000	167.4%

If the requested increases are funded through tax overrides, the approximate costs are as follows:

	Base	Additional	Total
School	\$1,336,150	\$1,186,446	\$2,522,596
Municipal	\$639,516	\$774,600	\$1,414,116
Capital	\$1,500,000	\$0	\$1,500,000
Total Request	\$3,475,666	\$1,961,046	\$5,436,712
Override cost per Avg Home	\$521	\$294	\$816

FY2006 Projected Budget Revenue



FY2006 Projected Budget Revenue

	FY2005 Budget	FY2006 Proj	\$ Increase	% Increase
Taxes	\$43,092,347	\$43,976,383	\$884,036	2.1%
State Aid	\$3,154,138	\$3,254,544	\$100,406	3.2%
State School Bldg Reimbursement	\$1,544,068	\$1,566,775	\$22,707	1.5%
Sewer Enterprise	\$3,950,252	\$4,050,276	\$100,024	2.5%
Local Receipts	\$3,520,759	\$3,573,959	\$53,200	1.5%
Available Funds	\$997,963	\$288,765	(\$709,198)	-71.1%
Free Cash	\$1,451,270	\$600,000	(\$851,270)	-58.7%
Total Revenue	\$57,710,797	\$57,310,702	(\$400,095)	-0.7%

- * Tax revenue to increase by changes per Proposition 2 1/2 and estimated new growth. Additionally, the debt exemption decreased by \$385,827 due to decline in debt.
- * State aid assumes funding per the Governor's 1/05 state budget proposal.
- * Available funds - one time FY05 funds no longer available.

A Look at Taxes

Tax Levy Calculation	FY2003	FY2004	FY2005	Projected FY2006
Prior Year Levy Limit	\$32,012,390	\$35,065,082	\$36,916,575	\$38,726,265
Plus 2.5% Increase	\$800,310	\$876,627	\$922,914	\$968,157
Plus New Growth**	\$637,179	\$974,866	\$886,775	\$300,000
General Overrides	\$1,615,203	\$0	\$0	\$0
Tax Levy Limit	\$35,065,082	\$36,916,575	\$38,726,265	\$39,994,421
Exempt Debt*	\$2,257,706	\$6,265,148	\$4,367,789	\$3,981,962
Levy Capacity	\$37,322,788	\$43,181,723	\$43,094,054	\$43,976,383
Actual Levy Assessed	\$37,288,628	\$43,112,383	\$43,092,347	\$43,976,383

FY06 Tax Change	
2.5/new growth/excess levy	\$1,269,864
Change in exempt debt	-\$385,827
Total Taxes	\$884,037

*Exempt debt – This is the principal and interest payment required each year for borrowing projects approved outside Proposition 2 ½.

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

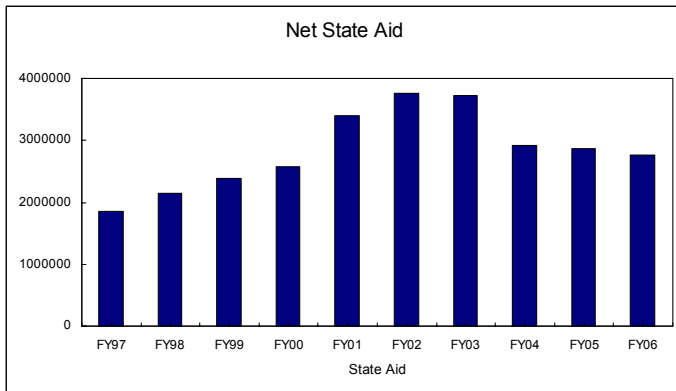
	FY02	FY03	FY04	FY05	Projected FY06	Projected FY06 w/HS Reimbursement
Average Tax Bill Increase	3.74%	15.57%	13.2%	0.67%	1.39%	(-3%)
Savings to Average Tax Bill Resulting from Split Tax Rate	\$502.6	\$651.2	\$767	\$663		
Average Residential Tax Bill Home Value	\$334,339	\$468,075	\$468,075	\$510,202	\$510,202	\$510,202
*Average Tax Bill	\$4,637	\$5,359	\$6,065	\$6,107	\$6,192	\$5,923

- Largest component of tax increase has been increase in exempt debt due to construction projects – Martha Jones, Downey, High School.
- FY05 increase less than 2 ½% due to receipt of state building funds.
- FY06 increase less than 2 ½% due to completion of 1994 road improvement bond.
- Each \$1 million of any override request would add approximately \$150 to the average home tax bill.
- Each \$1 million of any override request would add approximately \$29 to each \$100,000 of home value.

FY06 State Aid

Cherry Sheet Receipts					
	FY2002	FY2003	FY2004	FY2005	Projected FY2006
Chapter 70 - Education	\$2,635,628	\$2,635,628	\$2,108,502	\$2,108,502	\$2,108,502
School Building Assistance	\$330,466	\$330,466	\$327,161	\$226,025	*\$0
Lottery	\$747,149	\$747,149	\$635,077	\$635,077	\$721,560
Other	\$397,989	\$362,908	\$197,069	\$222,123	\$236,525
Offsets (Restricted to Metco, Library, School Lunch)	\$173,683	\$185,679	\$166,850	\$188,436	\$187,957
Prior Year Adjustment					
Total Receipts	\$4,284,915	\$4,261,830	\$3,434,659	\$3,380,163	\$3,254,544
Charges					
County Tax	\$151,824	\$155,619	\$153,089	\$156,916	\$154,381
MBTA Assessment	\$329,893	\$314,096	\$297,187	\$280,407	\$263,622
Other	\$37,029	\$55,012	\$64,704	\$77,565	\$69,422
Prior Year Adjustment	\$4,420	\$19,254	\$0	\$0	\$0
Total Charges	\$523,166	\$543,981	\$514,980	\$514,888	\$487,425
Net State Aid	\$3,761,749	\$3,717,849	\$2,919,679	\$2,865,275	\$2,767,119

*No longer cherry sheet item.



- Final FY04 state aid was a 20% reduction. FY05 was level funded.
- Current indications are the state aid for FY06 will remain level funded with a slight increase in lottery receipts. The current budget includes the estimates as included in House One, the Governor's budget. We will need to monitor and update this number as the state budget process continues.

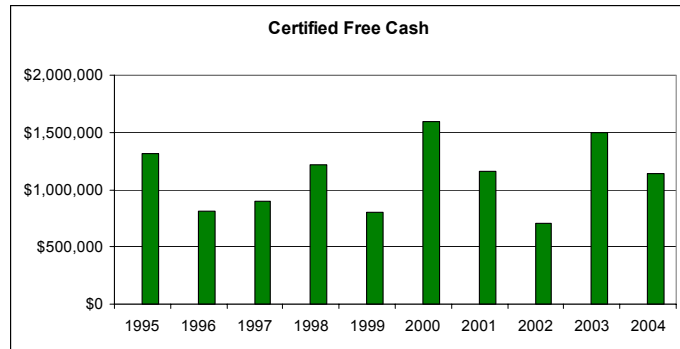
The Town is currently receiving State School Building reimbursement on 3 school construction projects.

Project	Total State Reimbursement (59% of Project)	State Payments Remaining	
		Amount	Duration
1990 Middle School	\$2,496,880	\$104,441/yr.	FY04 last payment
1997 Middle School	\$2,260,250	\$248,732/yr.	FY05 – FY2010
1999 Downey School	\$5,006,352	\$625,794/yr.	FY05 – FY2012
2000 Martha Jones School	\$5,537,952	\$692,249/yr.	FY05 – FY2012
The Town is awaiting the following state aid as reimbursement:			
High School	\$37,188,240	\$1,859,412	20 years

Total State Reimbursement	
FY05	FY06
\$1,544,068	\$1,566,775

A Look at Free Cash

- Certified Free Cash as of July 1, 2004 is \$1,138,014 which is approximately 2% of the FY04 budget.
- The 5-year average Free Cash has been \$1.2 million.
- The July 1, 2003 Free Cash was higher than normal due to higher than average tax title collections and an increase in investment income revenue.
- The FY05 budget utilized \$725,000 of free cash to fund the operating budget as an unusual, one-time budget gap closure resource.

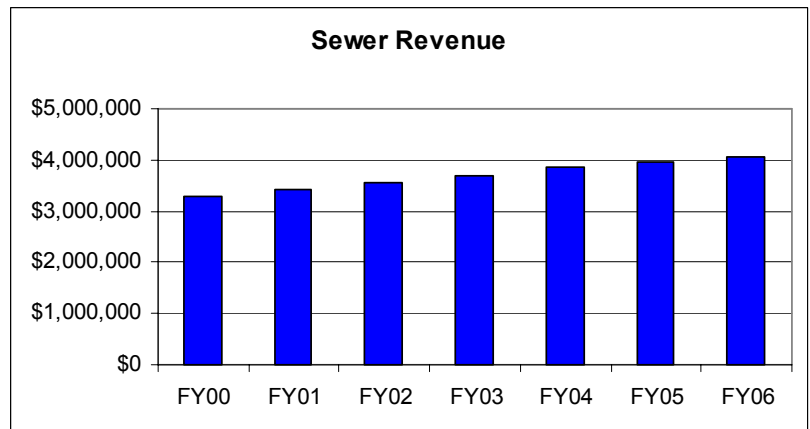


	July 2004	July 2003	July 2002	July 2001	July 2000	July 1999	July 1998
Certified	\$1,138,014	\$1,498,110	\$700,938	\$1,158,195	\$1,591,553	\$803,436	\$1,221,741
Used to Fund Subsequent Budget	Capital \$600,000	Capital \$696,000 Budgets \$725,270 Article \$5,000 Stabilization \$25,000	Capital \$600,000 Articles \$100,000	Capital/ Budgets \$896,912 Articles \$235,000	Capital \$1,265,000 Articles \$320,500	Budgets \$745,000 Stabilization \$50,000	Capital \$825,000 Stabilization \$200,000 Article \$25,000
Certified Free Cash As % of Total Budget	2%	3%	2%	3.7%	3%	2.5%	3.5%

Sewer

Assumptions in FY06:

- Revenue is set to fully recover sewer operating and capital budget.



FY2006 Local Receipts and Available Funds

	FY03	FY04	FY04	FY05	FY06
	Actual	Budget	Actual	Budget	Budget
Motor Vehicle Excise Tax	\$2,268,565	\$2,250,000	\$2,273,693	\$2,250,000	\$2,250,000
Penalties and Interest	\$95,211	\$80,000	\$109,523	\$80,000	\$80,000
License/Permits	\$389,217	\$320,000	\$390,896	\$325,000	\$325,000
Departmental Receipts	\$247,805	\$153,259	\$201,193	\$173,659	\$253,659
Special Assessments	\$2,634	\$2,500	\$2,279	\$2,100	\$300
Investment Income	\$731,823	\$300,000	\$494,065	\$275,000	\$250,000
Sewer Indirect	\$212,000	\$212,000	\$212,000	\$212,000	\$212,000
Recreation	\$145,693	\$145,000	\$150,000	\$145,000	\$145,000
Other	\$77,063	\$58,000	\$87,768	\$58,000	\$58,000
Total Local Receipts	\$4,170,011	\$3,520,759	\$3,921,417	\$3,520,759	\$3,573,959

- FY06 primarily level funded. As prudent financial policy, the Town has not budgeted and spent higher than average local receipts on operating funds. These funds have closed to free cash and have been spent on one-time needs (such as \$400,000 capital in FY02). Actual investment income is significantly declining as the construction projects are completed.
- FY06 departmental receipts include anticipated rental income from the Islington Community Center.

Available Funds Allocated	FY03	FY04	FY05	FY06
	Budget	Budget	Budget	Budget
Conservation Receipts	\$7,000	\$7,000	\$7,000	\$7,000
Cemetery Trust	\$10,000	\$10,000	\$10,000	\$10,000
Cemetery Lot Sales-Cemetery Debt	\$42,000	\$0	\$0	\$0
Overlay Surplus	\$200,000	\$0	\$0	\$0
Ambulance Receipts	\$350,463	\$350,463	\$223,463	\$223,463
Extra Circuit Breaker \$	\$0	\$0	\$200,000	\$0
Pension Reserves	\$461,855	\$350,000	\$350,000	\$0
High School Bond Premium	\$0	\$0	\$42,966	\$38,302
Sale of Land/Bond Premium	\$114,410	\$472,970	\$118,534	\$0
Prior Year/Miscellaneous Articles	\$0	\$0	\$46,000	\$10,000
	\$1,185,728	\$1,190,433	\$997,963	\$288,765

- FY06 assumptions similar to FY05.
- Pension funds funding source was fully depleted in FY05.
- FY04 used bond premium from FY02 sale towards debt.
- High School bond premium required annual apportionment to debt.

The FY2006 Budget

This section includes summary budgets for:

**Municipal
Fixed Costs
Capital**

Detail is available in individual documents.

<i>The FY2006 Proposed Budget...</i>	<i>Page</i>
<i>FY06 Proposed Municipal Budget Summary</i>	1
<i>FY06 School Supt. Recommended Budget Summary- See School Superintendent's Recommended Budget Document</i>	
<i>FY06 Capital Budget Summary</i>	23

Municipal Budget

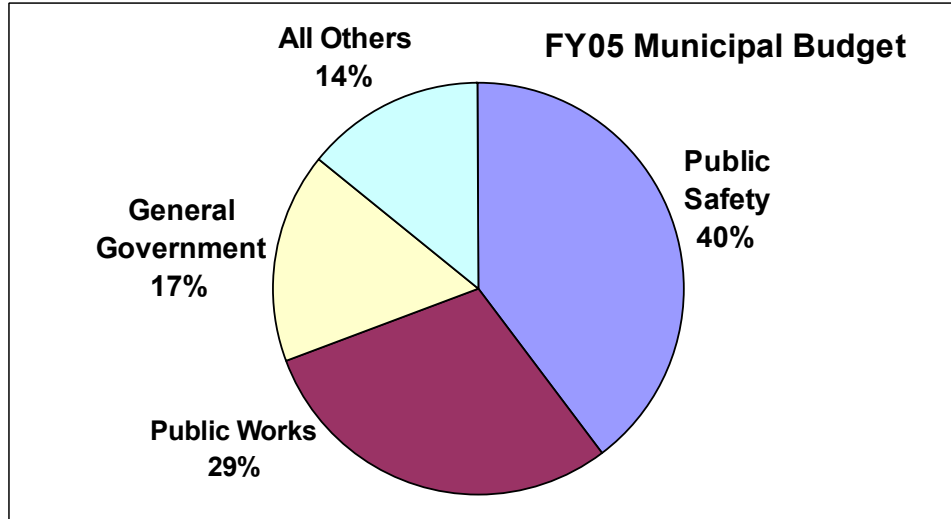
***This section is a summary of the
FY06 Proposed Municipal Budget.***

Please refer to the separate document...

***FY2006 Municipal Budget Detail
for more detail.***

The Municipal Budget Today

The municipal budget provides for all the salaries and expenses for the general government, public safety, public works, human services, and culture and recreation operations of the Town.



What we do:

- Police and Fire public safety protection
- Ambulance services
- Public Works services
- Recreation programs and fields
- Library services
- Trash recycling
- Land use/Planning/Business functions
- Administration

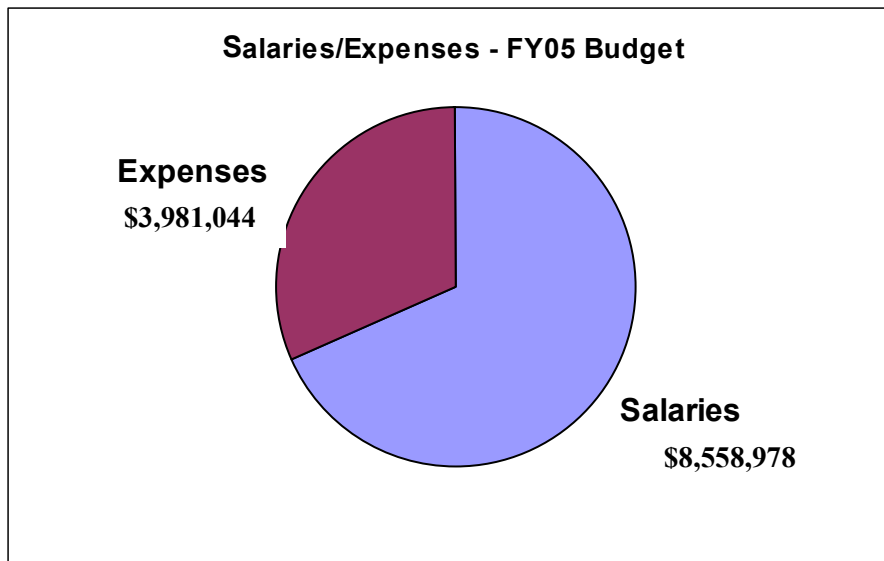
The Selectmen are committed to maintaining the quality of municipal services provided to Westwood residents. This is especially important in the areas of public safety and public works. Approximately 70% of the municipal budget is spent on public works and public safety departments. The safety of our residents is a vital concern. Quality police and fire protection and ambulance services will be provided.

In addition, the Selectmen are dedicated to providing quality public works services such as trash pickup and recycling, removal of leaves, and a continued commitment to quality playing fields and recreational facilities. The improvement in the quality of the fields and recreational facilities reflects the Board of Selectmen's dedication in this area since the acceptance of responsibility of this function from the School Department.

The Municipal Budget Salaries

Salary is the major component of the municipal budget.

- 130 full-time staff, 43 part-time staff
- 68% of budget is salary



The salaries for police officers, firefighters, and public works employees are the largest component of the municipal budget.

The Municipal Budget FY04/FY05

The last two budget years have been very challenging. The Selectmen have worked hard to live within the budget constraints of Proposition 2 ½ while trying to maintain quality services for the community.

- The FY04 budget was level funded at the FY03 budget level, or 0% increase. The FY04 proposed budget requested an increase of \$463,000 or 4%. This increase was all eliminated as part of the FY04 budget plan. The reduction included elimination of proposed and vacant positions; reduction to expense budgets; elimination of merit salary for all employees; and elimination of cost of living salary adjustments for non-union, Library and NAGE positions (employees).
- The FY05 budget was a minimal increase of 3.4%. The FY05 budget was a maintenance budget only, providing minimal salary and expense increases. Approximately \$640,000 of expense and staffing requests were not included in the final budget.

It is important to look at the FY06 budget in context of the last 2 years.

FY06 Municipal Budget Detail

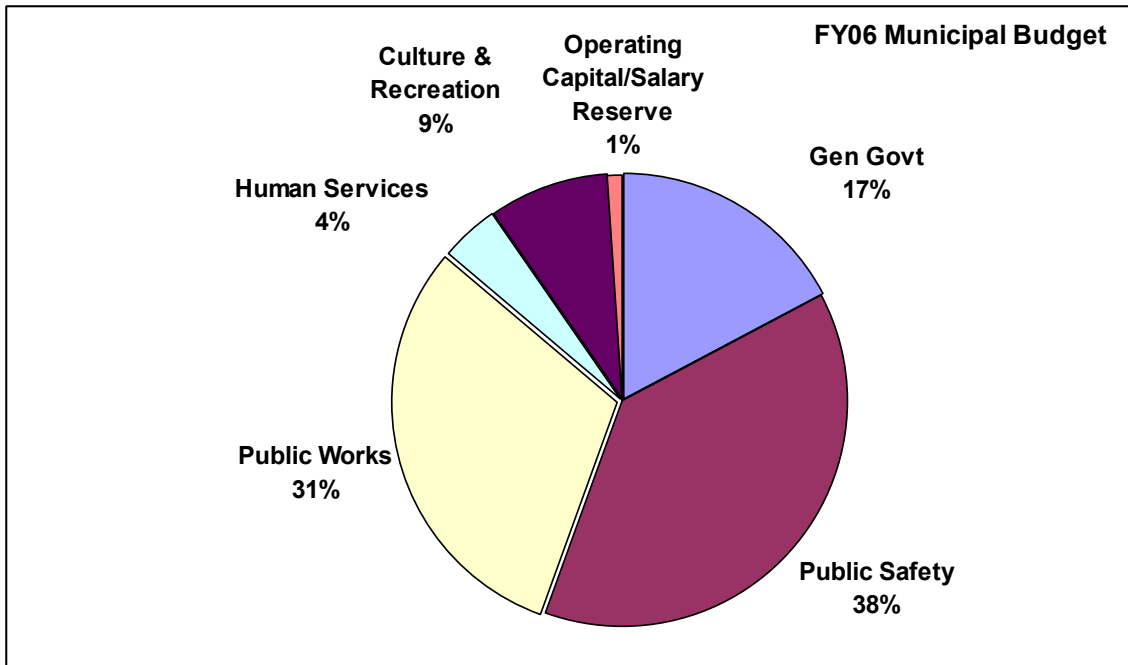
	Expended FY2004	Current FY2005 Budget	FY2006 Budget	\$ Change FY06 vs. FY05	% Change FY06 vs. FY05
Salaries	\$8,144,297	\$8,558,978	\$8,816,260	\$257,282	3.0%
Expenses	\$3,996,817	\$3,981,044	\$4,363,278	\$382,234	9.6%
Total	\$12,141,114	\$12,540,022	\$13,179,538	\$639,516	5.1%

As outlined above, the total request is \$13,179,538, an increase of \$639,516 or 5.1%. The major increases are outlined as follows:

Salary Changes		
Department	Item	Amount
All departments	Salary/COLA increases	\$223,000
All departments	Salary step increases	\$50,000
Police/Fire/DPW	Savings from staffing turnover in FY05	(\$50,000)
Information Systems	Restoration in FY05 of GIS position to full time	\$25,300
Conservation	Realignment of positions in FY05	\$9,000
	Total Major Salary Increases/Decreases	\$257,300
Expense Changes		
Audit	Increase for audit services	\$4,600
Information Systems	Increase in software maintenance	\$35,000
Town Clerk	Decline in elections expenses due to election cycle	(\$6,550)
Economic Development	Increase in business seminar due to activity of new staffing	\$4,300
Veterans	Increase in veteran benefits to reflect actual payments	\$10,000
Police	Increase in training and uniforms due to turnover in staffing	\$12,000
Fire Department	Increase in ambulance supplies	\$14,000
DPW	Increase for police details, storm water testing, vehicle maintenance	\$40,000
DPW Building Maintenance	Increase for Islington Community Center building - \$50,000 Increases for other buildings	\$114,000
DPW Street Lighting	Increase for electricity costs, traffic signal maintenance	\$11,000
DPW Snow & Ice	Increase budget to \$200,000	\$58,000
DPW Waste Collection/Disposal	Increase for collection/disposal	\$56,000
Youth & Family Services	Increase for contract providers	\$3,100
Library	Increase in microfilming and office equipment	\$3,000
	Total Major Expense Changes	\$358,450

The FY06 municipal requested budget of \$13,179,538 would be spent as follows:

Function	Amount	% of Total
Public Safety	\$5,063,257	38.4%
Public Works	\$4,033,354	30.6%
General Government	\$2,249,629	17.1%
Culture & Recreation	\$1,148,809	8.7%
Human Services	\$542,489	4.1%
Operating Capital/Salary Reserve	\$142,000	1.1%



As can be seen, approximately 69% of the total municipal budget is spent on public safety and public works. These services: police and fire protection, trash removal, road services, and field maintenance reflect the priorities of the municipal government.

