
**The Town of
Westwood, Massachusetts**

**Proposed Town Budget Summary
For the Fiscal Year
July 1, 2009 – June 30, 2010**

Board of Selectmen

Patrick J. Ahearn, Chairman

Nancy C. Hyde

Philip N. Shapiro



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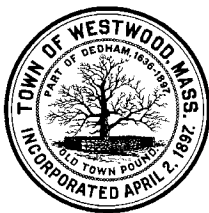
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TOWN OF WESTWOOD

COMMONWEALTH OF MASSACHUSETTS

BOARD OF SELECTMEN

Patrick J. Ahearn, Chairman
Nancy C. Hyde
Philip Shapiro

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

February 6, 2009

The Honorable Board of Selectmen,

I herewith submit for your review the Proposed FY2010 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.

FY2010 Budget Summary

Ongoing Structural Deficit

The FY10 budget presents a particularly challenging year. As always, 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. For the last few years, the limited revenue increases available under Proposition 2 ½ are consumed by increases in fixed costs, particularly health insurance and pension assessment costs without a Proposition 2 ½ override. 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, without overrides, it is difficult each year to maintain the quality services that Westwood residents desire and deserve.

For the FY10 budget, the same ongoing structural budget deficit problems occur. Pension and health insurance will increase approximately 9-10%, well beyond a 2.5% increase.

FY10 Additional Budget Pressures

Coupled with the ongoing structural deficit, FY10 finds us faced with a rapidly deteriorating national economy and unsettled financial markets. This has led to budget concerns at the state level and a significant delay to the Westwood Station project. For FY10 we are projecting decreases in major revenue categories, including state aid, economic driven local receipts such as

motor vehicle excise payments, and the Westwood Station guaranteed payment. All of these revenue sources are decreasing, with the added uncertainty of even further decline over the next few months and year. The FY10 budget must be prepared in a way that provides some flexibility to absorb continued reductions to revenue over the coming months and year.

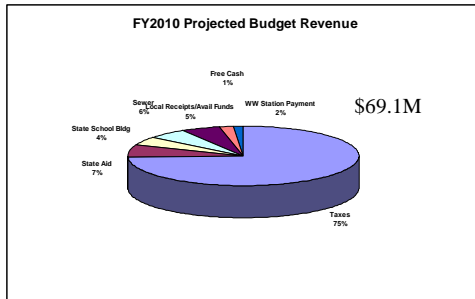
The mid-year cuts to FY09 state aid that were recently announced could easily be replicated in FY10.

Since the fall of 2008, the Selectmen have been monitoring budget conditions and the economic impact on Westwood's and the state's revenue. Based upon review of information, the Selectmen determined that the prudent choice was to level fund the FY10 school and municipal operating budgets at FY09 levels, a \$0 increase to budgets.

The Selectmen recognize that the targets are not easy to achieve and will not come without service reductions to the community and impact on our employees. However, Westwood is simply not exempt from the tremendous financial impact being experienced throughout the state and nation. Our financial condition simply does not warrant any increase to our operating budget level. In addition, the FY10 budget will have reduced level of capital budgets and no appropriations into reserve accounts, a significant setback from the progress made in FY09.

FY10 Revenue Projections

FY10 increases to tax revenue will be offset by reductions to state aid, local receipts and the Westwood Station payment.



FY10 revenue projections are detailed in this summary book in the budget section. In summary, revenue for FY10 is projected to be \$69.1M, \$362,820 or 0.5% less than FY09. These revenue figures include the full state aid per the Governor's budget. Actual state aid will probably be significantly less once the state budget is completed.

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 FY10.

The state is experiencing severe budget problems. The Governor's budget released on January 28 reduces Westwood's FY09 state aid by \$155,068. His budget also includes many assumptions and program changes which may not be enacted by the legislature. These assumptions include the federal stimulus funding, new state wide increase in hotel and meal taxes, and heavy use of state reserve funds. It is unclear what to expect for final state aid for FY10. Final state aid will not be known until later in the spring. The current revenue budget includes \$1.5M payment from Westwood Station. This payment, at this time not confirmed, is a \$250,000 decrease from the payment made in FY09. Other revenue sources, including local receipts and available funds, are also projected to decrease in FY10.

Revenue Detail

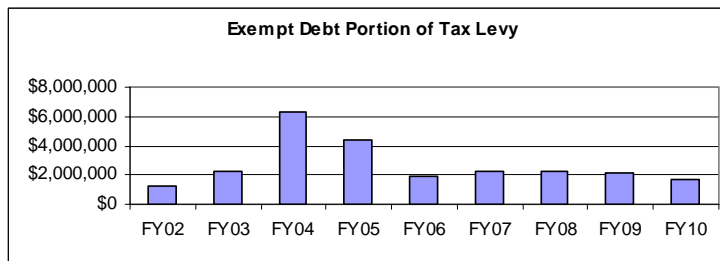
Tax Revenue

FY10 tax revenue will increase to the limit allowed by Proposition 2 1/2, resulting in \$1.5M in new tax revenue.

| Tax Levy Calculation | Projected | | |
|-----------------------|---------------------|---------------------|---------------------|
| | FY2008 | FY2009 | FY2010 |
| Prior Year Levy Limit | \$41,938,657 | \$46,442,531 | \$48,296,355 |
| Plus 2.5% Increase | \$1,048,466 | \$1,161,063 | \$1,207,409 |
| Plus New Growth** | \$678,020 | \$692,761 | \$300,000 |
| General Overrides | \$2,777,387 | | |
| Tax Levy Limit | \$46,442,531 | \$48,296,355 | \$49,803,764 |
| Exempt Debt* | \$2,199,779 | \$2,158,527 | \$1,722,080 |
| Levy Capacity | \$48,642,309 | \$50,454,882 | \$51,525,844 |
| Actual Levy Assessed | \$48,519,937 | \$50,373,089 | \$51,525,844 |