There are several requests from departments for additional staffing/new staffing/programs in order to maintain quality services. These requests have not been included in the base FY06 budget but need to be evaluated during the budget review. Positions approved by the Selectmen will be added to the FY06 municipal budget request.

Department	Request	Amount	Reason for Request
Personnel	Increase Personnel Dir to full time from 30 to 40 hours per week	\$13,500	Increase in office workload particularly in the benefits area for school and municipal employees.
	Part-time administrative staff 12 hours per week for 42 weeks	\$7,500	
	Increase benefits coordinator from 20 to 22 hours per week	\$2,100	
Health	Increase administrative support from 20 to 35 hours per week	\$14,500	Increase in office workload
Fire	Additional staffing levels and supervisor position (5 total)	\$306,000	Increased staffing needed to maintain services
Financial Departments	1 Staff Accountant	\$30,000	Increase in service demands, particularly in School financial areas.
	1 Administrative support position	\$30,000	
DPW	Additional positions needed for high school field maintenance:		Appropriate maintenance of all town buildings Increased workload First of 2 for High School fields Increase in vehicle and equipment maintenance needs
	1 Facilities Manager	\$55,000	
	1 Equipment Operator-Highway	\$38,000	
	1 Equipment Operator-Field Division	\$38,000	
1 Mechanic-Maintenance Division	\$38,000		
Land Use	Office Manager for Carby Street Municipal Office Building – 20 hours per week	\$22,000	Office Manager/Receptionist for new building
DPW	Landscaping maintenance for Washington Street and University Ave	\$25,000	Funds to maintain landscaping needs
DPW	Field maintenance expenses	\$50,000	Funds needed when High School fields added
DPW	Snow and Ice	\$100,000	Bring budget fully to 10 year average of \$300,000
Legal	Special counsel expenses	\$5,000	Increase budget available for special counsel from \$23,000 to \$28,000
	Total	\$774,600	

- Most of these items have been requested and needed for several years, but deferred due to budget constraints.
- With these new requests, the total FY06 municipal budget request would increase to \$13.9M, a \$1.4M or 11% increase over FY05.

Summary

It has been difficult to maintain level services during difficult economic times. Resources have been stretched, positions left vacant, and new requests have been deferred. Departments have responded as best they can in trying to provide quality services to the community. These challenges will continue in the FY06 budget.

Municipal Personnel Summary

Fiscal Years 1999 – 2006

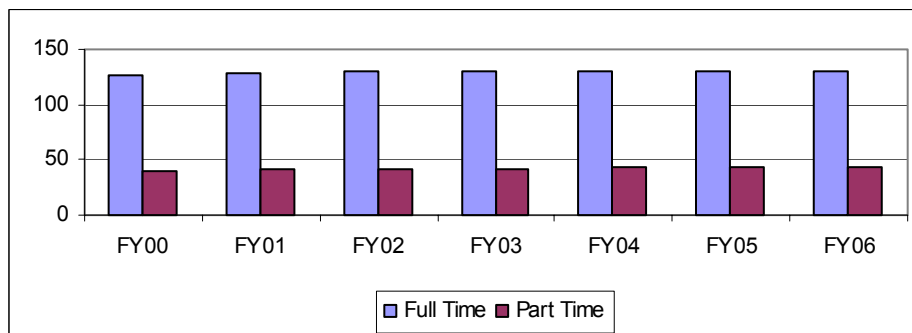
This chart outlines the staffing levels of the municipal departments over several years. The major area of growth has been in the DPW. This is due to the transfer of the field maintenance program from the school department to the DPW. Several field maintenance workers have been added to provide this service.

The Selectmen established a policy whereby no vacant position may be filled until the department head meets with the Selectmen to justify the need to fill or presents changes to the position.

This has helped the organization to adapt to changing service needs without significant additions to staffing levels.

As vacancies occur, every effort has been made to reexamine the position duties with a view toward either reducing the number of hours or entirely eliminating the position.

	FY00	FY01	FY02	FY03	FY04	FY05	FY06
General Government							
Full Time	18	19	19	19	18	20	20
Part Time	10	11	11	11	12	11	11
Total	28	30	30	30	30	31	31
Public Safety							
Full Time	68	68	68	68	68	68	68
Part Time	6	6	6	6	6	6	6
Total	74	74	74	74	74	74	74
Public Works/Sewer							
Full Time	26	28	29	29	28	28	28
Part Time		1	1	1	2	2	2
Total	26	29	30	30	30	30	30
Human Services							
Full Time	6	6	6	6	6	6	6
Part Time	5	5	6	6	6	6	6
Total	11	11	12	12	12	12	12
Culture & Recreation							
Full Time	8	8	9	9	9	9	9
Part Time	18	18	18	18	18	18	18
Total	26	26	27	27	27	27	27
Totals							
Full Time	126	129	131	131	129	131	131
Part Time	39	41	42	42	44	43	43



**Preliminary Appendix D
FY2006 Departmental Salary/Expense Budgets**

Description	Expended FY2003	Expended FY2004	Current FY2005 Budget	Proposed FY2006 Budget	\$ Change FY06 vs FY05	% Change FY06 vs FY05
Selectmen						
Salaries	315,714	315,128	328,070	337,915	9,845	3.0%
Expenses	48,714	49,331	50,000	51,700	1,700	3.4%
	<u>364,428</u>	<u>364,459</u>	<u>378,070</u>	<u>389,615</u>	<u>11,545</u>	<u>3.1%</u>
Finance Commission						
Salary	32,223	27,883	29,276	30,170	894	3.1%
Expenses	19,509	17,808	21,500	21,500	0	0.0%
	<u>51,732</u>	<u>45,691</u>	<u>50,776</u>	<u>51,670</u>	<u>894</u>	<u>1.8%</u>
Accounting						
Salaries	150,160	152,683	136,558	140,798	4,240	3.1%
Expenses	5,861	3,575	5,900	5,700	(200)	-3.4%
	<u>156,021</u>	<u>156,258</u>	<u>142,458</u>	<u>146,498</u>	<u>4,040</u>	<u>2.8%</u>
Audit - School & Municipal Financials						
Expenses	46,000	45,136	46,000	50,600	4,600	10.0%
Assessors						
Salaries	95,668	95,895	167,545	166,544	(1,001)	-0.6%
Expenses	70,446	70,975	31,250	27,750	(3,500)	-11.2%
Revaluation	20,000	0		0	0	
	<u>186,114</u>	<u>166,870</u>	<u>198,795</u>	<u>194,294</u>	<u>(4,501)</u>	<u>-2.3%</u>
Treasurer						
Salary	53,164	63,269	65,800	67,663	1,863	2.8%
Expenses	20,124	2,074	17,050	17,030	(20)	-0.1%
	<u>73,288</u>	<u>65,343</u>	<u>82,850</u>	<u>84,693</u>	<u>1,843</u>	<u>2.2%</u>
Collector						
Salaries	83,441	84,431	86,582	89,202	2,620	3.0%
Expenses	51,498	51,882	58,550	57,050	(1,500)	-2.6%
	<u>134,939</u>	<u>136,313</u>	<u>145,132</u>	<u>146,252</u>	<u>1,120</u>	<u>0.8%</u>
Legal						
Salaries	74,572	74,639	77,638	79,986	2,348	3.0%
Professional Services	56,428	71,468	56,500	56,500	0	0.0%
	<u>131,000</u>	<u>146,107</u>	<u>134,138</u>	<u>136,486</u>	<u>2,348</u>	<u>1.8%</u>
Personnel Board						
Salary	38,628	38,643	59,292	61,093	1,801	3.0%
Expenses	10,197	15,697	17,600	20,800	3,200	18.2%
	<u>48,825</u>	<u>54,340</u>	<u>76,892</u>	<u>81,893</u>	<u>5,001</u>	<u>6.5%</u>
Information Systems						
Salaries	182,404	157,496	177,045	211,305	34,260	19.4%
Expenses	159,998	160,000	175,000	210,000	35,000	20.0%
	<u>342,402</u>	<u>317,496</u>	<u>352,045</u>	<u>421,305</u>	<u>69,260</u>	<u>19.7%</u>

**Preliminary Appendix D
FY2006 Departmental Salary/Expense Budgets**

Description	Expended FY2003	Expended FY2004	Current FY2005 Budget	Proposed FY2006 Budget	\$ Change FY06 vs FY05	% Change FY06 vs FY05
Town Clerk						
Salaries	114,242	114,158	130,437	130,861	424	0.3%
Expenses	36,344	28,136	44,200	37,650	(6,550)	-14.8%
	<u>150,586</u>	<u>142,294</u>	<u>174,637</u>	<u>168,511</u>	<u>(6,126)</u>	<u>-3.5%</u>
Conservation Commission						
Salary	26,221	26,424	29,158	38,177	9,019	30.9%
Expenses	1,878	2,196	2,800	2,800	0	0.0%
	<u>28,099</u>	<u>28,620</u>	<u>31,958</u>	<u>40,977</u>	<u>9,019</u>	<u>28.2%</u>
Planning Board						
Salaries	63,543	65,447	69,127	71,220	2,093	3.0%
Expenses	3,213	2,948	3,230	3,230	0	0.0%
	<u>66,756</u>	<u>68,395</u>	<u>72,357</u>	<u>74,450</u>	<u>2,093</u>	<u>2.9%</u>
Zoning Board of Appeals						
Salaries	18,320	19,370	20,400	20,409	9	0.0%
Expenses	2,710	2,961	4,000	4,000	0	0.0%
	<u>21,030</u>	<u>22,331</u>	<u>24,400</u>	<u>24,409</u>	<u>9</u>	<u>0.0%</u>
Economic Development Task Force						
Salaries	25,028	37,562	56,530	58,226	1,696	3.0%
Expenses	771	831	1,000	5,300	4,300	430.0%
	<u>25,799</u>	<u>38,393</u>	<u>57,530</u>	<u>63,526</u>	<u>5,996</u>	<u>10.4%</u>
Outside Professional Services						
Expenses	30,601	31,016	33,500	35,000	1,500	4.5%
Mass Housing Partnership						
Expenses	11,800	11,604	11,800	11,800	0	0.0%
Housing Authority						
Expenses	4,913	4,946	5,000	5,000	0	0.0%
Communications Systems						
Expenses	117,606	107,529	118,650	118,650	0	0.0%
Training						
Expenses	3,208	2,450	4,000	4,000	0	0.0%
Total General Government	1,995,147	1,955,591	2,140,988	2,249,629	108,641	5.1%

**Preliminary Appendix D
FY2006 Departmental Salary/Expense Budgets**

Description	Expended FY2003	Expended FY2004	Current FY2005 Budget	Proposed FY2006 Budget	\$ Change FY06 vs FY05	% Change FY06 vs FY05
Police Department						
Salaries	2,067,014	2,105,779	2,215,797	2,252,445	36,648	1.7%
Expenses	135,715	133,625	144,250	161,150	16,900	11.7%
	<u>2,202,729</u>	<u>2,239,404</u>	<u>2,360,047</u>	<u>2,413,595</u>	<u>53,548</u>	<u>2.3%</u>
State Funded Education Incentive	99,679	107,100	125,423	129,733	4,310	3.4%
Auxiliary Police/Civil Defense						
Expenses	2,000	771	2,000	2,000	0	0.0%
	<u>2,000</u>	<u>771</u>	<u>2,000</u>	<u>2,000</u>	<u>0</u>	<u>0.0%</u>
Animal Control						
Salary	27,723	27,799	28,986	29,838	852	2.9%
Expenses	4,196	4,344	6,400	6,650	250	3.9%
	<u>31,919</u>	<u>32,143</u>	<u>35,386</u>	<u>36,488</u>	<u>1,102</u>	<u>3.1%</u>
Fire Department						
Salaries	1,978,947	1,990,276	2,000,486	2,075,985	75,499	3.8%
Expenses	129,228	132,769	144,300	162,150	17,850	12.4%
	<u>2,108,175</u>	<u>2,123,045</u>	<u>2,144,786</u>	<u>2,238,135</u>	<u>93,349</u>	<u>4.4%</u>
Building Inspection						
Salaries	185,184	190,592	212,422	217,406	4,984	2.3%
Expenses	17,465	22,014	25,460	25,900	440	1.7%
	<u>202,649</u>	<u>212,606</u>	<u>237,882</u>	<u>243,306</u>	<u>5,424</u>	<u>2.3%</u>
Total Public Safety	4,647,151	4,715,069	4,905,524	5,063,257	157,733	3.2%

**Preliminary Appendix D
FY2006 Departmental Salary/Expense Budgets**

Description	Expended FY2003	Expended FY2004	Current FY2005 Budget	Proposed FY2006 Budget	\$ Change FY06 vs FY05	% Change FY06 vs FY05
Department of Public Works						
Salaries - admin	149,446	145,468	150,285	154,935	4,650	3.1%
Salaries - operations	1,062,885	1,036,692	1,075,215	1,102,999	27,784	2.6%
Expenses	<u>323,257</u>	<u>345,660</u>	<u>346,700</u>	<u>390,100</u>	<u>43,400</u>	<u>12.5%</u>
	1,535,588	1,527,820	1,572,200	1,648,034	75,834	4.8%
Building Maintenance	302,190	318,570	380,120	494,320	114,200	30.0%
Municipal & School Field Maintenance	99,788	80,875	85,000	85,000	0	0.0%
Snow & Ice	354,363	214,260	141,200	200,000	58,800	41.6%
Street Lighting/ Traffic Light Maint	211,273	88,425	98,173	110,000	11,827	12.0%
Waste Collection/Disposal Expenses	1,298,965	1,424,902	1,440,000	1,496,000	56,000	3.9%
Total Public Works	3,802,167	3,654,852	3,716,693	4,033,354	316,661	8.5%
Health Department						
Salaries	135,563	137,921	143,385	147,723	4,338	3.0%
Expenses	8,324	8,949	9,850	10,000	150	1.5%
Mosquito Control	<u>1,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
	144,887	146,870	153,235	157,723	4,488	2.9%
Outside Health Agencies	11,886	13,776	14,316	14,316	0	0.0%
Disability Commission Expenses	0	250	500	500	0	0.0%
Council On Aging						
Salaries	131,765	131,677	137,005	141,183	4,178	3.0%
Expenses	<u>16,638</u>	<u>16,593</u>	<u>16,710</u>	<u>17,450</u>	<u>740</u>	<u>4.4%</u>
	148,403	148,270	153,715	158,633	4,918	3.2%
Youth and Family Services Commission						
Salaries	133,997	136,954	138,703	136,299	(2,404)	-1.7%
Expenses	<u>13,752</u>	<u>14,073</u>	<u>14,850</u>	<u>20,282</u>	<u>5,432</u>	<u>36.6%</u>
	147,749	151,027	153,553	156,581	3,028	2.0%
Veterans Services						
Salaries	21,052	21,215	21,943	22,511	568	2.6%
Expenses	<u>8,898</u>	<u>22,005</u>	<u>22,225</u>	<u>32,225</u>	<u>10,000</u>	<u>45.0%</u>
	29,950	43,220	44,168	54,736	10,568	23.9%
Total Human Services	482,875	503,413	519,487	542,489	23,002	4.4%

**Preliminary Appendix D
FY2006 Departmental Salary/Expense Budgets**

Description	Expended FY2003	Expended FY2004	Current FY2005 Budget	Proposed FY2006 Budget	\$ Change FY06 vs FY05	% Change FY06 vs FY05
Public Library						
Salaries	627,560	636,833	663,843	683,217	19,374	2.9%
Expenses	181,329	187,091	193,260	200,975	7,715	4.0%
Lost Books	845	848	850	850	0	0.0%
	<u>809,734</u>	<u>824,772</u>	<u>857,953</u>	<u>885,042</u>	<u>27,089</u>	<u>3.2%</u>
Recreation						
Salaries	204,333	202,963	212,027	218,417	6,390	3.0%
Expenses	39,405	41,544	41,550	41,550	0	0.0%
	<u>243,738</u>	<u>244,507</u>	<u>253,577</u>	<u>259,967</u>	<u>6,390</u>	<u>2.5%</u>
Memorial Day						
Expenses	2,964	2,253	3,800	3,800	0	0.0%
Total Culture and Recreation	1,056,436	1,071,532	1,115,330	1,148,809	33,479	3.0%
Other						
Operating Capital Purchases	141,840	240,657	142,000	142,000	0	0.0%
Salary Reserve	0	0	0	0	0	
Total Other	141,840	240,657	142,000	142,000	0	0.0%
Total Municipal Budget	12,125,616	12,141,114	12,540,022	13,179,538	639,516	5.1%

Preliminary Appendix D
FY2006 Departmental Salary/Expense Budgets

Description	Expended FY2003	Expended FY2004	Current FY2005 Budget	Proposed FY2006 Budget	\$ Change FY06 vs FY05	% Change FY06 vs FY05
Fixed Costs Budgets - School and Municipal						
Municipal Employee Benefits/Costs						
Retirement Assessment	770,825	803,785	963,970	1,136,219	172,249	17.9%
Non-Contrib Pension	60,115	48,150	49,600	51,088	1,488	3.0%
Worker's Compensation	29,282	32,004	35,946	40,259	4,313	12.0%
Unemployment Comp	11,999	1,742	2,000	2,000	0	0.0%
Health Insurance	609,000	677,000	742,950	854,392	111,442	15.0%
Life Insurance	1,656	2,927	2,307	3,000	693	30.0%
Pre-Hire/EAP/Payroll	26,869	65,151	42,545	44,500	1,955	4.6%
Public Safety Medical	7,384	16,538	12,000	16,000	4,000	33.3%
Medicare Part B Refund	17,258	18,182	18,230	20,000	1,770	9.7%
Social Security	22,187	23,204	27,684	27,684	0	0.0%
Mandatory Medicare	80,407	91,783	98,364	102,442	4,078	4.1%
Municipal Employee Benefits/Costs	1,636,982	1,780,466	1,995,596	2,297,584	301,988	15.1%
School Employee Benefits/Costs						
Retirement Assessments	330,354	344,479	413,130	486,951	73,821	17.9%
Worker's Compensation	60,983	68,012	76,324	85,483	9,159	12.0%
Unemployment Comp	71,468	70,528	75,000	75,000	0	0.0%
Health Insurance	1,603,012	1,877,096	2,049,145	2,356,516	307,371	15.0%
Life Insurance	3,430	3,228	4,903	5,000	97	2.0%
EAP/Payroll	12,394	29,383	26,708	29,000	2,292	8.6%
Medicare Part B Refund	48,780	53,713	57,730	60,000	2,270	3.9%
Social Security	37,742	26,724	51,412	51,412	0	0.0%
Mandatory Medicare	228,221	223,470	287,456	298,954	11,498	4.0%
School Employee Benefits/Costs	2,396,384	2,696,633	3,041,808	3,448,316	406,508	13.4%
Total Benefits/Costs	4,033,366	4,477,099	5,037,404	5,745,900	708,496	14.1%
Debt Service Budget						
Municipal Related Debt Service	736,512	885,274	950,856	668,717	(282,139)	-29.7%
School Related Debt Service	2,457,944	6,401,156	5,771,921	5,633,645	(138,276)	-2.4%
Total Debt	3,194,456	7,286,430	6,722,777	6,302,362	(420,415)	-6.3%
Insurance/Reserve						
Comprehensive And Liability Insurance - School & Municipal Expenses	241,297	273,967	310,500	341,550	31,050	10.0%
Reserve Fund	0	0	420,000	450,000	30,000	7.1%
Total Fixed Costs Budget	7,469,119	12,037,496	12,490,681	12,839,812	30,000	2.8%

Preliminary Appendix D
 FY2006 Departmental Salary/Expense Budgets

Description	Expended FY2003	Expended FY2004	Current FY2005 Budget	Proposed FY2006 Budget	\$ Change FY06 vs FY05	% Change FY06 vs FY05
Sewer Enterprise						
Salaries	264,114	268,970	278,862	291,632	12,770	4.6%
Expenses	84,392	89,621	97,680	100,000	2,320	2.4%
Pumping Stations	91,086	102,030	125,000	134,000	9,000	7.2%
MWRA Assessment	1,819,031	1,822,911	1,900,100	1,945,000	44,900	2.4%
Mandated Inspections	102,120	120,000	120,100	120,000	(100)	-0.1%
Indirect Costs	212,000	212,000	212,000	212,000	0	0.0%
Sewer Debt & Int	1,104,033	1,099,603	1,056,350	1,222,644	166,294	15.7%
System Ext./Repairs	24,988	24,159	25,000	25,000	0	0.0%
Total Sewer Enterprise	3,701,764	3,739,294	3,815,092	4,050,276	235,184	6.2%

School Budget

Please refer to the separate document...

FY2006 School Department Budget.

Capital

*This section is a summary of the
Capital Improvement Plan.*

Please refer to the separate document...

*FY2006-FY2010
Five-Year Capital Improvement Plan
for more detail.*

CAPITAL OVERVIEW

The Capital Improvement Plan is a five year projection of capital needs for maintaining and upgrading the Town's physical plant. It provides detailed information concerning those capital requests for the upcoming fiscal year; summary information for the following four fiscal years is provided to identify current projections of what level of capital outlay will be required in future years.

The Selectmen are committed to reinvesting in the community's capital infrastructure. The Town's physical resources are a major component of the Town's overall financial assets and represent a significant investment of public funds. As such, the Town must adequately maintain and update its capital assets.

In January, 2004 the Selectmen adopted updated Financial Policies, including capital planning and debt management policies. The capital policies require that a Five-Year Capital Improvement Program document be issued annually. In addition, capital funding and debt management policies were developed in order to continue to appropriately balance total debt and capital costs and tax implications with other operating sources.

In the spring of 2003, the Board of Selectmen formed the Long-Range Financial Planning Subcommittee (LRFP). The committee is comprised of representatives from the Board of Selectmen, School Committee, Town Treasurer, Finance Commission, Board of Assessors, Tax Collector, Business Development Advisory Board as well as the Town's Finance Director.

A major objective of this committee is to conduct analyses of the Town's finances covering an expanded period of five years. The LRFP is working toward updating and expanding the Capital Improvement Plan and provides recommendations to the Board of Selectmen.