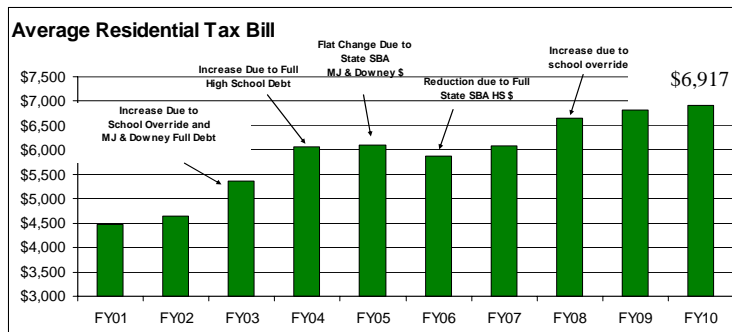
| FY10 Tax Change | |
|------------------------------|--------------------|
| 2.5/new growth/excess levy | \$1,589,202 |
| Change in exempt debt | (\$436,447) |
| Total Change in taxes | \$1,152,755 |

The exempt debt portion of the tax levy will decline in FY10 due to the completion of the 1998 Middle School bond in FY09 and receipt of the final state payment in FY10.



Impact on Tax Bill

The FY10 budget proposal will increase the average tax bill by 1.69%.



The average residential tax bill in Westwood had experienced significant increases in FY03 and FY04, primarily related to the debt payments associated with school construction projects. The Town paid 100% of the costs of these

projects before the state share of funding began.

The average FY10 tax bill will increase by 1.69%. This is less than the approximate 2.5% due to decline in exempt debt. So while the general tax levy will increase by \$1.5M, the amount residents will pay for exempt debt will decrease by \$436,000 driving the 2.5% down to 1.69%.

State Aid

FY10 preliminary state aid per the Governor’s estimates should not be considered final amount.

The Town does often not receive final notification of state aid funding until after the May Town Meeting process. This timing is often problematic for our budget process. Over the past few years, state aid has been an inconsistent source of revenue, with significant reductions in FY04 and FY05, and then increases in FY07, FY08 and FY09.

The current FY10 state aid as per the Governor’s January budget is shown in the table:

| FY10 State Aid | FY09 | Governor’s FY10 Budget | \$ Difference |
|---|--------------------|---------------------------------------|----------------------|
| Chapter 70 | \$3,547,941 | \$3,547,941 | \$0 |
| Municipal Aid (Old Lottery and Additional Assistance) | \$908,004 | \$648,781 | (\$259,223) |
| Police Career Incentive – “Quinn Bill” | \$144,724 | \$108,166 | (\$36,558) |
| New Revenue – from new meals/hotel tax | \$ | \$103,170 | \$103,170 |
| Other – reimbursement programs – i.e., veterans | \$132,190 | \$169,733 | \$37,543 |
| Total | \$4,732,859 | \$4,577,791 | (\$155,068) |
| Cut less \$103K new revenue - (\$258,238) | | | |

FY10 Governor’s Budget Assumptions:

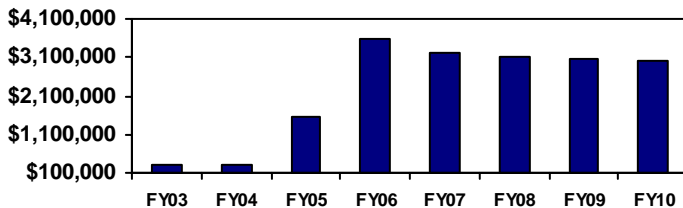
- Level fund Chapter 70.
- 30% reduction to lottery and additional assistance - \$259,223.
- New \$103,170 meals and hotel revenue – only if tax increase voted by legislature.

The Governor’s budget will undergo significant review by the legislature over the next few months. In addition, the Governor’s estimate could be subject to further decline if the national economy continues to decline. Therefore, Westwood’s budget should not assume that the \$4.5M state aid will be fully realized.

State School Building Assistance

The FY10 budget includes guaranteed revenue of \$3,008,895 from the State School Building Authority.

School Building Annual Payments



The Town continues to benefit from the major change with the State School Building Assistance Program. The Town will receive \$3.08M in FY10 from the state. Immediately upon the change in the program

in 2004, the Town was very aggressive in its efforts to secure our funding. After waiting many years for the state share for three school projects, Westwood received payments for all projects in FY05 and FY06. These significant payments, totaling \$3.08 million in FY10, flow directly to offset debt payments raised in taxes. Therefore, the state payments directly reduce the tax burden for our residents for the construction projects. These annual state payments will continue each year until the debt payments are retired. All projects have received final audits and the payment stream is guaranteed going forward. This funding is not part of the annual state budget.

Local Receipts

FY10 local receipts will decrease for motor vehicle excise and investment income.

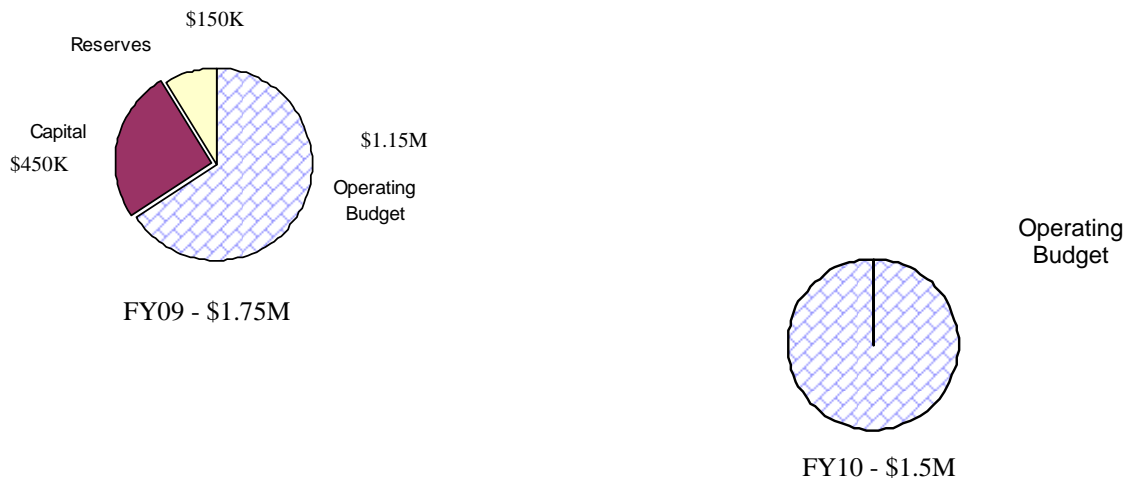
The following chart shows actual and budget local receipts including the Westwood Station payments in FY09 and FY10.