Definition of Capital Projects

Capital items shall be defined as follows:

- Items requiring an expenditure of at least \$10,000 and having a useful life of more than five years.
- Projects consisting of real property acquisitions, construction, capital asset improvements, long-life capital equipment, or major maintenance/repair of an existing capital item, as distinguished from a normal operating expenditure.
- Items obtained under a long term lease.
- Bulk purchases of similar items, such as technology and furniture purchases, shall be aggregated and the total considered a capital item.

Funding of Capital Projects

Capital projects can be financed in a number of ways. An appropriate balance of financing options is important to maintain an ongoing program and limit the community's risk. Westwood has continued to utilize a mix of pay-as-you-go financing, combined with prudent use of debt financing. This mix has provided significant resources for capital over the last several years.

Going forward, the Town must shift its pay-as-you-go financing from free cash to an annual tax revenue appropriation. In recent years, due to tight budgeting and limited new revenue growth, the amount of free cash available for capital projects has declined. As such, a new, ongoing revenue source must be identified so as to avoid putting the capital fund burden onto debt financing.

The following funding sources are used to finance the Town's capital improvements:

Tax Revenue – Additional revenue from the tax levy can be used to fund smaller capital items.

Free Cash – The Town's "undesignated fund balance"; certified each July 1 by the state and the portion of fund balance available for appropriation. As Free Cash should not be used for operating budgets, it is a very appropriate revenue source for non-recurring capital items.

Borrowing Approved within Proposition 2 ½ - For large construction, infrastructure and land purchase projects, general obligation bonds are issued. Funding for annual debt service comes from annual budget within the tax levy.

Borrowing Approved as Exempt to Proposition 2 ½ - For large construction, infrastructure and land purchase projects, general obligation bonds are issued. Funding for annual debt service is raised through additional tax revenue raised outside the limits of Proposition 2 ½ (exempt debt).

Sewer Enterprise Funds – Sewer Enterprise Fund retained earnings are used to fund capital items for the sewer operations.

Sewer Enterprise Borrowing – For large sewer infrastructure projects, general obligation bonds are issued. Funding for annual debt service is fully supported by sewer user fees.

Other Sources – Other funding sources may include state and federal grants and available funds, such as ambulance receipts.

A Look at Recent Capital Project Financing

	FY02	FY03	FY04	FY05
Tax Revenue	\$108,710	\$394,840	\$176,000	\$142,000
Free Cash	\$1,255,500	\$871,912	\$600,000	\$696,000
Borrowing Within Proposition 2 ½	\$2,600,000			\$600,000
Exempt Debt	\$44,295,640			
Sewer Enterprise Funds	\$59,000	\$70,000	\$0	\$133,000
Sewer Enterprise Borrowing				\$750,000
Other Sources	\$15,840	\$177,000	\$144,819	\$200,000

Process and Presentation to Voters

Annually, municipal and school departments prepare five-year projections of their capital needs. The requests are summarized and presented to the Selectmen for review. The School Committee prioritizes the capital requests for the School Department. Capital funded as debt exemptions require additional approval by the voters at the ballot as Proposition 2 ½ exemptions.

The Selectmen prepare a recommended capital budget and present it to the Finance Commission for review and recommendation to Town Meeting. Town Meeting votes approval of capital articles; capital articles requesting borrowing are separately voted.

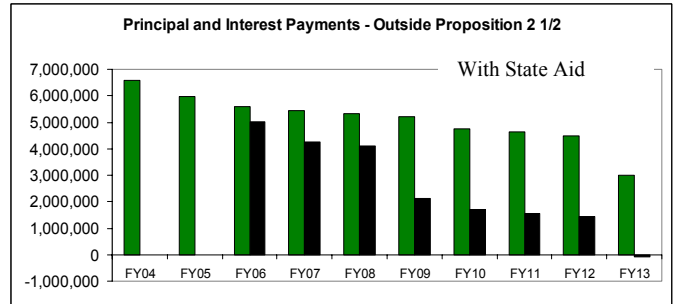
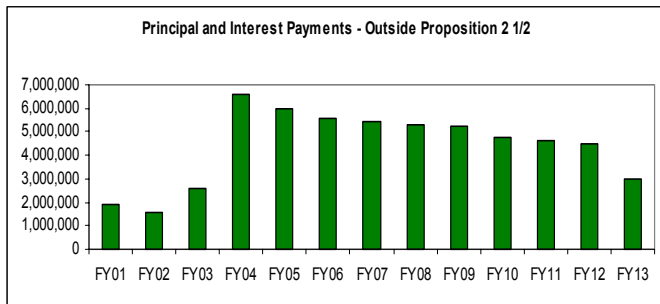
FY06 CAPITAL RECOMMENDATIONS AND DISCUSSION

FY06 continues to be a difficult budget year for municipalities across the state of Massachusetts. Limited new revenue growth, limited state aid, and increases in fixed costs, particularly health insurance and retirement assessments, have all combined to strain the resources available both for capital and operating budgets. Additionally, Westwood had seen tremendous increases in tax bills in FY03 and FY04 due to debt related to school construction projects. These large tax increases further limited the ability of the voters to approve additional increases outside Proposition 2 1/2 for capital and operating budget needs. In FY05, there was significant relief to their tax increases as the state began to make payments on two school projects.

The Town has been very successful in prior years with funding capital on a pay-as-you-go basis, with capital needs being annually funded from free cash. Debt financing has been used only for very large land purchases, road renovation, and school construction projects. This policy of balancing debt and pay-as-you-go financing has allowed the Town to maintain an annual capital budget of approximately 1 million dollars. The Town has been able to avoid debt financing for such items as vehicles, DPW equipment and information systems equipment.

Moving forward, the Town needs to replace free cash as the funding source for the pay-as-you-go financing items. Due to tighter annual budgets and limited revenue, the free cash balance is expected to decline in future years and be more subject to annual fluctuations. Free cash alone will not be sufficient to fund the same level of the capital budget as has been done in prior years.

The Town is at a significant crossroad in terms of finding a permanent funding source for capital budget items. At the very time the free cash source needs to be replaced, there is an unprecedented opportunity available to permanently build in ongoing tax revenue for the capital budget. This opportunity is due to the fact that the tax base has been raised to pay for full debt payments for the school construction projects. As the state begins to pay Westwood for its 59% share of these projects, the tax burden will be reduced.



As the graphs show, the state reimbursement represents significant dollars and has a resulting significant effect on the exempt tax revenue needed to pay for the debt. The opportunity exists to replace the decline in current debt with new tax revenue earmarked specifically for capital. Converting the current revenue stream to capital financing will provide a permanent revenue stream for necessary capital, while not further increasing the tax burden on our residents.

It is extremely important that the new tax revenue, which would have to be voted outside of Proposition 2 1/2, be used for capital financing only. Because the annual operating budget pressures present such a challenge, the Long Range Financial Planning Subcommittee has looked

at ways to ensure that the money is used only for capital and not to solve annual operating budget needs. The LRFP Subcommittee has explored establishing a capital stabilization fund, which would legally limit the funds for capital uses. Voters must be confident that if asked to approve capital funds, that money would only be used for capital.

FY06 Specific Recommendations

As discussed, the future holds significant opportunity to establish a permanent, recurring source of funds for an appropriate capital budget that addresses the needs of all Town facilities and departments.

As the state begins payments on outstanding school projects, the existing tax burden on residents is mitigated:

Project	Reimbursement	Timing
Downey School	\$625,794 per year for 8 years	Began FY05
Martha Jones School	\$692,249 per year for 8 years	Began FY05

The timing of presenting an enhanced capital plan to voters is dependent on several factors, the most important of which includes 2 aspects of the high school project:

- Completion of the construction project. It is important that the building project be finalized so it can be determined if any additional funding is necessary to complete the project. This funding would take priority over other capital needs.
- Receipt of the state share of the high school building money. The state reimbursement for the high school project is a sizeable revenue stream. Presentation of a new capital financing plan to the voters as a Proposition 2 ½ override would best be implemented if it could be offset against the receipt of the state high school funds. Therefore, timing of receipt of the state money is an important component of the Town's efforts to proceed with a new capital plan.

Project	Reimbursement	Timing
High School	\$1,859,412 per year for 20 years	Begin in FY06 or FY07

These factors must be further analyzed during the FY06 budget process to determine if the expanded and revised capital plan should be put forth for FY06 or FY07.

Absent a new capital financing plan, the FY06 budget can only support a level funding of the capital budget at the FY05 level. That would provide for capital as follows:

	FY05	FY06
School Capital	\$406,000	\$406,000
Municipal Capital	\$490,000	\$490,000

The capital plan must continue to be revised to ensure appropriate maintenance of the Town's assets and provide the necessary equipment for departments to perform their services safely and efficiently.

**Capital Outlay Requests - FY2006
For Approval at the 2005 Annual Town Meeting**

Recommended for Funding - FY2006

Available funds within Proposition 2 1/2 only allow for funding for capital at the same level as FY05. In summary, that funding would provide for the following capital items.

	FY05	FY06
School Capital	\$406,000	\$406,000
Municipal Capital	\$490,000	\$490,000

Other items would need to be approved as borrowing articles or voted as capital exemptions from the limits of Proposition 2 1/2.

FY2006 - 2010 Capital Improvement Plan

Capital Project Requests	FY2006 Request	FY2007 Request	FY2008 Request	FY2009 Request	FY2010 Request	Total
Municipal Infrastructure						
High Street Improvements	\$1,000,000					\$1,000,000
Road Improvement Project	\$2,300,000					\$2,300,000
Field Maintenance	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$375,000
Islington Playground Replacement	\$100,000					\$100,000
Municipal Buildings						
Senior Center Addition		\$450,000				\$450,000
Fire Station 1 Renovations	\$100,000	\$300,000	\$300,000	\$15,000		\$715,000
Fire Station 2 Renovations	\$125,000	\$300,000	\$1,400,000	\$10,000		\$1,835,000
Library Renovations		\$10,500,000				\$10,500,000
Police Space Needs Assessment	\$25,000					\$25,000
Town Hall Renovation	\$1,500,000					\$1,500,000
Renovations/Islington Community Center	\$50,000	\$50,000			\$100,000	\$200,000
Historic Obed Baker Project	\$150,000		\$300,000			\$450,000
Colburn School Renovation		\$2,500,000				\$2,500,000
Municipal Building Maintenance	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$500,000
COA						
Medical Van	\$40,000					\$40,000
DPW						
35,000 G.V.W. Hook-lift Water, Sander, & Plow Truck (2nd of 2 payments)	\$60,000					\$60,000
Heavy Duty Pick-up Truck	\$45,000	\$55,000		\$120,000	\$55,000	\$275,000
(2) 35,000 G.V.W. Dump Truck, Sander, & Plow Trucks	\$230,000					\$230,000
Three Yard Loader	\$140,000					\$140,000
35,000 G.V.W. Dump Truck, Plow, & Sander		\$115,000				\$115,000
Sidewalk Plow		\$85,000				\$85,000
Vehicle Computer Analyzer			\$18,000			\$18,000
Sedan			\$35,000			\$35,000
3-1 Ton Dumps			\$180,000			\$180,000
10 Wheel Dump Truck				\$130,000		\$130,000
35,000 Dump Truck					\$120,000	\$120,000
3-1 Ton Dumps					\$180,000	\$180,000
Fire						
1500 GPM Engines (4th of 6 payments)	\$117,535	\$117,535	\$117,535			\$352,605
Ladder Truck (5th of 5 payments)	\$132,907					\$132,907
Replace Ambulance	\$190,000			\$230,000		\$420,000
S.C.B.A. Upgrade & Replacement	\$15,600	\$15,800	\$16,000	\$16,200	\$8,000	\$71,600
Radio Upgrade & Replacement	\$6,200	\$6,400	\$6,600	\$6,800	\$150,000	\$176,000
Rescue Equipment	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$60,000
Command Vehicle	\$35,000					\$35,000
Deputy's Vehicle		\$35,000				\$35,000
Chief's Vehicle			\$35,000			\$35,000
Replace Squad Truck Pumps		\$70,000				\$70,000
Pickup Truck		\$40,000				\$40,000
Fire Alarm Wireless Receiver	\$30,000	\$30,000				\$60,000
Ladder Truck		\$100,000	\$100,000	\$100,000	\$100,000	\$400,000
Information Systems						
Municipal Software Upgrade	\$150,000					\$150,000
Police/Fire Records Management Software	\$100,000	\$100,000				\$200,000
End User Technology	\$85,000	\$85,000	\$95,000	\$95,000	\$95,000	\$455,000
Student Software Web Implementation	\$30,000					\$30,000
Library Equipment Upgrade	\$7,500	\$7,500	\$8,500	\$8,500	\$8,500	\$40,500

FY2006 - 2010 Capital Improvement Plan

Capital Project Requests	FY2006 Request	FY2007 Request	FY2008 Request	FY2009 Request	FY2010 Request	Total
Police						
Replacement of Police Vehicles	\$98,889	\$102,845	\$106,959	\$111,237	\$115,687	\$535,617
Recreation						
Replacement of Recreation Van					\$45,000	\$45,000
School						
Technology	\$350,000	\$400,000	\$500,000	\$500,000	\$500,000	\$2,250,000
Furniture, Fixtures, Equipment	\$175,000	\$255,000	\$275,000	\$325,000	\$325,000	\$1,355,000
HVAC and controls	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$500,000
Roofing	\$320,000	\$175,000	\$175,000	\$175,000	\$175,000	\$1,020,000
Repair and Maintenance Items	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$1,750,000
Copying Equipment	\$88,500	\$88,500	\$88,500	\$88,500	\$88,500	\$442,500
Operations Equipment/Vehicles	\$49,000	\$49,000	\$49,000	\$49,000	\$49,000	\$245,000
Modulars - lease purchase M.S.	\$138,200	\$138,200				\$276,400
Modulars - lease purchase Hanlon		\$195,000	\$195,000	\$195,000	\$195,000	\$780,000
Modulars - lease purchase Deerfield				\$95,000	\$95,000	\$190,000
Sewer						
Line rehabilitation and manhole sealing	\$260,000					\$260,000
Sedan	\$30,000					\$30,000
Pump control upgrades		\$90,000				\$90,000
Service vehicle No. 1		\$55,000				\$55,000
Sewer jet		\$85,000				\$85,000
Service vehicle No. 2			\$55,000			\$55,000
Scada upgrade			\$10,000			\$10,000
Motor upgrades			\$90,000			\$90,000
2nd meter system				\$80,000		\$80,000
Generator replacement - phase one				\$80,000		\$80,000
Sewer vacuum truck					\$290,000	\$290,000
Totals	\$8,911,331	\$17,232,780	\$4,793,094	\$3,067,237	\$3,331,687	\$37,336,129

FY2006 - FY2010
Summary of Capital Budget Requests

Budget 30

	Department	Expenditures per Fiscal Year					Total Costs
		FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	
	Municipal Infrastructure	\$3,475,000	\$75,000	\$75,000	\$75,000	\$75,000	\$3,775,000
	Municipal Buildings	\$2,050,000	\$14,200,000	\$2,100,000	\$125,000	\$200,000	\$18,675,000
	COA	\$40,000					\$40,000
	DPW	\$475,000	\$255,000	\$233,000	\$250,000	\$355,000	\$1,568,000
	Fire	\$539,242	\$426,735	\$287,135	\$365,000	\$270,000	\$1,888,112
	Information Systems	\$372,500	\$192,500	\$103,500	\$103,500	\$103,500	\$875,500
	Police	\$98,889	\$102,845	\$106,959	\$111,237	\$115,687	\$535,617
	Recreation					\$45,000	\$45,000
	Total Municipal Departments	\$7,050,631	\$15,252,080	\$2,905,594	\$1,029,737	\$1,164,187	\$27,402,229
	School Department	\$1,570,700	\$1,750,700	\$1,732,500	\$1,877,500	\$1,877,500	\$8,808,900
	Sewer	\$290,000	\$230,000	\$155,000	\$160,000	\$290,000	\$1,125,000
	Total Capital Requests	\$8,911,331	\$17,232,780	\$4,793,094	\$3,067,237	\$3,331,687	\$37,336,129

Capital Outlay Requests - FY2005
Approved at 2004 Annual Town Meeting

Item/Project	Department	Cost	Funding Source
Fire 1500 GPM Engines (3rd of 6 payments)	Fire	\$118,305	Free Cash
Ladder Truck (4th of 5 payments)	Fire	\$132,907	Free Cash
Police Cruisers	Police	\$95,086	Free Cash
Recreation Van	Recreation	\$35,000	Free Cash
Skid Steer (2nd of 2 payments)	DPW	\$26,100	Free Cash
35,000 G.V.W. Hook-lift Water, Sander, & Plow Truck (1st of 2 payments)	DPW	\$50,000	Free Cash
INET Equipment	Information Systems	\$22,602	Free Cash
Office for Town Nurse	Selectmen	\$10,000	Free Cash
	Total	\$490,000	
Scada-Computer Monitoring System	Sewer	\$75,000	Sewer Retained Earnings
Truck Chasis for Sewer Jet	Sewer	\$58,000	Sewer Retained Earnings
	Total	\$133,000	
Technology	School	\$38,200	Free Cash
Furnishings & Equipment	↓	\$3,500	Free Cash
Repair and Modernization		\$51,000	Free Cash
Copiers		\$87,300	Free Cash
Custodial Equipment/Vehicles		\$26,000	Free Cash
Thurston School Portables-Yr. 3 of 5 Yr. Lease		\$138,200	Available Funds
School Technology		\$61,800	Available Funds
	Total	\$406,000	
Information Systems-Student Management Software	Information Systems/School	\$16,300	Taxation
Fire Air Mask Upgrade & Replacement	Fire	\$15,200	Taxation
Fire Radio Upgrade & Replacement	Fire	\$6,000	Taxation
Fire Rescue Equipment	Fire	\$12,000	Taxation
End User Technology	Information Systems/Departments	\$65,000	Taxation
Library Minuteman System	Library	\$7,500	Taxation
Municipal Software Server Replacement	Information Systems	\$20,000	Taxation
	Total	\$142,000	
Sewer Engineering and Construction	Sewer	\$750,000	Borrowing
Purchase of Islington Community Church	Selectmen	\$600,000	Borrowing



Financial Overview

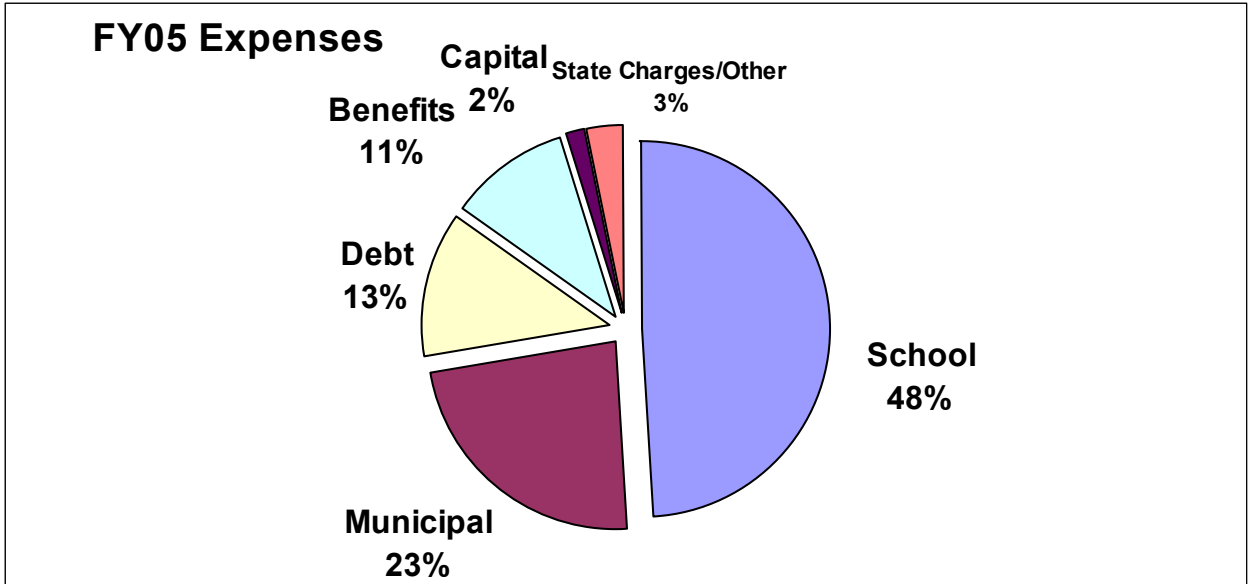
This section is intended to provide readers with the Town's current financial situation as well as the basis for the Board of Selectmen's FY06 budget recommendations.

Included is information regarding the current FY05 budget, as well as historical data on taxes, debt, and stabilization fund. This overall financial information is important in understanding the financial condition of the Town. Decisions on each year's budget cannot be made without an understanding of this information.

This information is drawn from the numerous presentation made throughout the early fall and budget process at public meetings of the Board of Selectmen, Finance Commission, and School Committee.

A Look at the Total

Current FY05 Budget...

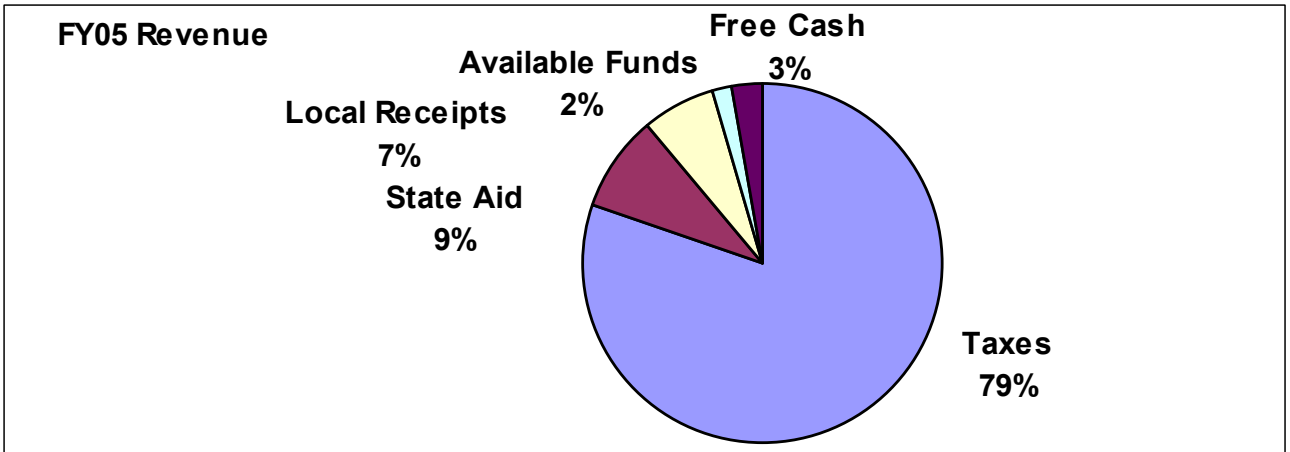


FY05 Expenses	
School Operating	\$26,237,873
Municipal Operating	\$12,540,022
Debt	\$6,722,777
Employee Costs/Reserves	\$5,767,904
Total Operating	\$51,268,576
Capital Budget	\$896,000
State Charges/Other	\$1,595,968
Total	\$53,760,544

Does not include Sewer Enterprise.

A Look at the Total

Current FY05 Budget Continued.....

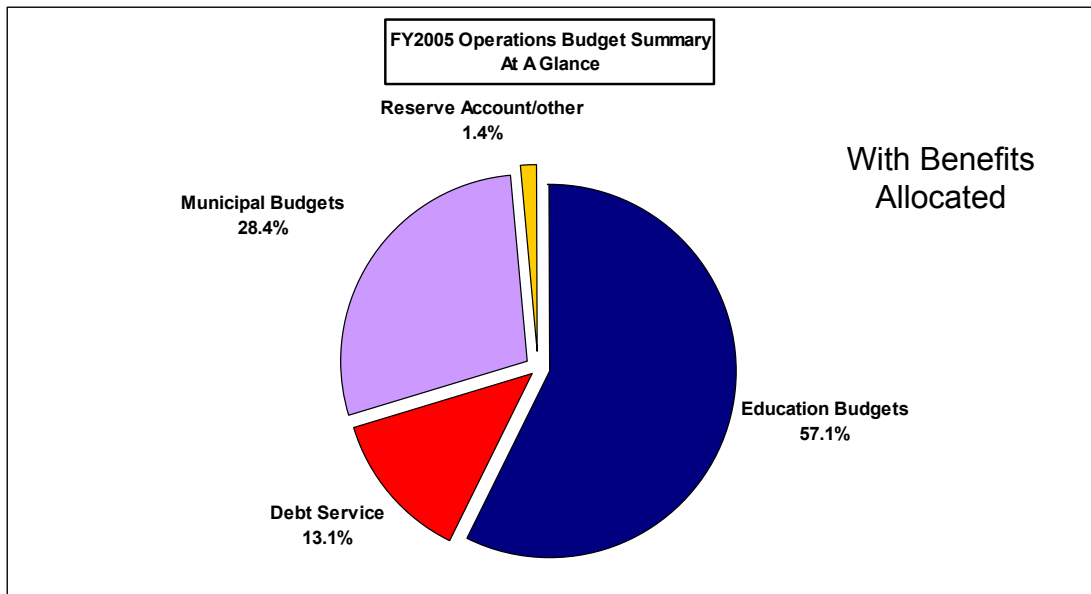


FY05 Revenue	
Taxes	\$43,092,347
State Aid	\$4,741,172
Local Receipts	\$3,520,759
Available Funds	\$984,997
Free Cash	\$1,421,270
Total	\$53,760,544

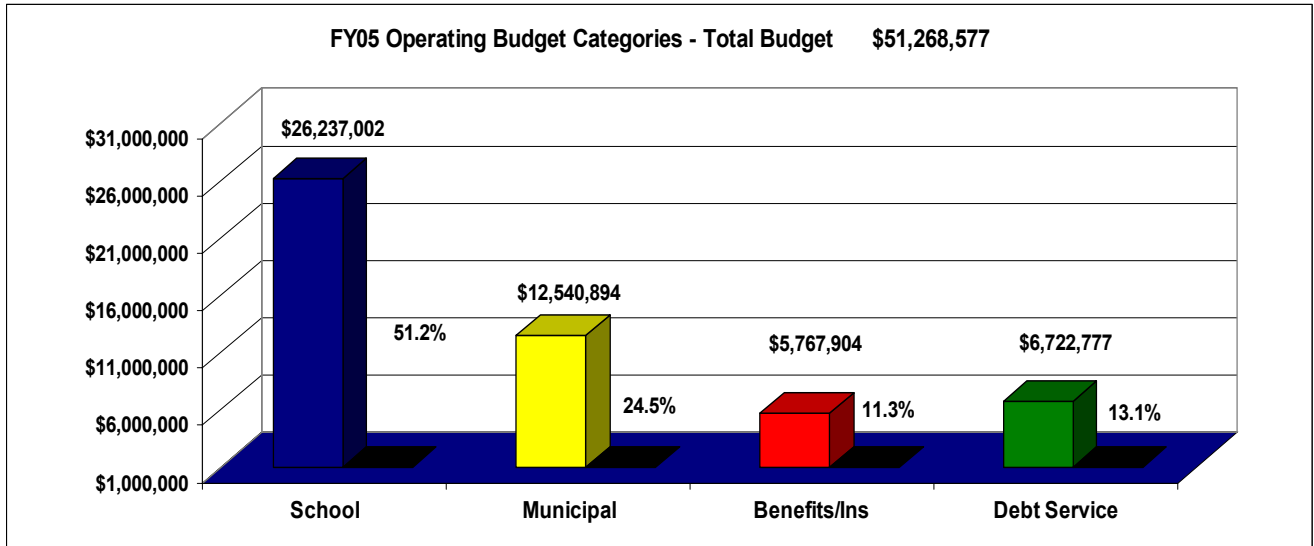
Does not include Sewer Enterprise.

A Look at The FY05 Operating Budget Categories...

	FY05	FY04	FY05 \$ Change	FY05 % Change
School Budgets	\$26,237,002	\$25,062,489	\$1,174,513	4.7%
Municipal	\$12,540,894	\$12,127,081	413,813	3.4%
Debt	\$ 6,722,777	\$ 7,286,431	(\$563,654)	-7.7%
Benefits/Employee Costs/Reserves	\$ 5,767,904	\$ 5,045,017	\$ 722,887	14.3%
	\$51,268,577	\$49,521,018	\$1,747,559	3.5%
Note: Benefits and debt not allocated to School or Municipal budgets in this chart.				



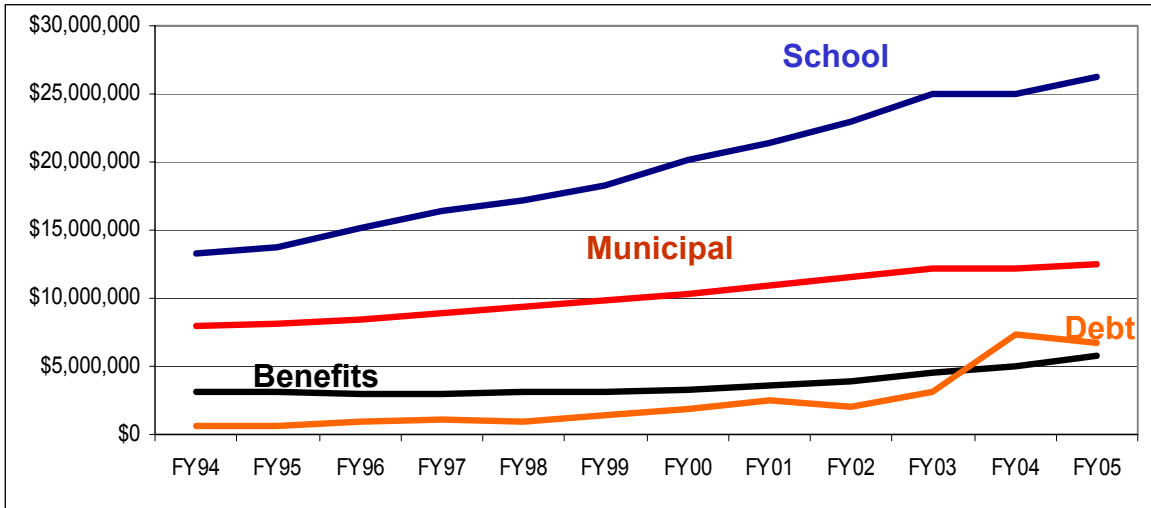
A Look at The FY05 Operating Budget Categories.....



Note: Debt and Benefit budgets not allocated in School or Municipal budgets shown above.

Benefits, Insurance, and Debt Service are fixed, restricted accounts.

A Look at the Budget History.....



Budget	\$ Budget			
	FY02	FY03	FY04	FY05
School Budgets	\$22,918,285	\$24,956,196	\$25,062,489	\$26,237,002
Municipal Budgets	\$11,580,897	\$12,127,081	\$12,127,081	\$12,540,894
Benefits/Insurance/ Reserves	\$3,896,837	\$4,497,240	\$5,045,017	\$5,767,904
Debt Service	\$2,091,415	\$3,157,965	\$7,286,431	\$6,722,777

Budget	% Change in Budget			
	FY02	FY03	FY04	FY05
School Budgets	6.6%	8.2%	0.4%	4.7%
Municipal Budgets	5.6%	4.5%	0.0%	3.4%
Benefits/Insurance/ Reserves	9.7%	13.4%	10.9%	14.3%
Debt Service	-16.7%	33.8%	56.7%	-7.7%

A Look at Recent Budget Years.....

Limited revenue available for operating budgets

- Fixed costs increases taking all new revenue available within Proposition 2 ½.
- No revenue available for school and municipal operating budgets.

FY04 Budget Impact

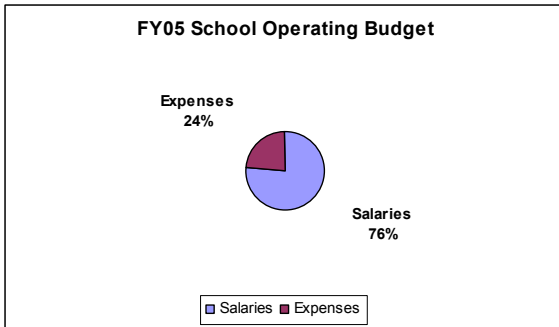
- FY04 - \$0, 0% operating budget increase
 - School – 0%
 - Municipal – 0%
 - Reduced capital budget

FY05 Budget Impact

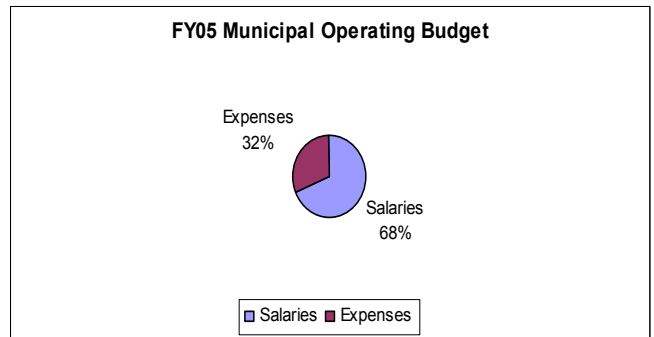
- FY05 – small operating increases
 - School – 4.4%
 - Municipal – 3.4%
- Capital maintained at reduced level
- Used significant one-time revenue to balance budget (\$1.4M)

FY06 budget will have similar challenges

Important Areas ...Salaries as Component of Budgets



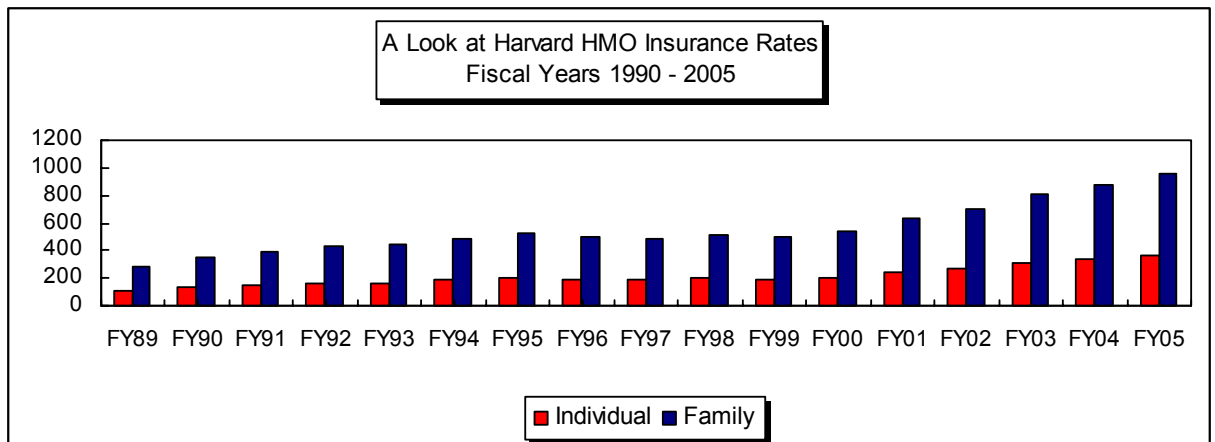
76% of budget is salary



68% of budget is salary

Salary increase is typically or usually the largest component of the budget increase year to year.

Health Insurance

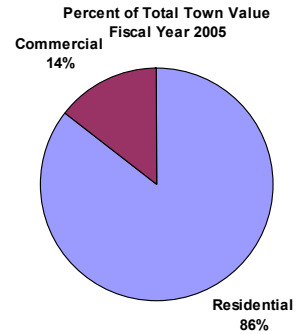
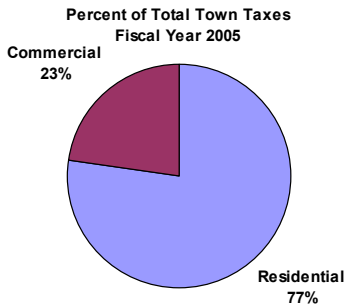


Total Benefits/Reserves/Insurance			
FY04	FY05	\$ Change	% Change
\$5,045,017	\$5,767,904	\$722,887	14.3%

- Westwood employees contribute 40% of the cost of health insurance.
- Health insurance is back as a budget buster for municipalities.
- As with other public and private industries, Town is experiencing annual 5-15% rate increases each year.
- Municipalities have additional problem of covering increasing number of individuals, as workforce, especially teachers, turns over through retirement.

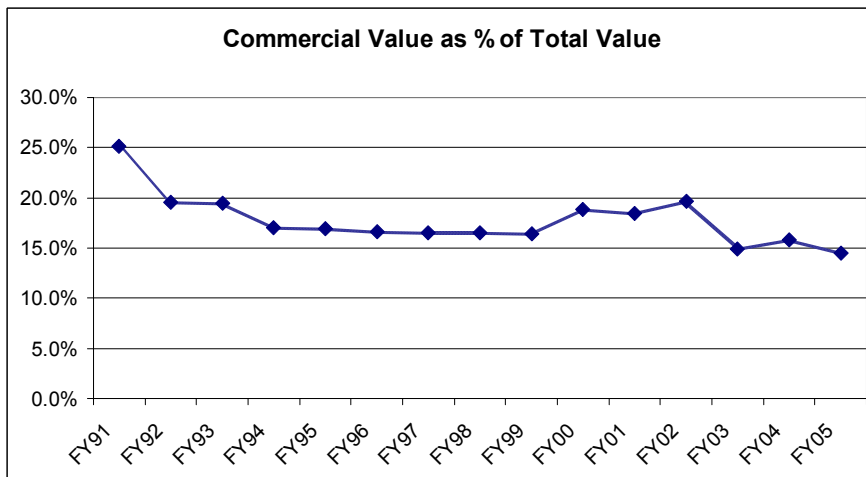
Some Information on Taxes.....

The Town's commercial property is an important component of the Town's overall tax base. Westwood taxes its commercial property at a higher rate than residential (\$20.97 vs. \$11.97).



- Annual savings of \$663 from split tax rate.
- In FY05 commercial represented 14.5% of value; however, they paid 22.9% of total taxes.

The Importance of Commercial Property....

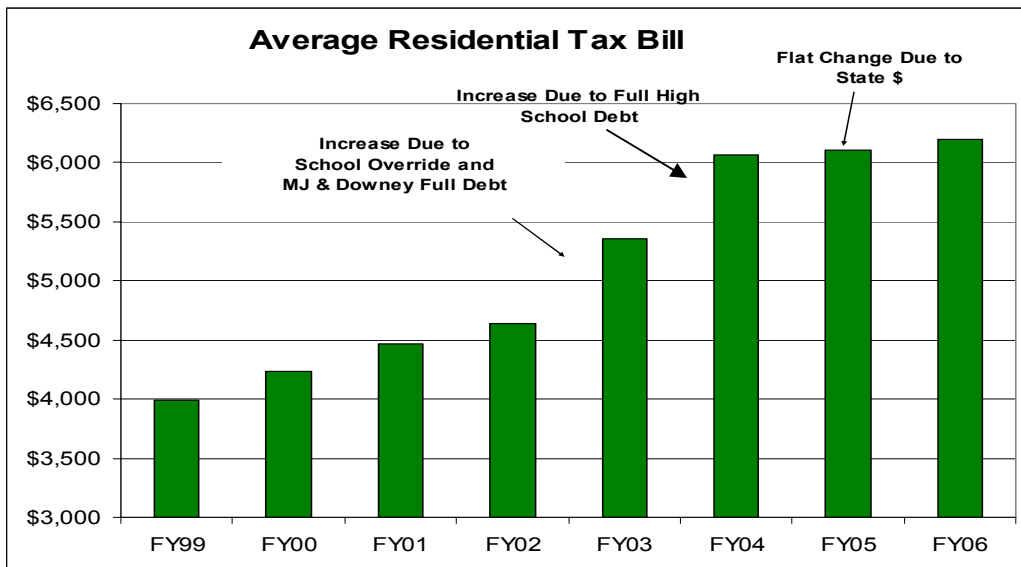


- Commercial value important factor to tax revenue.
- Commercial value cannot keep pace with significant residential growth.

More on Taxes.....

	FY02	FY03	FY04	FY05	Projected FY06
Average Tax Bill Increase	3.74%	15.57%	13.2%	0.67%	1.39%
Savings to Average Tax Bill Resulting from Split Tax Rate	\$502.6	\$651.2	\$767	\$663	
Average Residential Tax Bill Home Value	\$334,339	\$468,075	\$468,075	\$510,202	\$510,202
*Average Tax Bill	\$4,637	\$5,359	\$6,065	\$6,107	\$6,192

- Largest component of tax increase has been increase in exempt debt due to construction projects – Martha Jones, Downey, High School.
- FY05 increase less than 2 ½% due to receipt of state building funds.
- FY06 increase less than 2 ½% due to completion of 1994 road improvement bond.

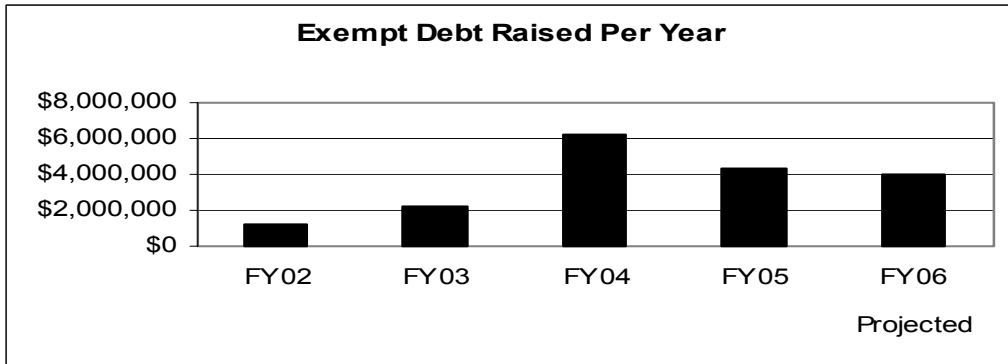


*Amounts shown for average home.

Individual tax bills may increase/decrease differently due to specific change in valuation.

More on Taxes.....Exempt Debt

Exempt debt is the additional tax dollars collected above Proposition 2 ½ for the principal and interest payments for projects approved outside of Proposition 2 ½ , net of any state reimbursement.



	FY02	FY03	FY04	FY05	Projected FY06
Exempt Debt	\$1,199,655	\$2,257,706	\$6,265,148	\$4,367,789	\$3,995,264

- Exempt debt significantly increased in FY03 and FY04 due to bonds issued for the Martha Jones, Downey, and High School projects.
- Exempt debt declined in FY05 due to receipt of state school building reimbursement.
- Exempt debt declines in FY06 due to completion of 1994 road improvement bond.

The Town is currently owed 59% state reimbursement for the high school project; it is anticipated these funds will be received in FY2006 or FY2007, as outlined by the new *Massachusetts School Building Authority*.

Potential High School State Reimbursement Impact	
	FY06
Exempt debt	\$3,995,264
HS State Reimbursement	\$1,859,412
Net debt	\$2,135,852

Projected Taxes – HS Impact		
	FY06	FY06 w/State HS \$
Average Bill	\$6,192	\$5,923
% Change from Prior Year	1.39%	(-3%)

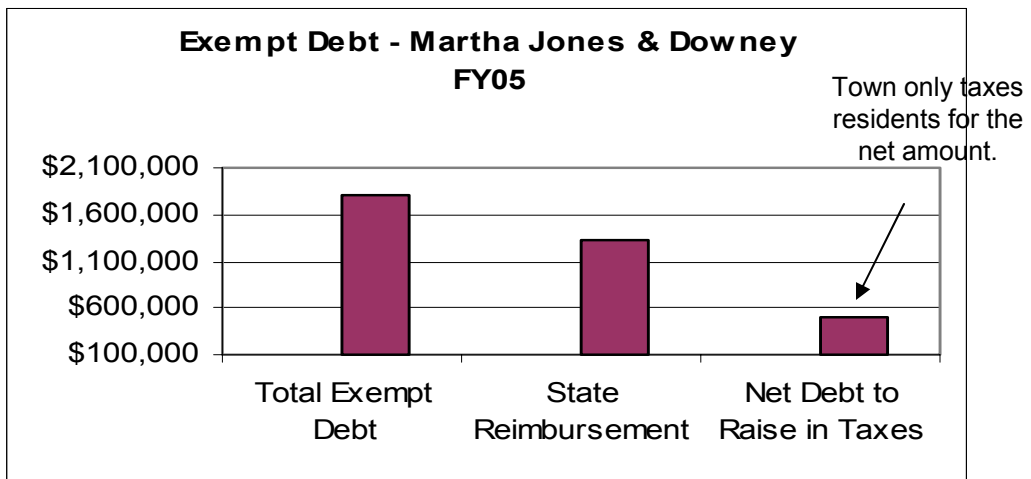
School Reimbursement.....

In November, 2004 Westwood received notice that state reimbursement would begin in FY05 for the Martha Jones & Downey school projects :

- Funds to be received for 8-year period to match remaining bond payments.
- 1999 Downey School - \$625,794 per year FY2005 – FY2012.
- 2000 Martha Jones School - \$692,249 per year FY2005 – FY2012.