| | <u>FY06</u> | <u>FY07</u> | <u>FY08</u> | <u>FY08</u> | <u>FY09</u> | <u>FY10</u> |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>Actual</u> | <u>Actual</u> | <u>Budget</u> | <u>Actual</u> | <u>Budget</u> | <u>Budget</u> |
| Motor Vehicle Excise Tax | \$2,298,851 | \$2,135,755 | \$2,150,000 | \$2,213,371 | \$2,104,500 | \$1,985,000 |
| Penalties and Interest | \$55,045 | \$67,238 | \$50,000 | \$96,971 | \$60,000 | \$60,000 |
| License/Permits | \$566,317 | \$438,495 | \$360,000 | \$479,822 | \$360,000 | \$360,000 |
| Departmental Receipts | \$281,089 | \$301,570 | \$260,000 | \$372,162 | \$277,005 | \$277,000 |
| Special Assessments | \$227 | \$219 | \$0 | \$0 | \$0 | \$0 |
| Investment Income | \$688,030 | \$707,268 | \$504,505 | \$615,900 | \$500,000 | \$350,000 |
| Sewer Indirect* | \$212,000 | \$290,978 | \$290,978 | \$290,978 | \$290,978 | \$0 |
| Recreation | \$145,000 | \$151,164 | \$152,000 | \$152,000 | \$160,000 | \$160,000 |
| Other | \$49,686 | \$195,757 | \$45,000 | \$123,361 | \$60,000 | \$60,000 |
| Westwood Station Guaranteed Payment | - | - | - | - | \$1,750,000 | \$1,500,000 |
| Total Local Receipts | \$4,296,245 | \$4,288,444 | \$3,812,483 | \$4,344,565 | \$5,562,483 | \$4,752,000 |

The Town has been prudent in conservatively budgeting these accounts, particularly during prior years when actual receipts were rapidly growing. The budget for FY10 does include a decrease for motor vehicle and investment income due to the current economic conditions.

Westwood Station Guaranteed Payment

The current FY10 budget proposal includes an estimated \$1.5M payment from Westwood Station.



| Used to Fund | FY09 | FY10 |
|---------------------|--------------------|--------------------|
| Operating Budget | \$1,150,000 | \$1,500,000 |
| Capital | \$450,000 | |
| Reserves | \$150,000 | |
| Total | \$1,750,000 | \$1,500,000 |

In FY09, the Town received \$1.75M from Westwood Station as a guaranteed revenue payment included in the development agreement. The Town Meeting voted to utilize \$1.15 M of this payment towards funding for school and municipal operating budgets. The remaining \$600,000 was applied towards capital and stabilization reserve account appropriations. This use of the \$600,000 not only bolstered badly needed capital and reserves, but gave flexibility for the FY10 budget. In the current FY10 budget proposal, the Westwood Station payment is reduced to \$1.5M and this \$1.5M currently is not confirmed. If the \$1.5M is forthcoming, all of the funding will be applied to the municipal and school operating budgets. No appropriation to stabilization or increase to capital budgets will be done in FY10.

Free Cash

The current FY10 budget proposes to utilize \$870,000 of free cash.

Current certified free cash is \$1,274,374. Free cash is essentially the remaining retained earnings from the previous fiscal year. The FY10 budget proposal includes \$700,000 of free cash to support the overall school and municipal capital budget and \$110,000 of free cash to continue to fund the energy reserve. The budget also proposes to utilize \$60,000 of free cash to fund a proposed Town Meeting warrant article related to the library project. No additional free cash should be used for the FY10 budget, leaving the remaining balance of \$404,374 available for the significant snow and ice deficit and other unforeseen events in FY09 and FY10. It is poor financial policy to appropriate free cash as a revenue source for ongoing operating budgets.

FY10 Proposed Expenditures

Fixed Costs

The total fixed costs budget is projected to increase \$637,391 or 7.2% for FY10.

There continues to be significant growth in the fixed cost budgets which cover all school and municipal employees, particularly employee costs, such as health insurance, pension assessments, and payroll taxes.

The Norfolk County pension assessment will increase by \$194,237 or 9.1% for FY10.

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 health insurance budget burden is significantly offset by the 40% employee contribution rate, which is much higher than other municipalities. However, the total health insurance budget has more than quadrupled since FY2000, growing from \$1.2 million to over \$4.9 million for FY10.

The overall fixed costs budget does include a proposal to maintain the \$225,000 energy reserve account which was started in FY07.

Capital

The current budget proposal for FY10 is to level fund capital at the FY08 levels, decreasing from the FY09 appropriation.

This level of funding only would provide \$417,000 to municipal capital and \$406,000 to school capital. This is an inadequate level of capital and is at less than half the level recommended by the Town's financial policies.

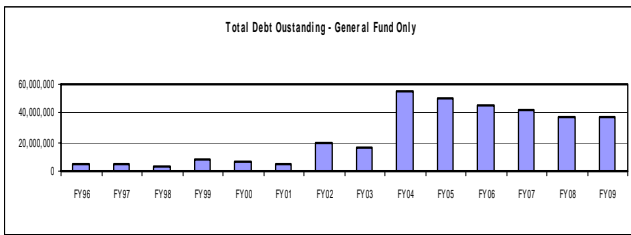
The FY09 Town Meeting budget was able to increase our level of spending on capital. Utilizing \$450,000 of the FY09 Westwood Station payment, school and municipal capital was increased for the first time in a number of years. This allowed for necessary additional equipment for the DPW and for the school department to begin the Middle School modular project.

Due to a decrease in the FY10 Westwood Station payment and the overall decline in FY10 budgets, the school and municipal capital budgets will revert back to FY08 levels. These amounts will not allow for sufficient maintenance of the Town's assets.

The Town's assets, including school and municipal buildings, roadways and sewer, vehicles and equipment are valued at over \$140 million. We should properly maintain these assets and not defer maintenance which delays problems for future generations. It is unfortunate that economic conditions again will cause us to cut back in this area.

Debt

The FY10 debt budget will decrease by \$500,047 or 7.8% over FY09.



There are two components to the debt budget; debt voted outside of Proposition 2 ½ called exempt debt, and debt within Proposition 2 ½.

- FY10 exempt debt, and therefore corresponding exempt taxes, will decrease by \$438,675.
- FY10 debt within Proposition 2 1/2, which must be provided for in the budget, will decrease by \$61,372.

The decrease in exempt debt is due to the completion of the FY98 Middle School bond. The payments for this ten year bond have now been completed.

The non-exempt debt decrease is due to other items in the 1998 bond. These items, voted within Proposition 2 ½, included funds to complete the Senior Center, land acquisition, and Middle School fields.

The Town currently has authorized but outstanding debt of \$4.5M for the Middle School project voted by the May, 2008 Annual Town Meeting. This debt must be issued in FY10. Approximately \$101,000 has been included in the debt budget for interest for this project.

The Town's current long term debt outstanding is \$37M and will be reduced by \$4M in principal payments in FY10.

Operating Budgets

The Selectmen's current budget proposal is to level fund school and municipal operating budgets at FY09 levels.

The specific targets are shown:

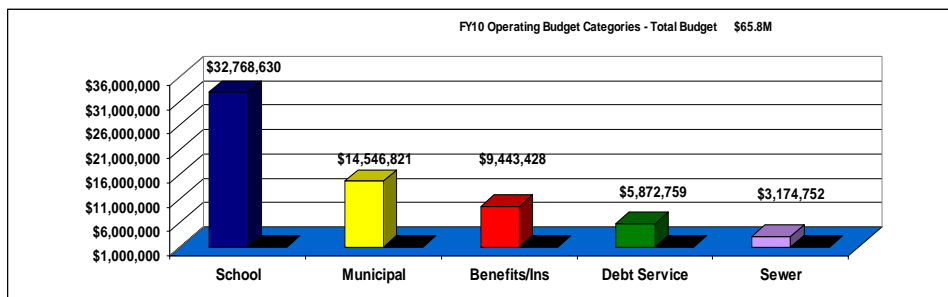
| | FY09 | FY10 | \$ Change |
|------------------------------|--------------|--------------|------------------|
| School Operating | \$32,488,684 | \$32,488,684 | \$0 |
| Municipal Operating | \$14,546,821 | \$14,546,821 | \$0 |
| School and Municipal Capital | \$823,000 | \$823,000 | \$0 |
| Additional Capital/Reserves | \$600,000 | \$0 | (-\$600,000) |

Also, as there are currently no negotiated employee contracts in place for FY10, salary budgets should not include any estimates for wage increases.

The Selectmen are in agreement that at this time they cannot responsibly increase operating budgets, given the Town's financial condition and uncertainty of FY10 revenue.

It will be very difficult for school and municipal departments to remain at level funded budgets. Cost increases, such as step raises and utility increases must be absorbed within the total target. This will cause cuts to other program areas and decreases in services.

This bar graph shows the total budget by category in magnitude of spending. The school budget will remain still the most significant area of spending for the Town.



Reserves

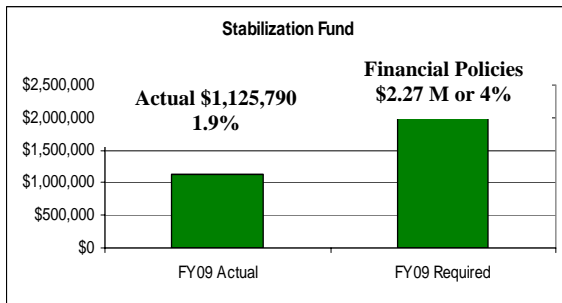
The current FY10 budget proposal includes no appropriation to the stabilization accounts.

The Town has strived to add to reserves each year. In particular, in FY09 the Town was able to add \$150,000 to the Stabilization account. Given the stark operating budgets, the FY10 budget will not seek to add to reserve accounts at this time.

However, it is still important to inform our residents that since the Town in recent years has taken on significant debt it is important 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 lower borrowing costs. The Town has an excellent credit rating, with an AA1 from Moody's Investor Services and a AAA from Standard and Poor's. This excellent rating helps lower the Town's cost of borrowing.

The credit ratings were issued in July, 2008. While the agencies are impressed with the many positive accomplishments the Town has achieved over the last few years, they have strongly put the Town on notice that current reserves are significantly too low and dwindling. The Town must start to build reserves, properly fund capital, and address long term post employment benefits in order to maintain our credit rating. A reduction in credit rating will increase the Town's cost to borrow money.

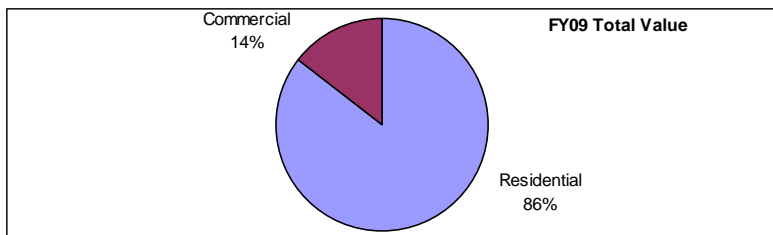


The current stabilization fund balance is far short of the level required by the Town's financial policies, currently at only 48% of target. While there is no additional appropriation into this account for FY10, it is critical funds are not withdrawn to be used as one-time options to balance or enhance the FY10 budget.