Tax Impact FY05				
	Martha Jones	Downey	Total	Approximate Tax Implication
Total Exempt Debt	\$969,480	\$848,295	\$1,817,775	\$272
State Reimbursement	\$692,249	\$625,794	\$1,318,043	\$197
Net Debt to Raise in Taxes	\$277,231	\$222,501	\$499,732	\$75

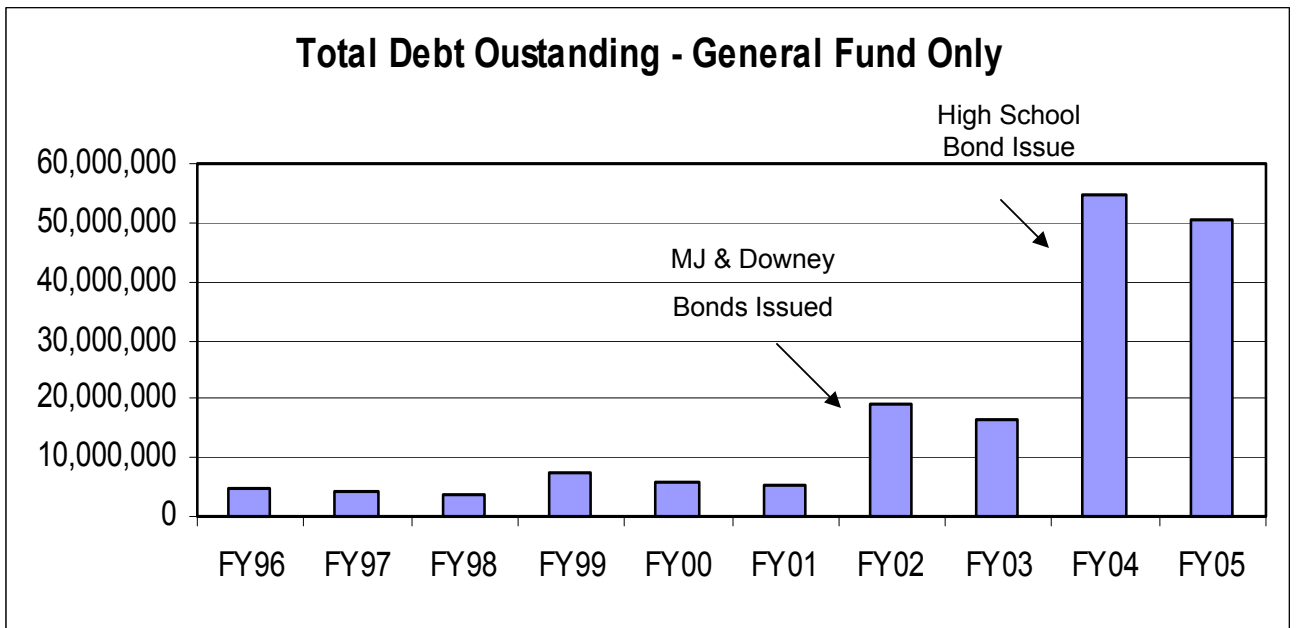
Impact on Taxes is Significant



Important AreasDebt

- Total general fund debt outstanding as of 6/30/05 - \$50,255,000
 - Issued \$16.6 M bond March, 2002.
 - Issued \$42.1 M bond in August, 2003.
 - Total debt remaining to be issued:
 - \$5,033,340 High School
 - \$ 600,000 Purchase of Islington Church
 - \$ 300,000 Eminent Domain Land Purchase

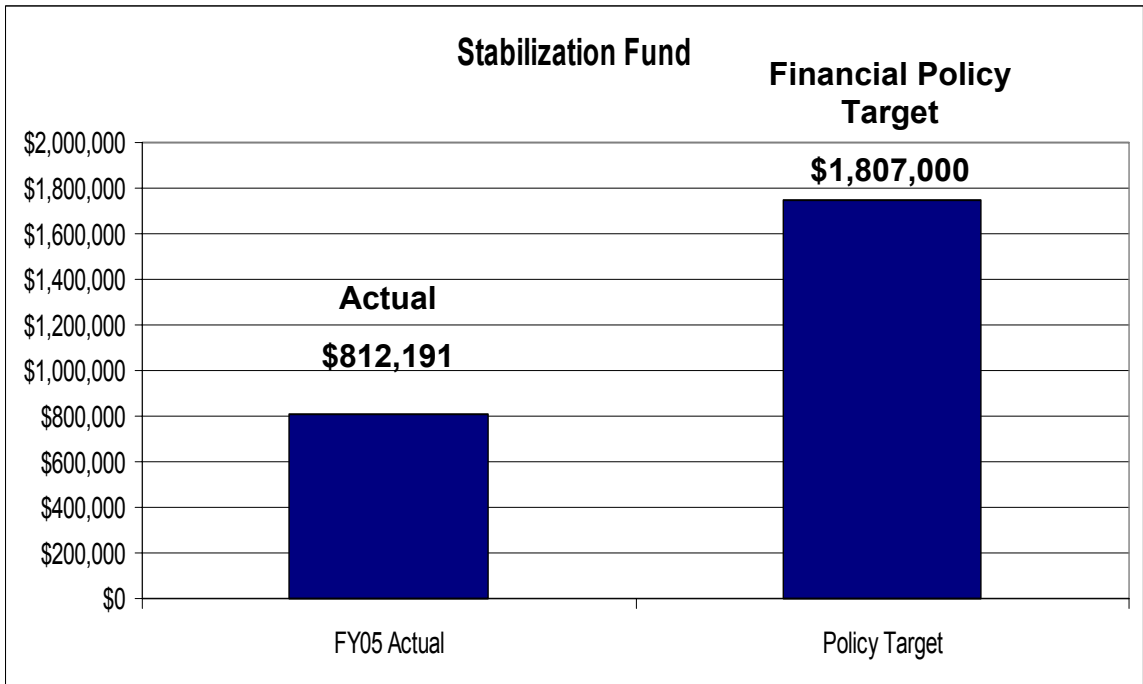
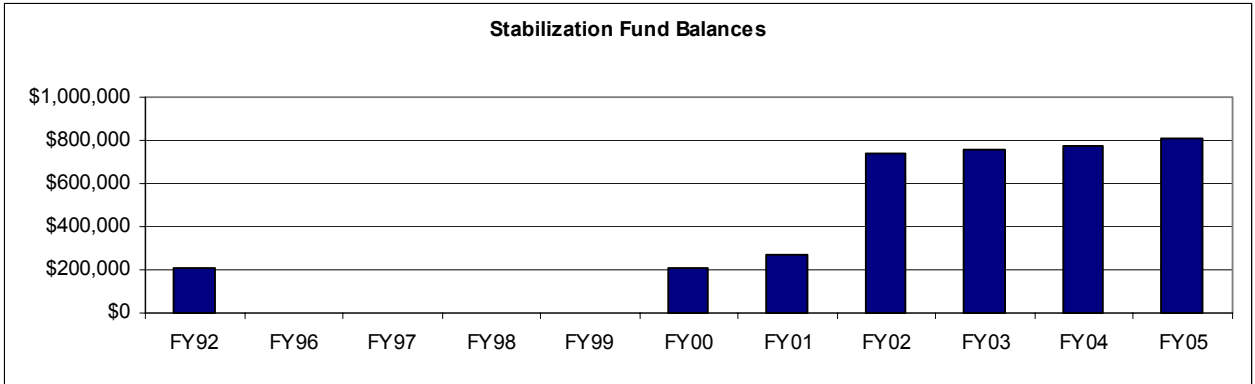
- Credit rating – reaffirmed August, 2003
 - Moody’s Investor Services – AA1
 - Standard & Poor’s – AA+
 - These are the highest ratings achievable by municipalities.



Important AreasStabilization Fund

Stabilization Fund – Reserve Important for:

- Protect the Town in case of emergency.
- Maintain high bond rating.
- Prudent fiscal policy.



Financial Policies Status Update

Policy	Target	Actual	Comments	Target Status
B. 2. Operating Reserve Fund – shall be 1% of total general fund operating budget, net of debt service.	\$441,258 1%	FY05 Budget \$420,000	Very close to target; 95% of target.	
B. 3. Free Cash – shall maintain at 4% of general fund operating budget, net of debt service.	\$1,765,032 4%	Approx. \$1M 2.3%	Actual is at 56% of goal, approximately \$760,000 short of goal.	
D. 3. Reserve accounts – 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% - \$1,799,871 Total 8% or \$3,599,742	Stabilization Actual 1.8% \$807,000 Total 4% or \$1,807,000	Stabilization approximately \$1M short of target. Total is at 50% of target.	
E. 4. General fund nonexempt debt service should not exceed 8% of net general fund revenues.	Not exceed 8% Or \$3,599,742	Actual 1.7%	Target is met.	✓
E. 4. Total General fund exempt and nonexempt debt should not exceed 10-12% of net general fund revenues.	Not exceed 12% Or \$5,399,614	Actual 14% \$6,722,777	Actual exceeds target by 2%.	
F. 5. Investment in capital stock – will maintain 3% of general fund operating budget, net of debt, on ongoing capital maintenance and replacement.	\$1,323,774 3%	\$896,000 2%	Actual is approximately \$427,000 short of target. Actual at 67% of target.	
G. 5. Maintain sewer retained earnings – will maintain 10% of sewer fund revenues.	\$381,000 10%	\$405,000 10.6%	Target is met.	✓

Financial Policies Status Update Cont'd....

Other Policies	Comments	Target Status
<p>B.1. General Fund – Annual budget should be prepared covering operating expenditures with current operating revenue, not non-recurring revenue sources.</p>	<p>As part of FY05 budget solution, \$725,000 of Free Cash was used to support operating budget – insurance and reserve fund.</p>	
<p>D.5. Reserves – Town will strive to make annual appropriation to the Stabilization Fund</p>	<p>\$25,000 appropriated in FY05 budget; will continue making appropriations going forward.</p>	<p>✓</p>
<p>F.2. Capital Planning – 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>

Looking Ahead....FY06

FY06 Available Budget Funds

Change in Revenue FY05 to FY06	
Taxes – per Proposition 2 ½	\$1,430,000
New Growth	\$300,000
Increased Tax Money	\$1,730,000
Local Receipts	\$0
State Aid	\$0
Available Funds	(\$668,000)
Free Cash	(\$821,000)
Total Increase in Revenue	\$241,000

Increases in Fixed Costs For all School and Municipal Employees	
Benefit/Employment Costs	\$710,000
Insurance/Reserve	\$61,000
Total	\$771,000

Net New Revenue – (\$530,000)

Available for School and Municipal Operating Budgets.

To balance budget today:

- \$0, 0% increase to school and municipal budgets.
 - Cut capital budget in half from FY05.

FY06 Potential Budget Gap

Available new revenue	\$241,000
Expenses Increases:	
Increase in fixed costs	\$771,000
Base School budget increase	\$1,336,150
Base Municipal budget increase	\$639,516
Total Base Expense Increases	\$2,746,666
Budget Gap (Revenue less expenses)	(\$2,505, 666)

Additional Requests	
School	\$1,186,446
Municipal	\$774,600
Capital	\$2 - \$3 million

Looking Ahead.....Five Year Forecast

	FY2005	FY2006 Projected	FY2007 Projected	FY2008 Projected	FY2009 Projected
Total Expenditures	\$53,760,545	\$53,595,881	\$54,232,456	\$54,986,036	\$55,856,921
Total Revenues	\$53,760,545	\$53,057,720	\$54,014,810	\$55,222,607	\$56,464,845
Total Revenues Less Expenditures	-0-	(\$538,161)	(\$217,646)	\$236,571	\$607,924
Average Tax Increase	.6%	1.39%	-2.2%	2.10%	2.12%

- The forecast shows projected revenue. Expenditures increased for fixed costs only, while holding all operating budgets at a 0% increase.
- There would be insufficient reserve in each of the years to fund necessary increases in the school and municipal operating budgets.

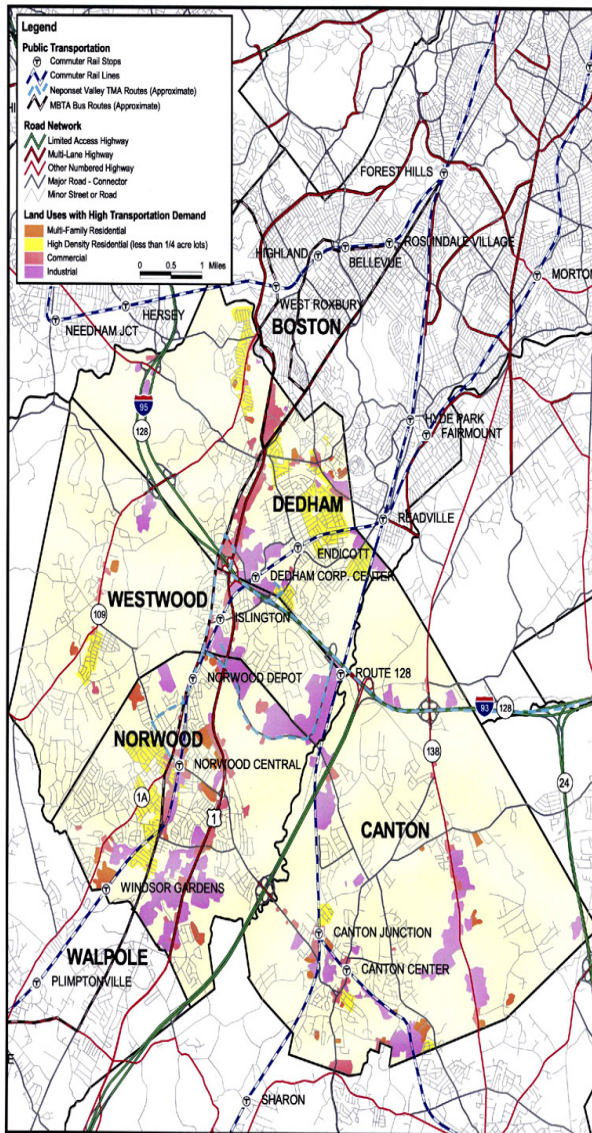
Assumptions:

- Tax revenue calculated per levy limit. New growth assumption of \$300,000 per year.
- State aid level funded.
- Debt – per current schedules – no new debt issued.
- Downey and Martha Jones state reimbursement received in FY05.
- High School state reimbursement received in FY07.
- Health insurance increase – 15%.
- Operating budget increase for all school and municipal budgets FY06-FY09 – 0%.

Information to Know....

<i>Everything You Wanted to Know About:</i>	<i>Page</i>
<i>The Town.....</i>	<i>1</i>
<i>Westwood's Organization</i>	<i>2</i>
<i>Explanation of Proposition 2 1/2</i>	<i>3</i>
<i>History of Overrides</i>	<i>4</i>
<i>Tax Levy History</i>	<i>5</i>
<i>Tax Rate/Bill History</i>	<i>6</i>
<i>A Look at Assessed Values</i>	<i>7</i>
<i>History of Tax Rates</i>	<i>8</i>
<i>State Aid</i>	<i>9</i>
<i>Free Cash</i>	<i>11</i>
<i>Reserve Fund</i>	<i>12</i>
<i>Debt Management</i>	<i>13</i>
<i>Typical Taxpayer Costs</i>	<i>15</i>
<i>Municipal Personnel Summary</i>	<i>16</i>
<i>Stabilization Fund</i>	<i>17</i>
<i>A Look at Municipal Grants</i>	<i>18</i>
<i>How Does Westwood Compare with Others?</i>	<i>19</i>
<i>Some Facts About Westwood</i>	<i>20</i>
<i>Financial Policies</i>	<i>21</i>
<i>What Do Those Financial Terms Really Mean?</i>	<i>27</i>

A Few Words About Westwood....



Daylor Consulting Group Inc. Transportation Demand and Supply Municipal Growth Planning Study Figure 2
The Forbes Road Station, MA 02184 781-864-7670 Source: MassGIS, MBTA
Created by Jeffrey Miller, GISSEI 1/30/2009

Westwood was incorporated as a town in 1897 and has a current population of approximately 14,000. The town is located in eastern Massachusetts, 13 miles south of its capital city of Boston. One major attraction of Westwood is its location in relation to Boston and major roadways. The commuter rail has four convenient stops within five minutes of town, one of which doubles as an Amtrak station. The Amtrak station provides connections originating in Boston and continuing to Providence, Rhode Island and New York City.

The town is recognized for the quality of its schools. Students consistently score in the top percentile on national tests, and the overwhelming majority of students graduating from the High School go on to higher education.

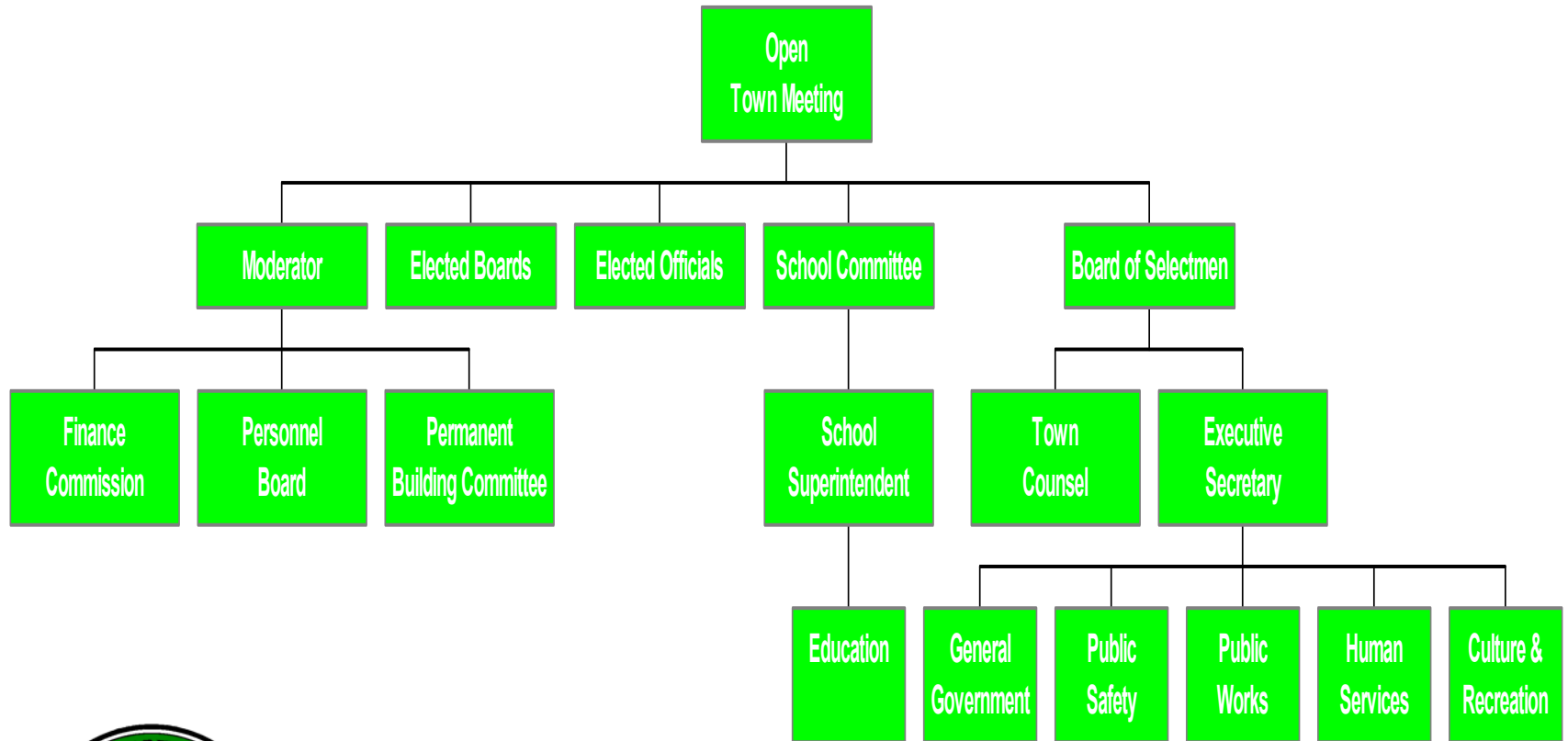
Westwood operates under a Board of Selectmen/Open Town Meeting/Executive Secretary form of government. The elected, three-member Board of Selectmen makes policy decisions. The Executive Secretary is responsible for carrying out the policies and direction of the Board of Selectmen and for managing the day-to-day operations of the town. An elected, five-member School Committee appoints a School Superintendent who administers the town's public school system. School Committee members, like the Board of Selectmen, are elected at-large to three-year staggered terms.

The town offers a full range of services including police and fire protection, education, maintenance of streets and infrastructure, solid waste collection and disposal, health and human services, cultural and recreational, administrative and financial services.

From a natural perspective, the town works very hard to conserve land. It is the hope of preservation workers that Westwood can create its own emerald necklace with its conservation land and walking paths. Hale Reservation is one of the town's hidden gems. With 1,200 acres of wooded area and a large pond, Hale is an active part of the community. During the summer, Hale's membership beach attracts over 500 families. Hale Reservation is the largest summer day camp in the nation with 2,025 students.

The formation of Westwood has been influenced by a number of factors. Character, community, and location are just three of its most admirable traits.

The Town of Westwood



Elected Boards

Regional Vocational School Rep.

Housing Authority

Library Trustees

Planning Board

Assessors

Elected Officials

Town Clerk

Town Collector

Town Treasurer

The Tax Levy

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. 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.

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 is presented on the following chart. In addition, the history of Westwood's override questions is presented.

Proposition 2 1/2 Overrides

Overrides Approved

Project Date of Vote	Amount	Type of Override	Year Cost Impact to be Completed
Vote to Exempt Sewer Construction Bonds 1982 Annual Town Election	\$4,000,000	Debt Exemption	Completed - FY93
Capital Equipment 1989 Annual Town Election	\$298,000	Capital Exemption	Completed - FY90
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
School Override 1995 Annual Town Election	\$560,413	General Override	Permanent change to the allowable taxation levy limits
Middle School/Fields 1997 Annual Town Election	\$2,373,430	Debt Exemption*	Will be completed in FY2009
Middle School/Gymnasium 1997 Annual Town Election	\$550,000	Debt Exemption*	Will be completed in FY2009
Downey School Expansion 1999 Annual Town Election	\$6,500,000	Debt Exemption*	Will be completed in FY012. Net cost to average home \$480 total or \$48/yr. for ten years.
School Override 1999 Special Town Election	\$999,164	General Override	Permanent change to the allowable taxation levy limits.
Martha Jones School Expansion 2000 Special Town Election	\$7,200,000	Debt Exemption*	Will be completed in FY012. Net cost to average home \$547 total or \$54/yr. for ten years.
High School - New Construction 2000 Special Town Election	\$35,962,000	Debt Exemption*	\$39,262,300 bond issued. Will be completed 2023. Net cost to average home \$4,693 or \$233/yr. for 20 years. State reimbursement not yet received.
High School – Additional Appropriation for New High School 2002 Special Town Election	\$8,333,640	Debt Exemption*	
School Override 2002 Special Town Election	\$1,615,203	General Override	Permanent change to the allowable Taxation levy limits.