Importance of Commercial Development

FY10 current proposed budget does not include any new tax revenue from the Westwood Station 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 FY09, commercial property will pay 23% of the overall tax levy, while representing 14% of total value. This represents a \$838 annual savings to the average home.



Significant new commercial tax dollars is really the only method to bring relief to our structural budget imbalance and to ease the tax burden on residents.

At this time, the significant new commercial development,

Westwood Station, is still on the horizon. This does represent a major opportunity to enhance commercial revenue that will help the Town in future years. The project has been delayed by the economic downturn and is currently on hold. Town leaders continue to work hard to ensure this project brings positive financial relief to the community while mitigating any other impact. It is important that any significant new tax revenue generated from this project be identified to properly fund the Town's reserve accounts and capital plans, as well as help with the structural deficit and providing for healthy operating budgets.

Striving for Quality

These budget challenges will test our ability to provide quality services.

All areas of Westwood's government and schools provide a high level of quality service for our residents and community. We must continue to strive for this quality level despite the bleak economic conditions.

Now more than ever, all areas of government, our employees and residents must work together to keep quality services in place during this fiscal crisis. Town and school elected and appointed officials and administrators must work together to present an appropriate balanced budget to Town Meeting. Our residents must understand that level of services will change during FY10. Town and school employees must help in our efforts to maintain staffing levels.

Next Steps

There is still significant work to be done to finalize the FY10 budget.

Our budget is considerably more in flux at this point than any other year. We need our departments, boards and committees to remain vigilant and flexible as we deal with rapidly changing conditions. We must be prepared for further economic decline and resulting revenue reductions.


The FY10 budget therefore includes a "reserved for revenue reductions" account of \$879,000 which is the result of the Governor's budget compared to our original 20% state aid reduction estimate. Any future reductions that may occur to other budget revenue accounts such as Westwood Station, state aid or local receipts will be adjusted by this \$879,000 account. Any remaining balance will be used for potential revenue reductions in FY10. The Selectmen do not plan to use these funds to increase operating budgets from the \$0 level target.

Particular budget items to monitor include:

- Confirmation of FY10 \$1.5M Westwood Station payment.
- Monitor state budget process and determine appropriate levels of state aid to utilize for Town Meeting budget.
- Update fixed costs budget for actual health insurance rates and enrollment.
- Continue to monitor and adjust FY10 revenue projections for any continuing declines.

I would like to thank Town Accountant Marie O'Leary, Assistant Treasurer Pat Conley, and in particular, Finance Commission Administrator Sheila Nee for their assistance in preparing this budget document. We will continue to monitor and update the ever changing data and keep parties informed as we move forward to Town Meeting.

Respectfully submitted,


Pamela Dukeman
Finance Director

FY10 Current Budget Status.....

The Selectmen have proposed the following budgets for FY2010

| FY09 Budget | Category | FY10 Selectmen Proposed | \$ Change FY10 – FY09 |
|--------------|---------------------------------|-------------------------------|--------------------------|
| \$32,488,684 | School Operating Budget | \$32,488,684 | \$0 |
| \$14,546,821 | Municipal Operating Budget | \$14,546,821 | \$0 |
| \$168,144 | Blue Hills Budget | \$173,379 | \$5,235 |
| \$104,252 | FY10 Traffic Supervisors | \$106,567 | \$2,315 |
| \$8,806,037 | Fixed Costs Budget | \$9,443,428 | \$637,391 |
| \$6,372,806 | Debt Budget | \$5,872,759 | (\$500,047) |
| \$823,000 | Base Municipal & School Capital | \$823,000 | \$0 |
| \$450,000 | Additional Capital | \$0 | (\$450,000) |
| \$150,000 | Stabilization Accounts | \$0 | (\$150,000) |
| \$3,422,125 | Sewer Operating Budget | \$3,174,752 | (\$247,373) |
| \$484,000 | Sewer Capital | \$484,000 | \$0 |

Based on current financial conditions and revenue projections for FY10, the
Selectmen have proposed level funded
school and municipal operating budgets.

**Town of Westwood
Summary of Budget - FY10**

| | FY2007 Approved Per recap | FY2008 Approved Per recap | FY2009 Approved Per recap | FY2010 Projections |
|---|---------------------------------|---------------------------------|---------------------------------|-----------------------|
| BUDGET CATEGORIES | | | | |
| Appropriations Made by Town Meeting: | | | | |
| Operations Budget | \$57,684,185 | \$62,590,973 | \$65,908,869 | \$65,806,389 |
| Capital - Municipal | \$417,000 | \$417,000 | \$757,000 | \$417,000 |
| Capital Schools | \$406,000 | \$406,000 | \$516,000 | \$406,000 |
| Capital - Sewer | \$355,000 | \$155,000 | \$484,000 | \$484,000 |
| Stabilization Account Appropriation | \$25,000 | \$25,000 | \$175,000 | \$0 |
| Other Financial Warrant Articles | \$450,000 | \$11,175 | \$0 | \$60,000 |
| Prior yr Adjustments voted at Town Meeting | \$159,433 | \$139,000 | \$269,681 | \$0 |
| Reserve for Revenue Reduction | | \$0 | \$0 | \$879,872 |
| | \$59,496,618 | \$63,744,148 | \$68,110,550 | \$68,053,261 |
| Other Amounts to be Raised (not Voted at Town Meeting) | | | | |
| State Aid Offsets (Funds which must be restricted) | \$29,099 | \$30,678 | \$30,830 | \$29,148 |
| State and County Charges | \$510,423 | \$519,915 | \$519,332 | \$530,481 |
| Overlay (Reserve for abatements/exemptions)/other-snow | \$482,175 | \$1,084,368 | \$814,999 | \$500,000 |
| | \$1,021,697 | \$1,634,961 | \$1,365,161 | \$1,059,629 |
| | \$60,518,315 | \$65,379,109 | \$69,475,711 | \$69,112,890 |
| Financial Resources | | | | |
| State Revenue: | | | | |
| State Aid | \$3,717,104 | \$4,257,310 | \$4,732,859 | \$4,577,791 |
| State School Building Assistance Funding | \$3,193,029 | \$3,089,590 | \$3,008,895 | \$3,008,895 |
| Local Revenue: | | | | |
| Total Property Taxes | \$43,967,446 | \$48,519,936 | \$50,373,089 | \$51,525,844 |
| Local Receipts | \$3,662,483 | \$3,812,483 | \$3,812,483 | \$3,252,000 |
| Enterprise (Sewer) Funding (for all - capital , articles, etc) | \$3,889,149 | \$4,000,601 | \$3,906,125 | \$3,949,730 |
| Available Funds/ - for misc articles | \$509,433 | \$139,000 | \$141,681 | \$0 |
| Available Funds | \$529,671 | \$428,540 | \$787,579 | \$428,631 |
| Westwood Station Guaranteed Revenue | | \$0 | \$1,750,000 | \$1,500,000 |
| Free Cash | \$1,050,000 | \$1,131,648 | \$963,000 | \$870,000 |
| | \$60,518,315 | \$65,379,108 | \$69,475,711 | \$69,112,891 |
| | \$0 | (\$1) | (\$0) | \$1 |
| Note: - FY08/09/10 does not include potential \$1.65m/\$2.9 Westwood Station article - FY09 does not include Westwood Station mitigation articles - FY09 Sewer restated for MWRA final decrease - \$585,438 | | | | |
| Authorization to borrow (Projects approved at Town Meeting -funds are borrowed and debt service included in future budgets) : | | | | |
| Approved at 2006 ATM | \$1,950,000 | | | |
| Approved at 2006 ATM | \$195,000 | | | |
| Approved at Special 2007 | | \$475,000 | | |
| Approved at 2008 ATM | | | \$4,500,000 | |

**Current FY10 Proposed Detail Budget
Budget within the Limits of Proposition 2 1/2**

Total Revenue

| | FY2008 | FY2009 | FY2010 | \$ Change | %Change |
|---|---------------------|---------------------|---------------------|--------------------|----------------|
| Taxes - Regular Levy | \$46,320,158 | \$48,214,562 | \$49,803,764 | \$1,589,202 | 3.3% |
| Taxes - Exempt Debt | \$2,199,779 | \$2,158,527 | \$1,722,080 | (\$436,447) | -20.2% |
| State Aid | \$4,257,310 | \$4,732,859 | \$4,577,791 | (\$155,068) | -3.3% |
| State School Building Assistance | \$3,089,590 | \$3,008,895 | \$3,008,895 | \$0 | 0.0% |
| Sewer Enterprise | \$4,000,601 | \$3,906,125 | \$3,949,730 | \$43,605 | 1.1% |
| Local Receipts | \$3,812,483 | \$3,812,483 | \$3,252,000 | (\$560,483) | -14.7% |
| Available Funds | \$428,540 | \$787,579 | \$428,631 | (\$358,948) | -45.6% |
| Available Funds for Misc Articles/Prior Years | \$139,000 | \$141,681 | \$0 | (\$141,681) | -100.0% |
| Westwood Station Guranteed Payment | \$0 | \$1,750,000 | \$1,500,000 | (\$250,000) | -14.3% |
| Free Cash | \$1,131,648 | \$963,000 | \$870,000 | (\$93,000) | -9.7% |
| Total Revenue | \$65,379,109 | \$69,475,711 | \$69,112,891 | (\$362,820) | -0.5% |

Total Expenditures

Operations Budget Summary

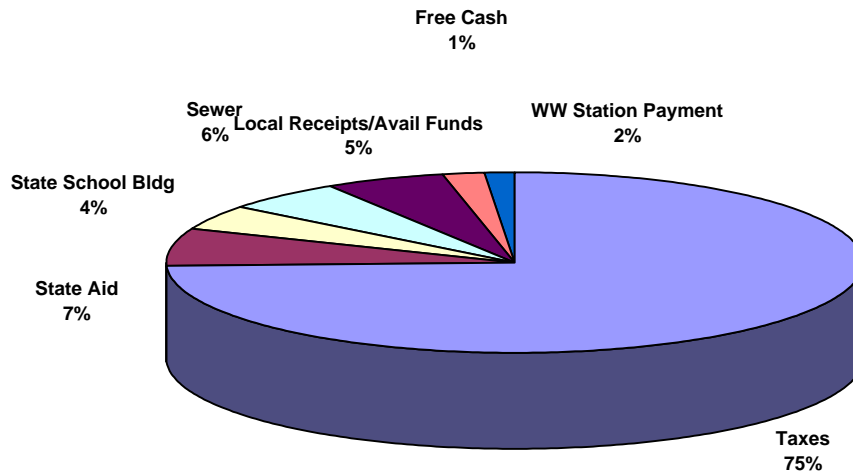
| | | | | | |
|---|---------------------|---------------------|---------------------|--------------------|---------------|
| Municipal Departments | \$13,804,145 | \$14,546,821 | \$14,546,821 | \$0 | 0.00% |
| School Budgets | | | | | |
| Westwood School Budget | \$30,739,512 | \$32,488,684 | \$32,488,684 | \$0 | 0.00% |
| Blue Hills Regional School Assessment | \$138,657 | \$168,144 | \$173,379 | \$5,235 | 3.11% |
| Traffic Supervisors | \$99,985 | \$104,252 | \$106,567 | \$2,315 | 2.22% |
| Total School Budgets | \$30,978,154 | \$32,761,080 | \$32,768,630 | \$7,550 | 0.02% |
| Sewer Enterprise | \$3,845,601 | \$3,422,125 | \$3,174,752 | (\$247,373) | -7.2% |
| Reserves/Benefits/Insurance | \$7,839,004 | \$8,806,037 | \$9,443,428 | \$637,391 | 7.2% |
| Debt Service - within Prop 2 1/2 | \$799,360 | \$1,171,525 | \$1,110,152 | (\$61,373) | -5.2% |
| Debt Service - Exempt | \$5,324,709 | \$5,201,281 | \$4,762,606 | (\$438,675) | -8.4% |
| Total Operations Budget | \$62,590,973 | \$65,908,869 | \$65,806,389 | (\$102,480) | -0.2% |
| Capital Budget - Sewer | \$155,000 | \$484,000 | \$484,000 | \$0 | 0.0% |
| Capital Budget - Municipal/ School | \$823,000 | \$823,000 | \$823,000 | \$0 | 0.0% |
| Additional Capital with/WW station | \$0 | \$450,000 | \$0 | (\$450,000) | -100.0% |
| Total Capital Budget | \$978,000 | \$1,757,000 | \$1,307,000 | (\$450,000) | -25.6% |
| Overlay | \$727,647 | \$688,159 | \$500,000 | (\$188,159) | -27.3% |
| State Charges/offset/other | \$550,593 | \$677,002 | \$559,630 | (\$117,372) | -17.3% |
| Stabilization Account Appropriation | \$25,000 | \$175,000 | \$0 | (\$175,000) | -100.0% |
| Reserved for Revenue Reductions | \$0 | \$0 | \$879,872 | \$879,872 | |
| Misc Warrant Articles/Prior year | \$150,175 | \$269,681 | \$60,000 | (\$209,681) | -77.8% |
| Total Other Amounts | \$1,453,415 | \$1,809,842 | \$1,999,502 | \$189,660 | 10.5% |
| Total Overall Expenditure Budget | \$65,022,388 | \$69,475,711 | \$69,112,891 | (\$362,820) | -0.5% |
| | \$356,721 | (\$0) | \$0 | \$0 | |