*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.

Overrides Not Approved

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

**Town of Westwood
History of Tax Levy**

Tax Levy Calculation	FY00	FY2001	FY2002	FY2003	FY2004	FY2005	Projected FY2006
Prior Year Levy Limit	\$26,308,860	\$28,765,850	\$29,980,013	\$32,012,390	\$35,065,082	\$36,916,575	\$38,726,265
Plus 2.5% Increase	\$657,722	\$719,146	\$749,500	\$800,310	\$876,627	\$922,914	\$968,157
Plus New Growth**	\$800,104	\$495,017	\$1,282,877	\$637,179	\$974,866	\$886,775	\$300,000
General Overrides	\$999,164	\$0	\$0	\$1,615,203	\$0	\$0	\$0
Tax Levy Limit	\$28,765,850	\$29,980,013	\$32,012,390	\$35,065,082	\$36,916,575	\$38,726,265	\$39,994,421
Exempt Debt*	\$925,602	\$1,579,756	\$1,199,655	\$2,257,706	\$6,265,148	\$4,367,789	\$3,995,264
Levy Capacity	\$29,691,452	\$31,559,769	\$33,212,045	\$37,322,788	\$43,181,723	\$43,094,054	\$43,989,685
Actual Levy Assessed	\$29,604,489	\$31,339,145	\$33,132,948	\$37,288,628	\$43,112,383	\$43,092,347	\$43,989,685
Excess Levy(Taxes not raised)	\$86,963	\$220,624	\$79,097	\$34,160	\$69,340	\$1,707	\$0
Increase in Actual Levy (including new growth)	8.9%	5.9%	5.7%	12.5%	15.6%	0.0%	2.1%
Increase in Levy without new growth	5.9%	4.2%	1.63%	10.62%	13.00%	-2.10%	1.39%

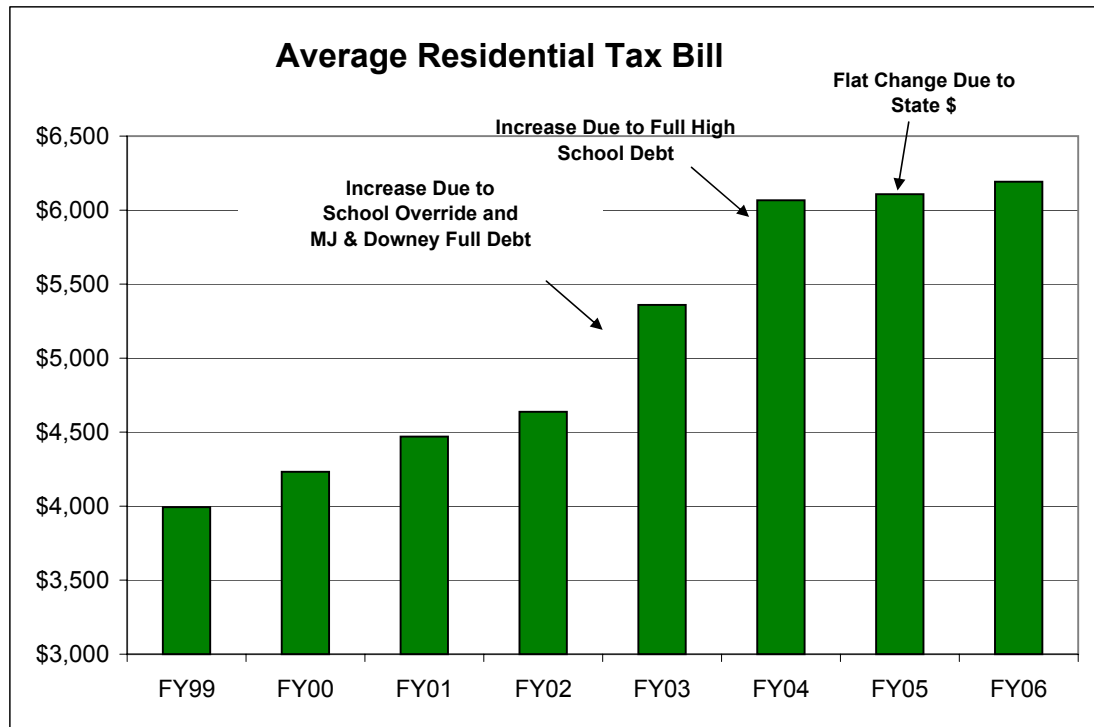
* Exempt debt - This is the principal and interest payment required each year for borrowing projects approved outside Proposition 2 1/2.

**New Growth - This represents taxes from new residential and commercial development. FY04 new growth includes \$530,000 new phone tax \$ reserved in FY04 overlay.

FY06 Tax Change	
2.5/new growth/excess levy	\$1,269,864
change in exempt debt	<u>-\$372,525</u>
Total Taxes	\$897,339

Tax Rate/Tax Bill History

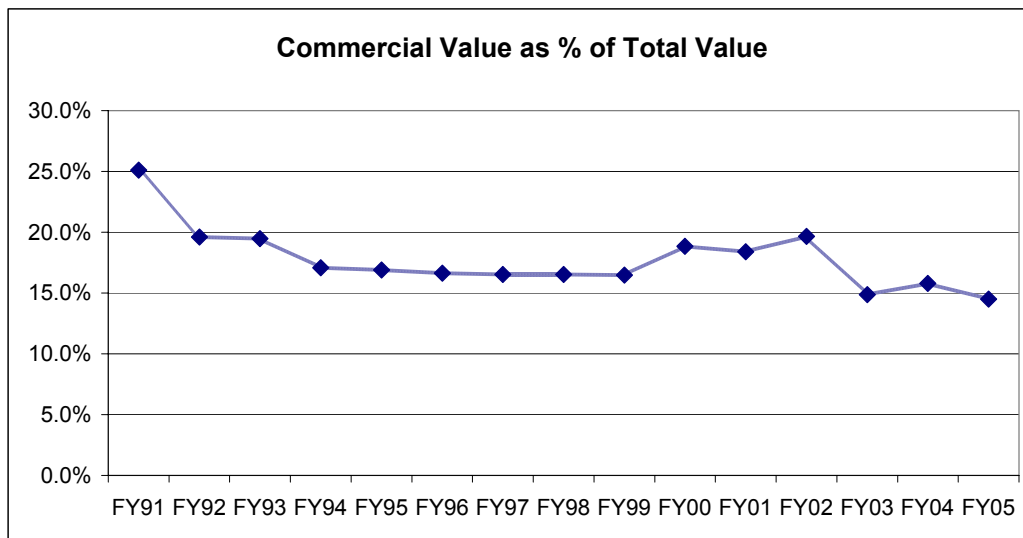
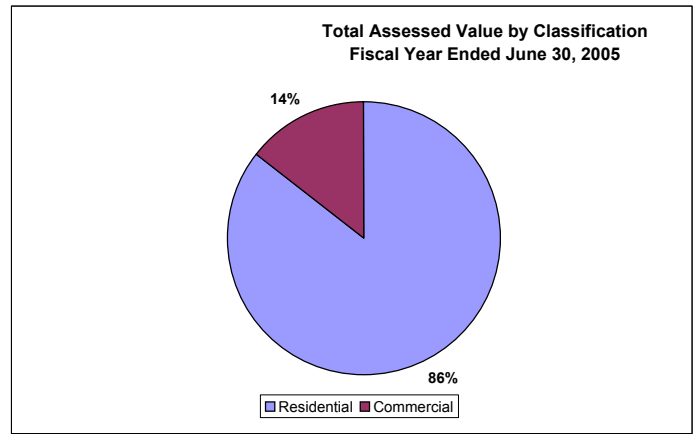
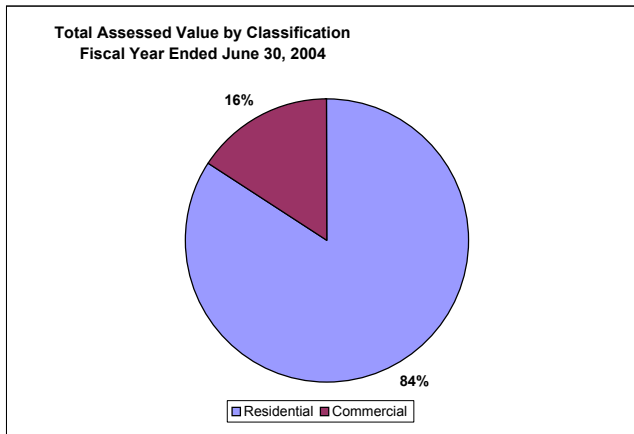
Tax Rate per Thousand	FY99	FY00	FY01	FY02	FY03	FY04	FY05	Projected FY06
Residential	\$14.75	\$12.66	\$13.37	\$13.87	\$11.45	\$12.96	\$11.97	
Commercial	\$28.85	\$21.09	\$21.99	\$21.52	\$20.80	\$23.36	\$20.97	
% of Total Town Value								
Residential Property	83.5%	81.1%	81.6%	80.4%	85.1%	84.2%	85.5%	
Commercial Property	16.5%	18.9%	18.4%	19.6%	14.9%	15.8%	14.5%	
Tax Shift Factor	1.69	1.48	1.47	1.40	1.62	1.60	1.58	
% of Total Town Taxes								
Residential Properties	72.2%	72.1%	72.9%	72.5%	75.9%	74.7%	77.1%	
Commercial Properties	27.8%	27.9%	27.1%	27.5%	24.1%	25.3%	22.9%	
Average Residential Tax Bill Home Value	\$270,720	\$334,339	\$334,339	\$334,339	\$468,075	\$468,075	\$510,202	\$510,202
Tax Bill	\$3,993	\$4,233	\$4,470	\$4,637	\$5,359	\$6,066	\$6,107	\$6,192
Average Tax Bill Increase	4.98%	6.00%	5.61%	3.74%	15.57%	13.2%	0.67%	1.39%
Single Tax Rate	\$17.07	\$14.25	\$14.96	\$15.37	\$12.84	\$14.60	\$13.27	



Assessed Value of Taxable Property by Classification

Last Ten Fiscal Years

Fiscal Year	Assessed Value							
	Residential Value	Residential % of Total Value	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial % of Total Value	Total Town Value
1994	(1) \$1,085,852,150	82.9%	\$99,233,650	\$109,099,800	\$15,202,130	\$223,535,580	17.1%	\$1,309,387,730
1995	\$1,101,119,750	83.1%	\$101,545,350	\$107,349,300	\$14,952,980	\$223,847,630	16.9%	\$1,324,967,380
1996	\$1,122,897,150	83.4%	\$101,025,350	\$107,359,300	\$15,673,060	\$224,057,710	16.6%	\$1,346,954,860
1997	(1) \$1,280,058,250	83.5%	\$112,180,800	\$124,055,100	\$17,021,650	\$253,257,550	16.5%	\$1,533,315,800
1998	\$1,301,083,000	83.5%	\$111,953,750	\$127,527,300	\$18,123,340	\$257,604,390	16.5%	\$1,558,687,390
1999	\$1,330,319,200	83.5%	\$112,066,200	\$128,531,800	\$21,639,140	\$262,237,140	16.5%	\$1,592,556,340
2000	(1) \$1,685,949,500	81.1%	\$171,721,300	\$190,194,000	\$29,756,990	\$391,672,290	18.9%	\$2,077,621,790
2001	\$1,709,699,250	81.6%	\$162,673,650	\$191,446,000	\$31,531,378	\$385,651,028	18.4%	\$2,095,350,278
2002	\$1,731,760,550	80.4%	\$205,967,250	\$185,038,900	\$32,480,313	\$423,486,463	19.6%	\$2,155,247,013
2003	(1) \$2,471,698,300	85.1%	\$217,111,450	\$186,762,200	\$28,226,499	\$432,100,149	14.9%	\$2,903,798,449
2004	\$2,485,356,400	84.2%	\$220,942,100	\$190,054,500	\$55,705,658	\$466,702,258	15.8%	\$2,952,058,658
2005	\$2,777,182,391	85.5%	\$257,451,131	\$175,306,750	\$36,935,683	\$469,693,564	14.5%	\$3,246,875,955



(1) Revaluation year.

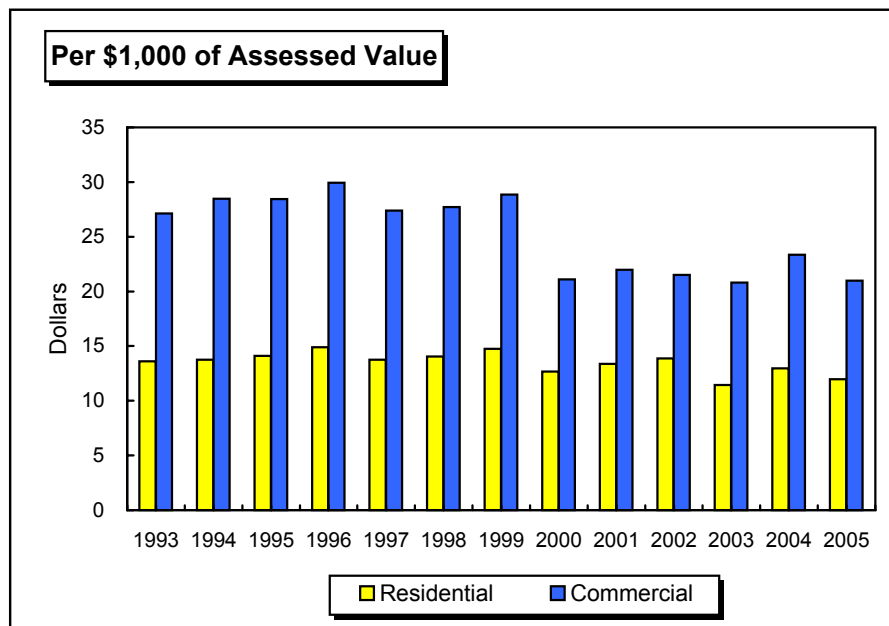
Town of Westwood, Massachusetts

Property Tax Rates Per \$1,000 of Assessed Valuation

Last Ten Fiscal Years

Fiscal Year	Residential Real Property	Commercial and Industrial Real Property	Personal Property
-------------	---------------------------	---	-------------------

1993	\$13.62	\$27.14	\$27.14
1994 (1)	\$13.76	\$28.48	\$28.48
1995	\$14.11	\$28.44	\$28.44
1996	\$14.91	\$29.95	\$29.95
1997 (1)	\$13.76	\$27.38	\$27.38
1998	\$14.05	\$27.72	\$27.72
1999	\$14.75	\$28.85	\$28.85
2000 (1)	\$12.66	\$21.09	\$21.09
2001	\$13.37	\$21.99	\$21.99
2002	\$13.87	\$21.52	\$21.52
2003 (1)	\$11.45	\$20.80	\$20.80
2004	\$12.96	\$23.36	\$23.36
2005	\$11.97	\$20.97	\$20.97



(1) Revaluation Year.

Source: Assessor's Department, Town of Westwood

State Aid

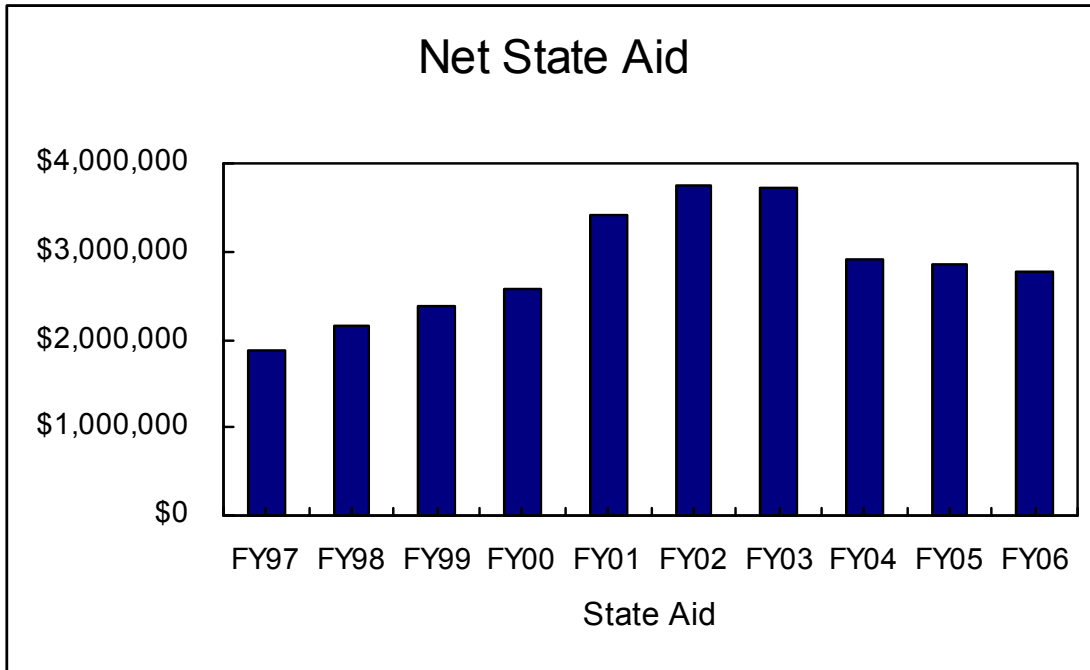
State Aid consists of distributions, reimbursements, and offsets. Distributions are aid programs through which towns receive funds according to varying formulas. Reimbursements are amounts paid to reimburse towns for certain activities or services provided. Offsets are reimbursements for special programs that must be spent for a particular purpose by local officials without appropriation in the local budget.

In 1993, after several years of decline, the amount of state aid stabilized and then began to again increase. The increases were primarily in the form of increased education aid and lottery receipts.

In FY02, Chapter 70 aid increased by \$290,451. In FY03, the major State aid accounts, Chapter 70 and lottery proceeds, were level funded for the first time in 8 years. In addition, in FY03, the Governor made a 2% mid-year cut to local aid.

Final FY04 state aid was a 20% reduction. FY05 was level funded.

Current indications are the state aid for FY06 will remain level funded with a slight increase in lottery receipts. The current budget includes the estimates as included in House One, the Governor's budget. We will need to monitor and update this number as the state budget process continues.



Cherry Sheet Receipts

	FY99	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	Projected FY2006
Chapter 70 - Education	\$1,539,577	\$1,908,727	\$2,345,177	\$2,635,628	\$2,635,628	\$2,108,502	\$2,108,502	\$2,108,502
School Building Assistance	\$258,529	\$113,282	\$339,308	\$330,466	\$330,466	\$327,161	\$226,025	*\$0
Lottery	\$596,949	\$658,858	\$711,159	\$747,149	\$747,149	\$635,077	\$635,077	\$721,560
Other	\$376,747	\$325,396	\$356,045	\$397,989	\$362,908	\$197,069	\$222,123	\$236,525
Offsets (Restricted to Metco, Library, School Lunch)	\$124,318	\$127,295	\$163,605	\$173,683	\$185,679	\$166,850	\$188,436	\$187,957
Prior Year Adjustment			\$12,966					
Total Receipts	\$2,896,120	\$3,133,558	\$3,928,260	\$4,284,915	\$4,261,830	\$3,434,659	\$3,380,163	\$3,254,544
Charges								
County Tax	\$125,243	\$133,139	\$136,468	\$151,824	\$155,619	\$153,089	\$156,916	\$154,381
MBTA Assessment	\$338,467	\$351,639	\$346,579	\$329,893	\$314,096	\$297,187	\$280,407	\$263,622
Other	\$37,110	\$47,403	\$39,004	\$37,029	\$55,012	\$64,704	\$77,565	\$69,422
Prior Year Adjustment	\$7,613	\$18,176	\$4,500	\$4,420	\$19,254	\$0	\$0	\$0
Total Charges	\$508,433	\$550,357	\$526,551	\$523,166	\$543,981	\$514,980	\$514,888	\$487,425
Net State Aid	\$2,387,687	\$2,583,201	\$3,401,709	\$3,761,749	\$3,717,849	\$2,919,679	\$2,865,275	\$2,767,119

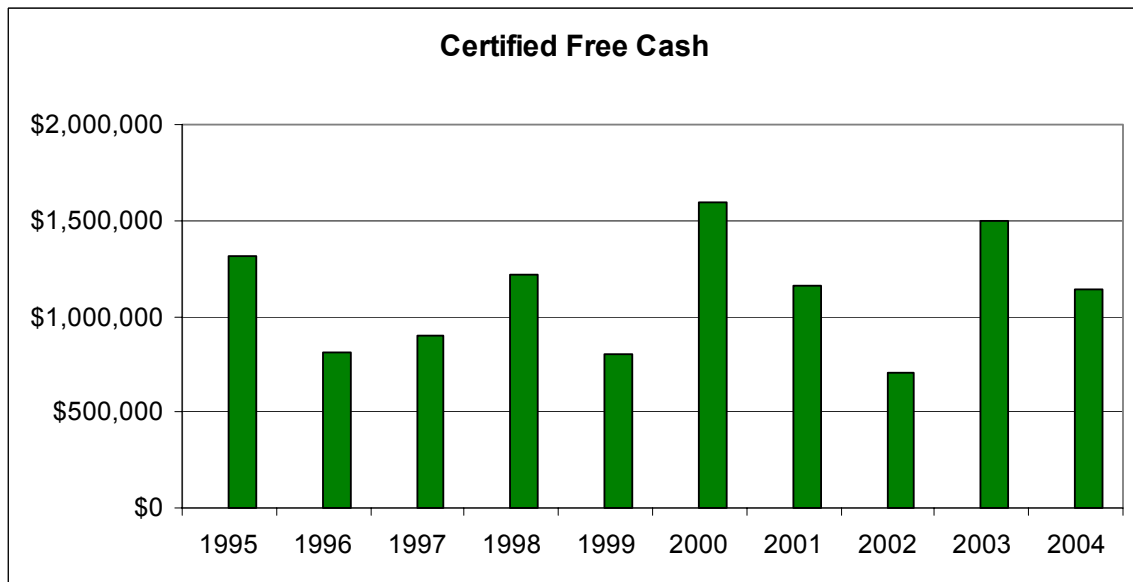
*school building assistance - no longer considered a cherry sheet item

The Town is currently receiving State School Building reimbursement on 3 School construction projects.

Project	Total State Reimbursement (59% of Project)	State Payments Remaining	
1990 Middle School	\$2,496,880	\$104,441/yr	FY04 last payment
1997 Middle School	\$2,260,250	\$226,025/yr	FY04 - FY2010
Downey School	\$5,006,352	\$625,794/yr	FY05 - FY2012
Martha Jones School	\$5,537,952	\$692,249/yr	FY05 - FY2012
The Town is awaiting the following state aid as reimbursement:			
High School	\$37,188,240	\$1,859,412	20 years

Free Cash

- Certified Free Cash as of July 1, 2004 is \$1,138,014 which is approximately 2% of the FY04 budget.
- The 5-year average Free Cash has been \$1.2 million.
- The July 1, 2003 Free Cash was higher than normal due to higher than average tax title collections and an increase in investment income revenue.
- The FY05 budget utilized \$725,000 of free cash to fund the operating budget as an unusual, one-time budget gap closing resource.



	July 2004	July 2003	July 2002	July 2001	July 2000	July 1999	July 1998
Certified	\$1,138,014	\$1,498,110	\$700,938	\$1,158,195	\$1,591,553	\$803,436	\$1,221,741
Used to Fund Subsequent Budget	Capital \$600,000	Capital \$696,000 Budgets \$725,270 Article \$5,000 Stabilization \$25,000	Capital \$600,000 Articles \$100,000	Capital/Budgets \$896,912 Articles \$235,000	Capital \$1,265,000 Articles \$320,500	Budgets \$745,000 Stabilization \$50,000	Capital \$825,000 Stabilization \$200,000 Article \$25,000
Certified Free Cash as % of Total Budget	2%	3%	2%	3.7%	3%	2.5%	3.5%

Reserve Fund Transfer History Fiscal Years 1995 – 2005

The Town budget is adopted as a series of separate appropriations. Funds can only be transferred from one appropriation account to another by town meeting action. Only the Reserve Fund appropriation may be used during the fiscal year to supplement other appropriation accounts. The Fund provides the ability for the Town budget to meet extraordinary or unforeseen expenditures that may arise during the course of the year.

Reserve Fund transfers are within the exclusive control of the Finance Commission as provided under Chapter 40, Section 6 of the General Laws.

A history of reserve fund transfers appears below.

Fiscal Year	Original Budget	Transfers	Total Used	Remaining Funds
FY05	\$420,000	None to date.		\$420,000
FY04	\$400,000	\$287,833 Annual Town Meeting Transfer to supplement FY04 budgets	\$287,833	\$112,167
FY03	\$400,000	\$322,000 Annual Town Meeting Transfer to supplement FY03 budgets for Snow and ice, Blue Hills Regional School and School Unemployment Compensation	\$322,000	\$78,000
FY02	\$375,000	\$259,600 Annual Town Meeting Transfer to supplement FY02 budgets, primarily snow and ice and health insurance.	\$259,600	\$115,400
FY01	\$350,000	\$300,000 Annual Town Meeting Transfer to supplement FY01 budgets.	\$300,000	\$50,000
FY00	\$300,000	\$220,000 Annual Town Meeting Transfer to supplement FY00 budgets.	\$220,000	\$80,000
FY99	\$300,000	\$50,000 – MBTA Garage Potential Litigation \$225,000 Annual Town Meeting Transfer to supplement FY99 budgets.	\$275,000	\$25,000
FY98	\$300,000	\$ 35,000 – Snow & Ice \$100,000 - School	\$135,000	\$165,000
FY97	\$300,000	\$149,000 – Snow & Ice \$ 25,700 - Fire	\$174,700	\$125,300
FY96	\$300,000	\$162,900 – Snow & Ice \$108,367 - School	\$271,267	\$28,733
FY95	\$300,000	\$90,000 - School	\$90,000	\$210,000

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. This ensures cost savings to the community and seeks to avoid strapping future generations with large debt loads. The High School was bonded for 20 years to mitigate the effect of the annual tax burden.

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.

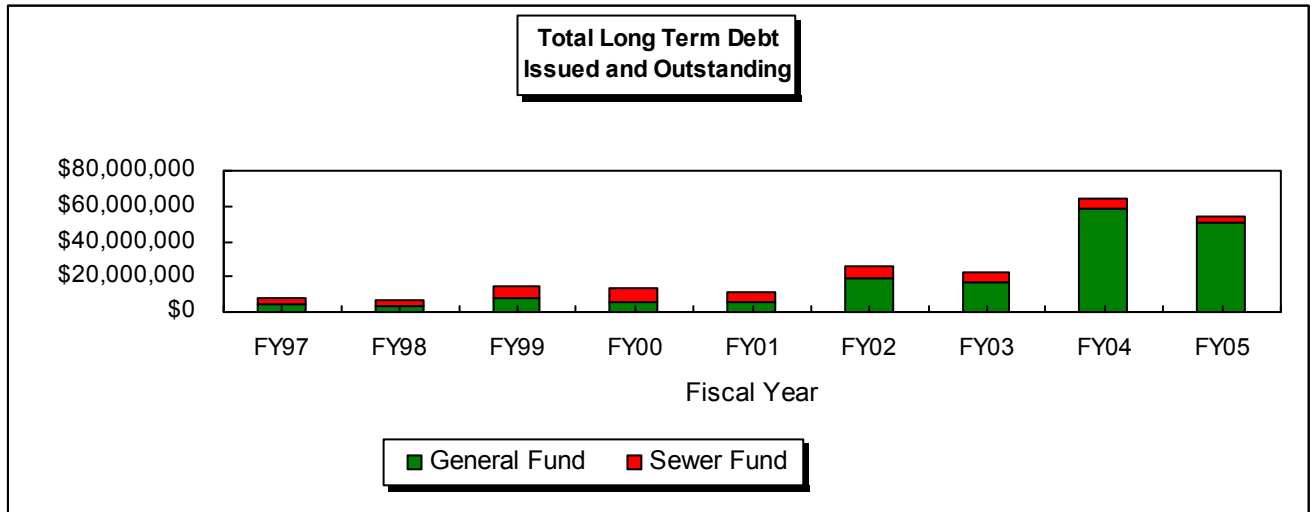
As with a personal credit rating, the Town's credit rating is a statement of its overall fiscal health as a government and as a community. The benefit of a strong credit rating is realized in lower interest costs on the Town's long-term debt issues.

During the summer of 2003, the Town underwent a major credit review in preparation for the sale of the High School bond. Moody's Investor Service reaffirmed the Town's credit rating of Aa1. In addition, Standard & Poor's issued the Town an Aa+ rating. These excellent ratings place Westwood in the top 5% of Massachusetts communities.

In August, 2003, the Town issued a \$42,103,000 bond at an interest rate of 4.25%. The majority of the bond, \$39.2 million, is for the High School project.

Other debt information:

- Total Legal Debt Limit - approx. \$139 Million.
- The Town's general fund debt service is approximately 12 % of the operating budget for FY05.
- The Town currently has \$5.9 million in authorized debt remaining to be issued.



Total Long Term Debt Issued and Outstanding	FY05	FY04	FY03	FY02	FY01	FY00	FY99	FY98
General Fund	50,255,000	54,670,000	16,595,000	18,955,000	5,145,000	\$6,035,000	\$7,335,700	\$3,495,000
Sewer Fund	3,854,664	4,823,582	5,872,408	6,786,885	6,114,567	\$7,068,972	\$7,853,339	\$3,717,284
Total	54,109,664	59,493,582	22,467,408	25,741,885	11,259,567	\$13,103,972	\$15,189,039	\$7,212,284

Long Term General Fund Debt Outstanding as of June 30, 2005

Description	Rate of Interest	Date Issued	Maturity Date	Amount Issued	Total Outstanding 30-Jun-05
General Fund					
Roads	4.40 - 5.70	04/95	04/2005	\$2,200,000	\$0
Land Acquisition	4.40 - 5.70	04/95	04/2005	\$300,000	\$0
Middle School/Gym	3.79	12/98	12/2008	\$2,923,000	\$1,160,000
Land Acquisition	3.79	12/98	12/2008	\$400,000	\$160,000
Senior Center	3.79	12/98	12/2008	\$239,000	\$96,000
School Fields	3.79	12/98	12/2008	\$189,000	\$76,000
Middle School/Gym Completion	3.79	12/98	12/2008	\$225,000	\$88,000
Martha Jones Construction	4.04	3/21/02	3/21/2012	\$7,200,000	\$5,040,000
Downey Construction	4.04	3/21/02	3/21/2012	\$6,300,000	\$4,410,000
Land Acquisition	4.04	3/21/02	3/21/2012	\$1,300,000	\$910,000
Land Acquisition	4.04	3/21/02	3/21/2012	\$300,000	\$210,000
High School Project	4.25	8/01/03	08/01/2023	\$39,262,300	\$35,550,000
Municipal DPW Building	4.25	8/01/03	08/01/2013	\$2,600,000	\$2,340,000
Public Building	4.25	8/01/03	08/01/2013	\$240,700	\$215,000
Total General Fund					\$50,255,000

Scheduled Principal & Interest Repayment of Current Long Term General Fund Debt Issued

FY05	\$6,722,777	FY10	\$5,293,056
FY06	\$6,302,362	FY11	\$5,140,370
FY07	\$6,144,052	FY12	\$4,985,795
FY08	\$6,000,447	FY13	\$3,291,731
FY09	\$5,858,056	Fy14-24	\$24,925,212

Total repayment of Long Term Debt Currently Issued \$74,663,858

General Fund Debt authorized - Not Yet Issued Long Term

High School Construction	STM 2/00-STM 12/02	\$5,033,340
Purchase of Islington Church	ATM 5/04	\$600,000
Eminent Domain Land Purchase	ATM 5/01	\$300,000
Total		\$5,933,340

Cost of Local Government Typical Residential Taxpayer

Westwood's quarterly real estate tax billing schedule is as follows:

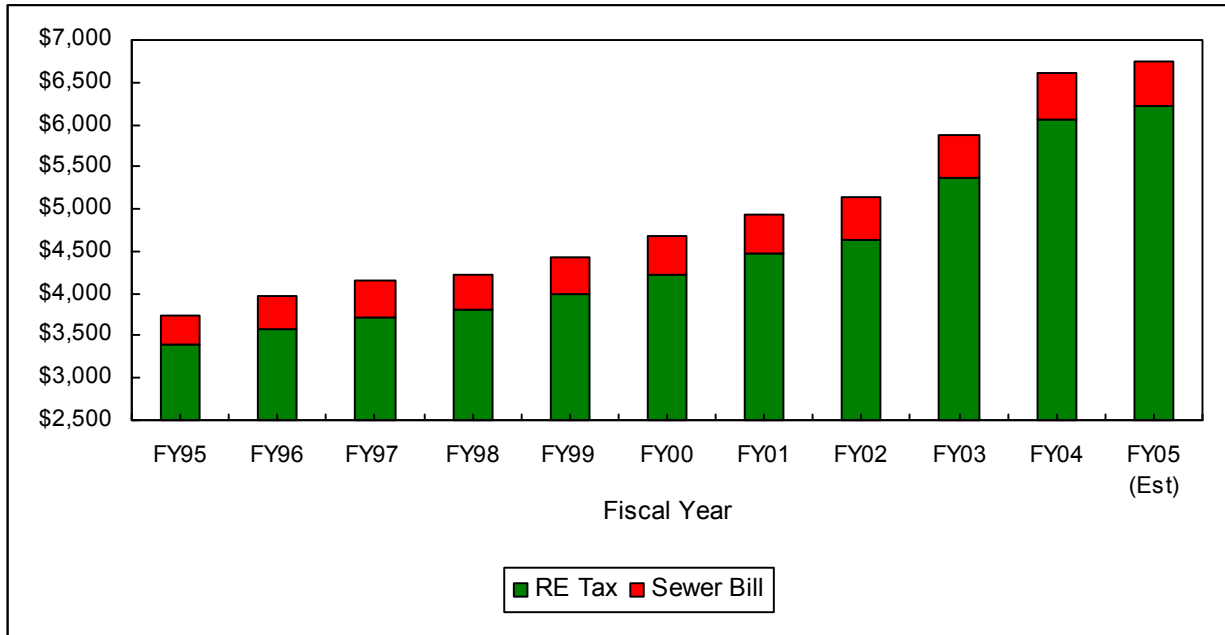
- 1st Quarter Due August 1
- 2nd Quarter Due November 1
- 3rd Quarter Due February 1
- 4th Quarter Due May 1

The 3rd quarter bill reflects the actual total taxes due for the fiscal year.

Applications for abatement must be filed within the 30 day period after the actual (3rd quarter) tax bills are mailed (typically December 31).

The following chart tracks the real estate tax bill the average Westwood homeowner has paid over the past few years. The total bill is based on an average assessment of \$270,000 for FY97 - FY99; \$335,000 for FY2000-FY2002; \$468,000 for FY03-04; and \$510,000 for FY05.

Average annual sewer costs based on a 4-person household using 25ccf per quarter.



	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06 (Est)
Tax Bill	\$3,725	\$3,804	\$3,993	\$4,233	\$4,470	\$4,637	\$5,359	\$6,065	\$6,107	\$6,192
Tax Rate/Thousand	\$13.76	\$14.05	\$14.75	\$12.66	\$13.37	\$13.87	\$11.45	\$12.96	\$11.97	
Annual Sewer Bill	\$435	\$420	\$430	\$450	\$470	\$500	\$510	\$535	\$560	\$588

Municipal Personnel Summary

Fiscal Years 1999 – 2006

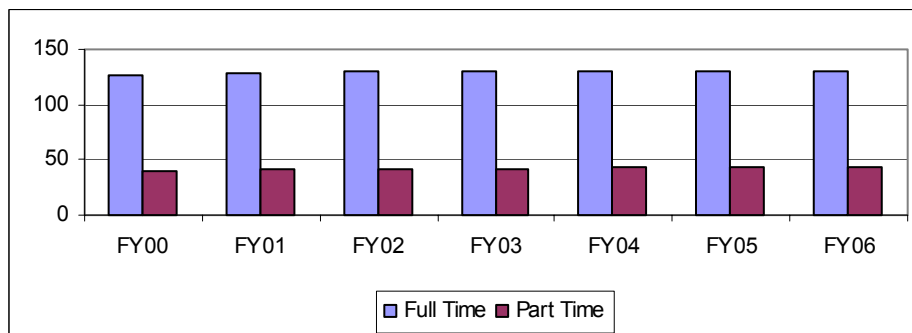
This chart outlines the staffing levels of the municipal departments over several years. The major area of growth has been in the DPW. This is due to the transfer of the field maintenance program from the school department to the DPW. Several field maintenance workers have been added to provide this service.

The Selectmen established a policy whereby no vacant position may be filled until the department head meets with the Selectmen to justify the need to fill or presents changes to the position.

This has helped the organization to adapt to changing service needs without significant additions to staffing levels.

As vacancies occur, every effort has been made to reexamine the position duties with a view toward either reducing the number of hours or entirely eliminating the position.

	FY00	FY01	FY02	FY03	FY04	FY05	FY06
General Government							
Full Time	18	19	19	19	18	20	20
Part Time	10	11	11	11	12	11	11
Total	28	30	30	30	30	31	31
Public Safety							
Full Time	68	68	68	68	68	68	68
Part Time	6	6	6	6	6	6	6
Total	74	74	74	74	74	74	74
Public Works/Sewer							
Full Time	26	28	29	29	28	28	28
Part Time		1	1	1	2	2	2
Total	26	29	30	30	30	30	30
Human Services							
Full Time	6	6	6	6	6	6	6
Part Time	5	5	6	6	6	6	6
Total	11	11	12	12	12	12	12
Culture & Recreation							
Full Time	8	8	9	9	9	9	9
Part Time	18	18	18	18	18	18	18
Total	26	26	27	27	27	27	27
Totals							
Full Time	126	129	131	131	129	131	131
Part Time	39	41	42	42	44	43	43



Stabilization Fund

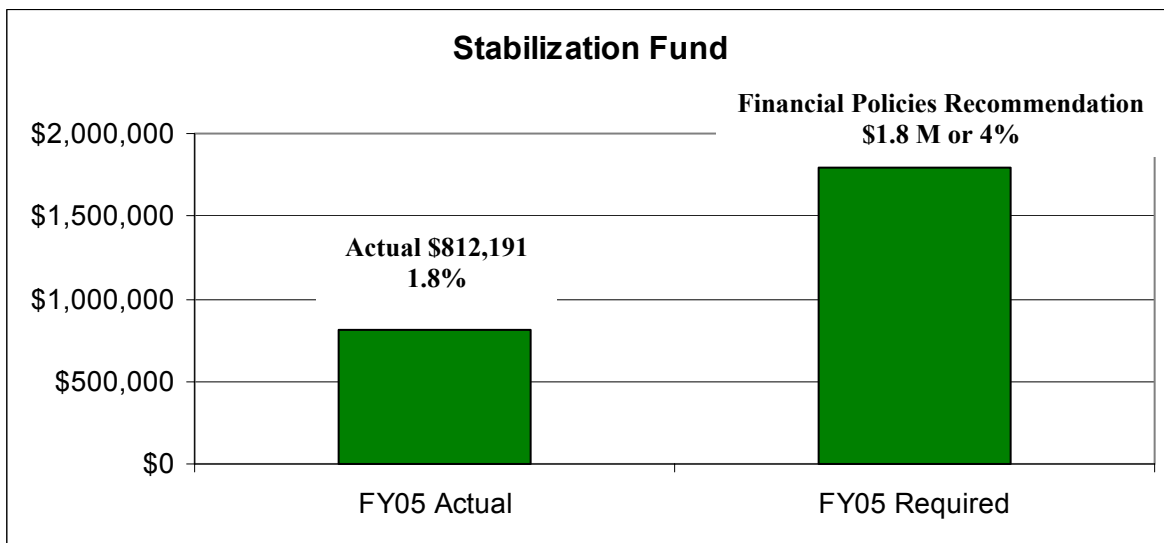
The Stabilization Fund is a reserve account authorized by MA General Laws Chapter 40, Section 5B. Appropriations into the Stabilization Fund require a majority vote of Town Meeting. A 2/3 vote of Town meeting is required to use Stabilization funds. The Stabilization account may be used for any purpose approved by Town Meeting. As with all Town monies, the cash in the Stabilization Fund is overseen and invested by the Town Treasurer.

As with any business, it is important for the Town to have a reserve account to provide for unforeseen emergencies or future expenditures. As like most communities, Westwood was not able in the late '80's and early '90's to continue the practice of appropriating funds in to the Stabilization account.

The Town must now address this account, as prudent use of a reserve fund is vital to good financial management, protection for the Town against unforeseen emergencies, and maintenance of a top bond rating.

In FY2000, the Town began to rebuild the Stabilization Fund. A major addition was added in FY2002 with the appropriation of \$450,000 of NStar funds. While the FY03 budget did not include an appropriation, \$25,000 was transferred from available funds at the May 2002 Annual Town Meeting. An additional \$25,000 was transferred from free cash into the account at the May 2004 Annual Town Meeting.

In January, 2004 the Selectmen adopted revised financial policies; those policies include a statement that the Town shall strive to maintain 4% of general fund operating revenues in the stabilization account. Accordingly, Westwood should have a balance of \$1.8 million. The current balance, at 1.8% of revenue, is inadequate. Recognizing the importance of this account, the Town shall strive to make an annual appropriation to the stabilization fund.



	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001	FY2000	FY99	FY92 (For Comparison)
Town Meeting Appropriated Into Fund	\$25,000	\$25,000		\$25,000	\$450,000	\$50,000	\$200,000	0	0
Balance	\$837,191	\$812,191	\$773,283	\$760,200	\$735,200	\$270,000	\$211,441	\$4,003	\$211,385

Summary of Grants Received by Municipal Departments

Fiscal Year 2004

Department	Project	Amount
COA	Executive Office of Elderly Affairs	16,288
DPW	Recycling	50,300
DPW	FEMA snowstorm 12/6/03	120,857
DPW	Road Improvement – Chapter 90	312,592
Fire	Safe Program	1,305
Fire	Fire Equipment	7,311
Health	Bioterrorism Health Grant	8,093
Library	Library Services and Technology Act	15,000
Police	Emergency Operations Planning	3,600
Police	Child Passenger Safety Seat	1,500
Police	Traffic Enforcement	9,500
Police	Community Policing	19,200
Selectmen	University Avenue Landscaping	250,000
Town Clerk	Poll Grant	1,554

Fiscal Year 2003

Police	Community Policing	16,000
Police	Governor's Alliance Against Drugs	50,000
Police	Click It or Ticket Enforcement	4,800
Police	Metropolitan Law Enforcement Assistance	250,000
Police	Public Safety Equipment	20,500
Police	Workplace Violence Pilot Initiative	100,000
Police	Breath Alcohol Testing System	9,800
Fire	Safe Program	1,305
Fire	Fire Equipment Grant	21,000
COA	Executive Office of Elderly Affairs	16,288
DPW	Recycling	96,788
DPW	FEMA Snow 2/03	94,324
DPW	Road Improvement – Chapter 90	264,499
Town Clerk	Poll Grant	2,961
Health	Toxic Grant	5,850

Fiscal Year 2002

DPW	Road Improvement – Chapter 90	272,513
Police	DARE	11,250
Police	Community Policing	16,000
Fire	Safe Program	5,820
Fire	Fire Equipment Grant	54,468
COA	Executive Office of Elderly Affairs	13,575
DPW	Recycling	29,902
Police	Bullet Resistant Vest Grant	20,000
Police	Internet Crime Investigation Grant	50,000
Police	Natural Assessment School Based Partnerships	5,000
Selectmen	Washington Street Landscaping	305,000
Selectmen	MWRA Grant	100,890
Town Clerk	Poll Grant	2,707

How Does Westwood Compare with Other Communities?

In determining the list of communities with which to compare Westwood, three factors were considered: location, population, and per capita equalized valuation (EQV).

Location - Communities within a 30 mile radius of Westwood were considered.

Population - Towns with a population significantly smaller than Westwood probably do not have similar service demands; one larger in population will have increased service delivery demands.

Per Capita Equalized Valuation (EQV) - This factor measures the relative "wealth" of a community by dividing property valuations by population. Per capita valuation is directly related to the amount of revenue that a community can raise via the property tax. It offers some comparison of a community's "ability to pay."