FY09 Sewer Restated for MWRA final decrease- \$585,438

FY08/09/10 - Does not include Westwood station building permit article

FY08 \$356,721 - CH70 - allocated the following yr

FY2010 Projected Budget Revenue



FY2010 Projected Budget Revenue

| | FY2009 Budget | FY2010 Proj | \$ Increase | % Increase |
|-------------------------------------|---------------------|---------------------|--------------------|--------------|
| Taxes | \$50,373,089 | \$51,525,844 | \$1,152,755 | 2.3% |
| State Aid | \$4,732,859 | \$4,577,791 | (\$155,068) | -3.3% |
| State School Bldg Reimbursement | \$3,008,895 | \$3,008,895 | \$0 | 0.0% |
| Sewer Enterprise | \$3,906,125 | \$3,949,730 | \$43,605 | 1.1% |
| Westwood Station Guaranteed Payment | \$1,750,000 | \$1,500,000 | (\$250,000) | -14.3% |
| Local Receipts | \$3,812,483 | \$3,252,000 | (\$560,483) | -14.7% |
| Available Funds | \$929,260 | \$428,631 | (\$500,629) | -53.9% |
| Free Cash | \$963,000 | \$870,000 | (\$93,000) | -9.7% |
| Total Revenue | \$69,475,711 | \$69,112,891 | (\$362,820) | -0.5% |

Tax revenue to increase by changes per Proposition 2 1/2 and estimated new growth.

State aid estimates are based on Governor's budget released on 1/28/09.

FY09 sewer revenue reduced from Town Meeting budget by \$585,438 to reflect the final amount raised in sewer rates due to final FY09 MWRA assessment.

A Look at Taxes

| Tax Levy Calculation | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 | Projected FY2010 |
|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Prior Year Levy Limit | \$36,916,575 | \$38,726,265 | \$40,281,755 | \$41,938,657 | \$46,442,531 | \$48,296,355 |
| Plus 2.5% Increase | \$922,914 | \$968,157 | \$1,007,044 | \$1,048,466 | \$1,161,063 | \$1,207,409 |
| Plus New Growth** | \$886,775 | \$587,334 | \$649,858 | \$678,020 | \$692,761 | \$300,000 |
| General Overrides | \$0 | \$0 | \$0 | \$2,777,387 | | |
| Tax Levy Limit | \$38,726,265 | \$40,281,755 | \$41,938,657 | \$46,442,531 | \$48,296,355 | \$49,803,764 |
| Exempt Debt* | \$4,367,789 | \$1,948,546 | \$2,219,419 | \$2,199,779 | \$2,158,527 | \$1,722,080 |
| Levy Capacity | \$43,094,054 | \$42,230,301 | \$43,808,218 | \$48,642,309 | \$50,454,882 | \$51,525,844 |
| Actual Levy Assessed | \$43,092,347 | \$42,197,019 | \$43,967,446 | \$48,519,937 | \$50,373,089 | \$51,525,844 |

| FY10 Tax Change | |
|----------------------------|--------------------|
| 2.5/new growth/excess levy | \$1,589,202 |
| Change in exempt debt | (\$436,447) |
| Total Taxes | \$1,152,755 |

*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.

| | FY04 | FY05 | FY06 | FY07 | FY08 | FY09 | Projected FY10 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-------------------|
| Average Tax Bill Increase | 13.2% | 0.67% | (-3.84%) | 3.5% | 9.4% | 2.3% | 1.69% |
| Savings to Average Tax Bill Resulting from Split Tax Rate | \$767 | \$663 | \$673 | \$725 | \$789 | \$838 | -- |
| Average Residential Tax Bill Home Value | \$468,075 | \$510,202 | \$566,324 | \$566,324 | \$566,324 | \$566,324 | -- |
| *Average Tax Bill | \$6,065 | \$6,107 | \$5,873 | \$6,076 | \$6,648 | \$6,802 | \$6,917 |