Municipality	Miles from Westwood	2002 Estimated U.S. Census	2002 EQV Per Capita	2000 Income Per Capita
Canton	8	21,341	132,786	33,510
Concord	24	17,028	248,135	51,477
Holliston	14	13,989	105,121	32,116
Medfield	6	12,447	136,766	42,891
Sharon	9	17,536	117,987	41,323
Sudbury	21	17,259	177,778	53,285
Wayland	17	13,239	183,469	52,717
Weston	15	11,652	327,722	79,640
Westwood		14,181	197,096	41,553

Fiscal Year 2004				
Municipality	Residential Tax Rate	Commercial Tax Rate	Tax Levy	Taxes As % of Total Revenue
Canton	9.16	18.81	38,952,281	62.5
Concord	10.59	10.59	46,721,518	83.9
Holliston	14.83	14.83	25,697,194	58.7
Medfield	12.69	12.69	25,551,584	66.1
Sharon	16.38	16.38	39,234,705	70.5
Sudbury	13.46	20.81	49,200,857	74.8
Wayland	13.13	13.13	37,055,351	70.2
Weston	9.67	9.67	41,261,336	73.6
Westwood	12.96	23.36	43,112,383	77.0

Municipality	Fiscal Year 2004			Fiscal Year 2003	12-03
	Average Single Family Tax Bill	State Hi-Lo Rank	Free Cash	Stabilization Fund	Moody's Bond Rating*
Canton	3,776	90	\$4,666,596	\$917,569	Aa2
Concord	7,987	7	\$3,638,239	\$2,136	Aaa
Holliston	5,112	40	\$631,408	\$1,409,498	A1
Medfield	6,578	15	\$1,409,805	\$1,073,178	Aa2
Sharon	6,491	18	\$1,051,399	\$6,274	Aa3
Sudbury	8,025	6	\$1,146,292	\$1,502,418	Aa1
Wayland	7,595	8	\$2,809,907	\$151,836	Aaa
Weston	11,238	1	\$2,067,415	\$12,038	Aaa
Westwood	6,673	14	\$1,498,110	\$917,569	Aa1

Source: MA Department of Revenue Division of Local Services

Some Facts About Westwood

Form of Government	Board of Selectmen, Executive Secretary, Open Town Meeting			
Population Trends	1990		2000	
	12,557		14,117	
Registered Voters (2002)	Total	Democrats	Republicans	Unenrolled/Other
	9,325	2,570	1,953	4,802

Westwood Schools

In April, 2002 Westwood began construction of a new, 1000 student High School; renovation of existing gymnasium and swimming pool; and construction of an artificial surface multipurpose field. Residents approved funding for this project totaling approximately \$44 million dollars. Occupancy is expected sometime in 2004. The new school will feature beautiful classroom facilities, a state of the art media center, and a new performing arts facility.



Westwood's New High School

Student Population 2003	2,761	
Per Pupil Expenditure Total Day – 2003	Westwood \$9,921	State Average \$8,264
Dropout Rate (%) - 2003	Westwood 0%	State Average 3.3%
Plans of High School Graduates - 2003	Westwood	State Average
4-Year College	87%	56%
2-Year College	6%	19%
Other Post-Secondary	4%	2%
Work	1%	12%
Military/Other	2%	11%

Town of Westwood

Financial Management Policies and Objectives

It is the policy of the Town of Westwood that financial management is conducted with the objectives of safeguarding public funds, protecting the Town's assets, and complying with financial standards and regulations.

To help ensure the Town's financial stewardship, an established program of managing the Town's finances becomes essential. To this end, the Board of Selectmen seeks policies and procedures that are financially prudent and in the Town's best economic interests.

In adherence to this policy, the Town shall pursue the following objectives:

- To provide effective financial management within the Town that conforms to generally accepted accounting principles;
- To provide public confidence in public financial management;
- To protect and enhance the Town's credit rating and prevent default on any municipal debts;
- To provide quality, essential public safety and education services at the most efficient cost.
- To provide safeguards to ensure the quality and integrity of the financial systems;
- To minimize the Town's financial risk due to unforeseen emergencies;
- To protect and maintain the Town's capital assets.

In order to achieve the above objectives, the Board of Selectmen adopts the following financial policies. The Board of Selectmen will review these financial policies on an annual basis. As part of that review, the Finance Director will report on the status of the goals, particularly how the current reserve balances compare to stated goals.

Further, it is the intention of the Board of Selectmen that these financial policies will serve as the Town's guiding financial principles. The Selectmen will not diverge from the policies without a clear, public statement and analysis of the change(s); (i.e., schedule of long term borrowing).

A. Accounting, Auditing and Financial Planning

1. The Town will produce annual financial reports in accordance with Generally Accepted Accounting Principles (GAAP) as outlined by the Government Accounting Standards Board.
2. An annual audit will be performed by an independent public accounting firm.
3. The Town will maintain strong financial controls to ensure compliance with Town Meeting appropriations and state regulations.
4. The Town will strive to produce quality financial reporting including clear financial statements, high quality, user friendly annual budget documents, and an annual Comprehensive Annual Finance Report (CAFR).
5. The Town shall strive to attain an extremely favorable 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 rate costs on the Town's long term debt issues. The Town will strive to maintain an extremely favorable credit rating by practicing prudent financial management, strong budget control, good cash management and timely billing and collection.

B. General Fund

1. The annual budget should be prepared such that all current operating expenditures will be paid for with current operating revenue. The Town should not fund ongoing operating expenditures with non-recurring revenue sources, such as free cash or borrowing. Operating expenses shall be supported by ongoing recurring revenue sources, including taxes, state aid, local receipts and fees.
2. The annual operating budget shall include an appropriation to an operating reserve fund. This account shall be used to fund any unforeseen and extraordinary expenses that occur during the fiscal year. Funds are transferred to individual departments during the year only upon recommendation of the Finance Commission. The annual appropriation to this account shall be 1% of the total general fund operating budget, net of debt service. The reserve account may also be used by Town Meeting to meet unexpected, small increases in service delivery costs. This funding will only occur by a transfer article voted at Town Meeting.
3. The Town will maintain adequate working capital in the General Fund by seeking to refrain from using available fund balance equivalent to 4% of the annual general fund operating budget. Specifically, the Town shall strive to maintain free cash at 4% of general fund operating budget, net of debt service. This balance of free cash will provide sufficient cash flow to meet payroll and expenditures without having to borrow in anticipation of tax receipts and will serve as liquid funds that can be used in case of emergency.
4. Free Cash in excess of the goal reserve shall not be used to fund ongoing operating expenditures or budget shortfalls. Free cash in excess of goal amount should be used to:
 - Fund non-recurring, unforeseen expenditures, such as unusually high snow and ice costs;
 - Provide funding for additional capital projects;
 - Build stabilization reserves to goal targets.

C. Revenue

1. The Town will follow an aggressive and equitable policy of collecting revenues.
2. The Town will utilize all available tools to collect revenues including tax title process, title liens, and motor vehicle flagging procedures.
3. The Town will consider the use of service charges as a means of financing services not equitably supported through the existing tax structure.
4. The Town will strive to maintain a healthy commercial tax base to supplement residential tax revenues.
5. The Town will set the annual tax classification factor with the goal to provide residential relief while encouraging appropriate business development. The annual classification factor will be determined utilizing the separate, written document, "Tax Rate Shift Policy".
6. The Town will thoroughly analyze any unexpected and unusual one-time revenue sources before appropriation. One-time revenue sources include items such as unusually high receipts, unanticipated state funds, legal settlements, or other one-time revenues. These funds shall first be considered for use toward meeting reserve level goals and capital needs before being utilized for funding general fund operating budget needs.
7. The Town will thoroughly analyze any new, recurring revenue sources before appropriation. New, recurring revenue sources include significant new commercial development, or other permanent

8. revenue sources. These funds shall first be considered, particularly in the first year, toward meeting reserve level goals and capital needs before being utilized for funding general fund operating budget needs.

D. Reserves

1. The Town will maintain adequate reserve funds to protect the Town from unforeseen, extraordinary needs of an emergency nature. Prudent stewardship of the Town requires such planning and protection for the Town's financial health.
2. Reserve funds will be maintained as part of long term goals to reduce borrowing costs. The Town's reserves are a major factor in the Town's bond rating. Sudden decline in reserve amounts could result in a decline in bond rating and potential increases in costs of borrowing.
3. The Town shall strive to maintain reserve accounts at a minimum of 8% of general fund operating revenues, net of debt service. The total reserve goal should be maintained at 4% in the general fund and 4% in the stabilization account.
4. Stabilization reserve funds shall be used to provide for temporary financing for unanticipated or unforeseen extraordinary needs of an emergency nature; for example, costs related to a natural disaster or calamity, an unexpected liability created by Federal or State legislation, immediate public safety or health needs, opportunities to achieve long-term cost savings, or planned capital investments and related debt service. Reserves will not be used to fund recurring budget items.
5. The Town shall strive to make an annual appropriation to the stabilization fund. Even if a nominal amount, this annual appropriation will demonstrate the commitment to reserves and keep the account in focus.
6. Funds shall be allocated from reserves only after an analysis and utilization plan has been prepared by the Finance Director and presented to the Board of Selectmen. The analysis shall provide sufficient evidence to establish that the remaining balance is adequate to offset potential downturns in revenue sources and provide a sufficient cash balance for daily financial needs; and that conditions exist in future years that will allow for replenishment of reserve funds.
7. Funds shall be allocated each year in the budget process to replace any use of reserve funds during the preceding fiscal year to maintain the balance of the reserves at 8%.

E. Debt Management

1. Long-term debt should be issued only for capital projects or assets that have a long useful life. It should be issued to pay for the cost of significant infrastructure and capital projects, such as school remodeling, road construction, building construction, and land purchases. Long term debt should not be issued for recurring, small capital purchases with a useful life of less than five years.
2. The Town should attempt rapid debt repayment schedules. The Town shall strive for a rapid repayment schedule of ten years or less. This ensures cost savings to the community and seeks to avoid strapping future generations with large debt obligations. This policy recognizes that capital needs continue and that new debt will continue to be identified and issued.
3. Long-term debt should not be incurred without a clear identification of its financing sources. Long-term debt is generally utilized to fund capital projects that have a long useful life and are relatively expensive. Because of the debt service costs and annual appropriations necessary to retire this debt, there should be clear knowledge and commitment of revenue sources available to pay these costs

without competing with operating budgets for limited resources. Debt issued on behalf of the Sewer Enterprise is supported by sewer user fees.

4. General fund nonexempt debt service should not exceed 8% of general fund revenues. Non-dedicated tax revenue debt service should not exceed 8% of net general fund operating revenue so as to provide appropriate funding for other Town services. Total general fund debt, exempt and non-exempt, should be maintained at no greater than 10-12% of net general fund operating revenues so as to balance total debt costs and tax implications with other services.
5. The Town will follow a policy of full disclosure on all bond offerings and financial prospectus.

F. Capital Planning

1. The Town will maintain its physical assets at a level adequate to protect the Town's capital investments and to minimize future maintenance and replacement costs. The Town's physical resources are a major component of the Town's overall financial assets and represent a significant investment of public funds. As such, the Town must adequately maintain and update its capital assets.
2. The Town will develop a multi-year plan for capital improvements to be known as the "Five-Year Capital Budget," which will be updated on an annual basis. This report will include all known capital needs for a five year period for all school and municipal operations.
3. Capital items shall be defined as follows:
 - Items requiring an expenditure of at least \$10,000 and having a useful life of more than five years.
 - Projects consisting of real property acquisitions, construction, capital asset improvements, long-life capital equipment, or major maintenance/repair of an existing capital item, as distinguished from a normal operating expenditure.
 - Items obtained under a long term lease.
 - Bulk purchases of similar items, such as technology and furniture purchases, shall be aggregated and the total considered a capital item.
4. The Town shall regularly invest in capital stock on an ongoing basis. Annual delays in reinvesting in the Town's capital assets and equipment can often lead to delaying major problems that result in larger investments of financial resources to correct. The Board of Selectmen will continue to stress the importance of capital reinvestment and will carefully balance the financing of capital with annual operating expenses. The Town will strive to maintain 3 - 5% of the general fund operating budget, net of debt, on capital maintenance and replacement.
5. The funding source for capital projects must be identified and analyzed before any long term bonded capital project is recommended. Funding sources for capital projects must be analyzed so as to balance the limited resources available within Proposition 2 ½.
6. Capital projects funding should also be reviewed in relation to impact on property tax limitation.
 - Projects funded with current tax revenues should identify impact on annual operating budget.
 - Projects funded with long-term debt and *not exempted* from Proposition 2 ½ should identify impact on annual operating budgets.
 - Projects funded with long-term debt and *exempted* from Proposition 2 ½ should identify impact on annual tax rate and/or tax bill (debt exclusion).
 - Projects funded with *capital exclusion* should identify impact on current annual tax rate and/or tax bill (capital expenditure exclusion).

7. The annual operating cost of a proposed capital project, as well as debt service costs, will be identified before any long-term bonded capital project is recommended.

Capital projects may increase future expenses, decrease future expenses or may be cost-neutral. The funding of capital projects may fall within available revenue (taxes or fees) or new revenue sources (debt or capital exclusions). It is important to project the impact that the proposed capital project has on the operating budget so that operating budget funding sources can also be identified or new funding sources identified. Future operating and maintenance costs for all new capital facilities will be fully costed out.

G. Sewer Enterprise Fund

1. Rates and fees for sewer funds shall be established so as to produce revenue that does not exceed the amount of annual appropriation made for the enterprise, less any funds received for the enterprise from any other source without express authority from the Town Meeting.
2. Sewer funds are reviewed annually to project revenues and expenditures for the next fiscal year, estimates of the current year, and projections for future years. Estimates of capital projects and debt service should be included in order to project impact on sewer rates.
3. Betterments will be assessed for sewer extensions. Sewer projects that are extensions on the existing system will be assessed to the property owner according to the betterment formula for sewer projects. When specific benefits accrue to property owner(s), betterments will be assessed in accordance with state statutes and local policies. This funding source will contribute all or a portion of the costs associated with the capital projects.
4. Sewer main replacements should be scheduled so as to avoid major increases in sewer rates. The current sewer funds are established as self-supporting on a cash basis. Revenues are planned to cover operating budgets, indirect and overhead costs, and debt service payments. Sewer long-term debt schedules should be closely monitored to ensure that new sewer debt replaces completed debt instead of continually adding to total debt.
5. The sewer enterprise will maintain adequate working capital to finance operations. In the absence of retained earnings, operations would require the use of General Fund cash which would reduce General Fund cash available for investment, and consequently reduce General Fund Revenue. To avoid the use of General Fund cash as working capital for the sewer operations, and to accommodate fluctuations in revenue due to consumption variations, retained earnings shall be maintained at an appropriate level. The amount retained for this purpose shall be at least equal to 10% of sewer fund revenues.

H. Gifts, Grants, and Other Funds

1. All grants shall be managed to comply with the laws, regulations and guidance of the grantor.
2. All gifts and donations shall be managed and expended according to the wishes and instructions of the donor and shall be in compliance with applicable state laws and regulations.
3. All user fees and revolving funds shall be managed in compliance with applicable state laws and regulations. User fees will be set so as to generate only the revenue needed to recover the allowable costs of the programs.

4. All gifts, grants, and fees shall be evaluated for suitability and consistency with Town policies. They shall also be formally approved and accepted by the Board of Selectmen and/or School Committee.
5. Any gifts with conditions determined to be unsuitable for the Town will not be accepted.

I. Investment Policy

1. Disbursement, collection, and deposit of all funds will be managed to insure protection and safeguard of funds, and adequate cash flow to meet the Town's needs of operations.
2. The Town will strive to maximize the return on its portfolio, with the primary objectives of safety of principal, liquidity of funds and maximum yield.
3. The Town Treasurer will maintain a separate, written, detailed investment policy.

Adopted by the Board of Selectmen on January 12, 2004.

What Do Those Financial Terms Really Mean?

Abatement:	A complete or partial cancellation of a levy imposed by a governmental unit; applicable to tax levies and special assessments.
Appropriation:	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.
Assessed valuation:	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.
Audit:	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.
Balance sheet:	A statement that discloses the assets, liabilities, reserves and equities of a fund or government unit at a specified date.
Budget:	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).
Capital budget:	A plan of proposed capital outlays and the means of financing them for the current fiscal period.
Cherry sheet:	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.
Classification:	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.
Debt service:	Payment of interest and principal related to long-term debt.
Encumbrance:	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.
Enterprise fund:	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?

Expenditure:	The spending of money by the town for the programs or projects within the approved budget.
Fiscal year:	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.
Free cash:	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.
Fund:	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.
General fund:	The fund into which the general (non-earmarked) revenues of the town are deposited and from which money is appropriated to pay expenses.
Overlay:	The amount raised in excess of appropriations and other charges. It is used to cover abatements and exemptions granted locally or on appeal.
Override:	A vote to increase the amount of property tax revenue that may be raised over the levy limit.
Personal services:	The cost of salaries, wages and related employment benefits.
Property tax levy:	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
Reserve fund:	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.
Revolving fund:	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.
Tax levy:	Total amount of dollars assessed in property taxes imposed by the Town each fiscal year.
Undesignated fund balance or surplus revenue account:	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)
Warrant:	A list of items to be voted on at Town Meeting.

Fund Descriptions	
Special Revenue Funds	Funds into which the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) are deposited that are restricted to expenditure for specific purposes. Examples: ❖ Gifts, Grants, Revolving Accounts, Receipts Reserved for Appropriation.
Capital Projects Funds	Account for financial resources to be used <i>for the acquisition or construction of major capital facilities</i> (other than financed by proprietary funds and trust funds).
Trust and Agency Funds	To account for assets held by the governmental unit in a <i>trustee capacity or as an agent</i> for individuals, private organizations, other governmental units, and/or other funds. These include: (a) expendable trust funds, (b) nonexpendable trust funds, (c) pension trust funds, and (d) agency funds. Examples: ❖ Library Trusts, Cemetery Trusts, Stabilization, Insurance Trusts, Retirement.
Account Groups	Account Groups are used to establish accounting control and accountability for general fixed assets and general long term obligations. The two account groups are not funds; they are concerned only with the measurement of financial position, not the measurement of operations or the flow of financial resources.
General Fixed Assets	This Account Group is used to account for the fixed assets owned by the Town, exclusive of infrastructure. Assets are recorded at cost or at amounts considered by management to represent estimated historical cost. In accordance with generally accepted accounting principles for governmental units, depreciation is not required to be recorded on general fixed assets.
General Long Term Obligations	This Account Group is used to account for all long term obligations of the Town. Obligations include bonds and notes payable, capital leases, and accrued sick and vacation.
Revenue Descriptions	
Free Cash	Unrestricted funds from operations of the previous fiscal year that are certified by the Director of Accounts as available for appropriation. Remaining funds include unexpended free cash from the previous year, receipts in excess of estimates shown on the tax recapitulation sheet, and unspent amounts in budget line items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash. The calculation of free cash is based on the balance sheet as of June 30. A community should maintain a free cash balance to provide a hedge against unforeseen expenditures and to ensure there will be an adequate reserve to prevent sharp fluctuations in the tax rate. Maintenance of an adequate free cash level is not a luxury but a necessary component of sound local fiscal management. Credit rating agencies and other members of the financial community expect municipalities to maintain free cash reserves and make judgments regarding a community's fiscal stability, in part, on the basis of free cash.
Available Funds	Funds established through previous appropriations or resulting from financial operations.
Taxes	Funds generated from assessing all real and personal property.
Local Receipts	Locally generated revenues, other than real and personal property taxes and enterprise fund revenues. Examples include motor vehicle excise, investment income, hotel/motel tax, fees, rentals, and charges. Annual estimates of local receipts are shown on the tax rate recapitulation sheet.
Sewer Enterprise Funds	All costs associated with sewer operations, (including direct, indirect, and capital) are recovered through sewer user fees. The "surplus" or retained earnings generated by the operation of the enterprise may be reserved rather than closing it out to the general fund at year end.

Budget Procedure

The Town of Westwood operates under state statutes and the Town Charter as adopted July 1, 1970. The Town Charter provides for a Board of Selectmen/ Open Town Meeting/ Executive Secretary form of town government. The proposed annual budget of the town is assembled by the executive secretary.

Budget Schedule

- **October** - The Executive and Asst. Executive Secretary prepare financial projections for the upcoming fiscal year. The Board of Selectmen, School Committee, and Finance Commission discuss those projections as well as the current financial status of the town. Budget preparation guidelines to be followed by departments for the upcoming fiscal year are subsequently identified.
- **November** - The Asst. Executive Secretary distributes the budget guidelines and worksheets to all departments. Departments prepare their operating and capital budget requests and return the information by the beginning of December.

Individual School principals begin preparation of their budgets.

- **December/January** - The Asst. Executive Secretary reviews and discusses budget requests with individual departments.

The School Superintendent reviews school budget submissions.

- **February** (or not less than three months before the business session of the annual town meeting), the Executive Secretary submits to the Board of Selectmen, and files with the Finance Commission, a proposed budget with a summary budget message and supporting documents for the ensuing fiscal year.

The School Committee reviews the School budget.

- **March/April** - The Finance Commission conducts one or more public meetings on the proposed budget (including town meeting warrant articles). The schedule and agenda for such public meetings is distributed is sent to each and every resident.

The Finance Commission considers all articles in the annual town warrant and reports in print before each town meeting its advice, estimates, and recommendations for consideration by the town meeting.

Budget Appropriation and Amendment

- **May** - Open Town Meeting is conducted. All registered voters are entitled to attend and vote on any issue that comes before the Town Meeting. Town Meeting is authorized to appropriate funds for the operating and capital budget except for specific cases where state statutes or regulations do not require appropriation. A subsequent annual town meeting or special town meeting vote is required to amend appropriations, with the following two exceptions:
 - The reserve fund budget from which transfers can be made during the year upon approval by the Finance Commission.
 - Merit increase funds may be disbursed to departmental salary budgets by the Town Accountant upon recommendation of the Board of Selectmen and approval of the Finance Commission.

Budget Basis

The budget for the town is presented on a cash basis. Briefly, this means that transactions are recorded when expenditures are disbursed and when revenues are received. Obligations of the town (i.e., outstanding purchase orders) are not reflected as expenditures in the year incurred but are reflected in the year disbursed. Funds for these obligations are reflected as “continued” appropriations from those of the prior fiscal year.

The budget presents General Fund and Enterprise Funds which are required to be appropriated by Town Meeting.

Capital Budget

The capital budget is included as a separate section of the Town’s budget document. It provides detail information concerning those capital requests for the upcoming fiscal year; summary information for the following four fiscal years is provided to identify current projections of what level of capital outlay will be required in future years.

All capital requests are categorized into major categories, which are methods of how the items will be voted and funded at town meeting. The categories are:

Warrant Article Capital Projects/Equipment - requests for major construction, repair projects or large equipment which are over \$15,000 in cost. The items proposed for funding in this category are summarized in either a capital project or capital equipment article for town meeting action.

Municipal Items - requests for small municipal operating equipment items. The items proposed for funding in this category are summarized and funded in the municipal operating budget as department budget #930. These are considered to be routine operating equipment.

Capital Projects to be Funded by Bonds - requests for large construction projects that are to be financed over a period of years. Items to be financed through long term debt must receive Town Meeting approval authorizing the borrowing of funds.

The School Committee reviews and proposes School Department capital projects, and the Board of Selectmen reviews and proposes all other capital projects for presentation to the Finance Commission and town meeting for their respective consideration.