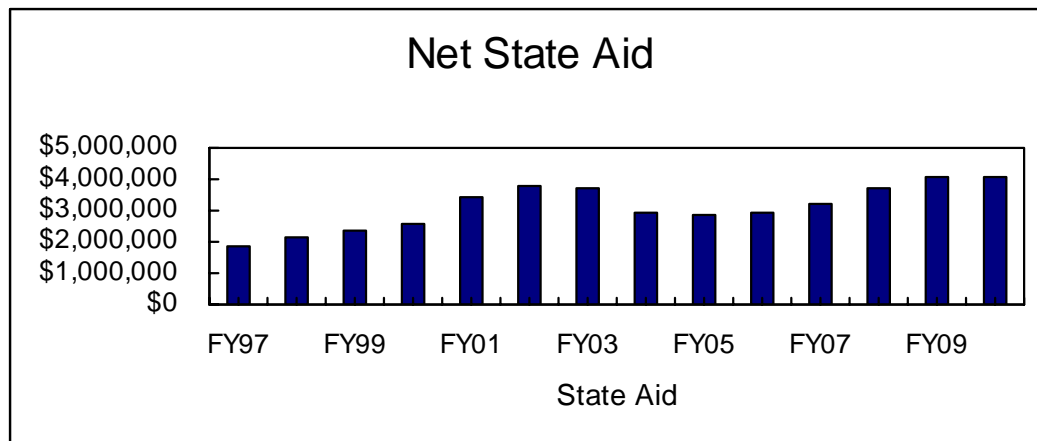
- FY10 increase less than 2.5% due to completion of 1998 Middle School bond.
- FY08 increase greater than 2 ½ % due to school override of \$2.7M.
- FY05 increase less than 2 ½% due to receipt of state building funds for Martha Jones and Downey School projects.
- FY06 was a decrease in taxes due to completion of 1994 road improvement bond and receipt of state building funds for the High School project.

FY10 Projected State Aid

Cherry Sheet Receipts

| | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 | Projected FY2010 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| Chapter 70-Education | \$2,108,502 | \$2,250,702 | \$2,588,559 | \$3,096,779 | \$3,547,941 | \$3,547,941 |
| School Building Assistance | \$226,025 | *\$0 | *\$0 | *\$0 | *\$0 | *\$0 |
| Municipal Aid (Old Lottery & Add'l Assistance) | | | | | | \$648,781 |
| Lottery and Lottery Gap | \$635,077 | \$721,560 | \$857,639 | \$871,741 | \$871,741 | |
| Other | \$222,123 | \$234,916 | \$241,807 | \$258,112 | \$282,347 | \$351,921 |
| Offsets (Restricted to Metco, Library, School Lunch) Prior Year Adjustment | \$188,436 | \$217,988 | \$29,099 | \$30,678 | \$30,830 | \$29,148 |
| Total Receipts | \$3,380,163 | \$3,425,166 | \$3,717,104 | \$4,257,310 | \$4,732,859 | \$4,577,791 |
| Charges | | | | | | |
| County Tax | 156,916 | 154,381 | 158,240 | 152,576 | 156,390 | 156,183 |
| MBTA Assessment | 280,407 | 263,622 | 271,824 | 279,854 | 278,767 | 286,757 |
| Other | 77,565 | 68,309 | 80,359 | 87,485 | 84,175 | \$87,541 |
| Prior Year Adjustment | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Charges | \$514,888 | \$486,312 | \$510,423 | \$519,915 | \$519,332 | \$530,481 |
| Net State Aid | \$2,865,275 | \$2,938,854 | \$3,206,681 | \$3,737,395 | \$4,213,527 | \$4,047,310 |

- FY10 reflects Governor's budget.
- FY10 Governor's budget combines Lottery and Additional Assistance to Municipal Aid.





State School Building Assistance

In 2004 the state made a major change to the school building program. Since then, Westwood continues to benefit from those changes. Payments are applied directly to the debt service.

The Town is currently receiving State School Building reimbursement on 4 school construction projects. All audits are completed and the remaining annual payments finalized and guaranteed.

| School Building Reimbursement | | | |
|-------------------------------|---------------|--|---------------------------------|
| Project | Payment Years | Total State Reimbursement (59% of Project) | Remaining Annual State Payments |
| 1997 Middle School | FY01-FY2010 | \$2,396,493 | \$248,732/yr |
| Downey School | FY05-FY2012 | \$4,983,848 | \$620,168/yr |
| Martha Jones School | FY05-FY2012 | \$5,237,717 | \$617,180/yr |
| High School-Annual Payments | FY06-FY2023 | \$33,092,311 | \$1,522,815/yr |

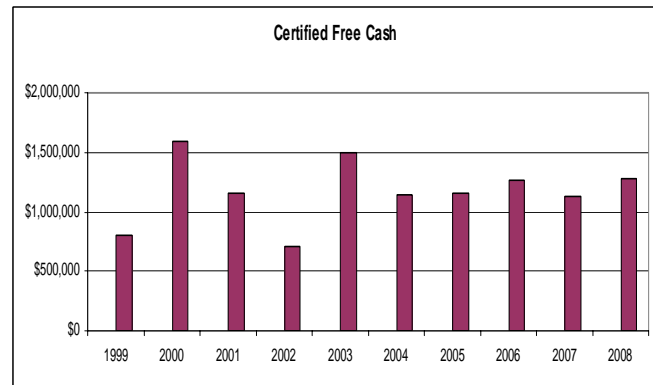
| Total State Reimbursement | | | |
|---------------------------|-------------|-----------|-------------------------|
| FY05 | \$1,544,068 | FY10 | \$3,008,895 |
| FY06 | \$3,600,190 | FY11 | \$2,760,163 |
| FY07 | \$3,193,029 | FY12 | \$2,760,163 |
| FY08 | \$3,089,590 | FY13 | \$1,522,815 |
| FY09 | \$3,008,895 | FY14-FY23 | \$1,522,815 Per year |

These annual payments are finalized and guaranteed. They are not subject to the annual state budget process.

In addition to these annual payments, the Town also received a one-time lump sum payment of \$5,474,763 on 9/1/05 for the High School project.

A Look at Free Cash

- Certified Free Cash as of July 1, 2008 is \$1,274,374 which is approximately 2% of the FY08 budget.
- The 5-year average Free Cash has been approximately \$1.2 million.
- Financial policy not to use free cash for operating budget.
- FY09 used \$700,000 of free cash for capital, \$110,000 for energy reserve, \$25,000 for stabilization and \$128,000 for snow and ice.
- FY10 projections use \$700,000 for capital, \$110,000 for energy reserve and \$60,000 for proposed library article.

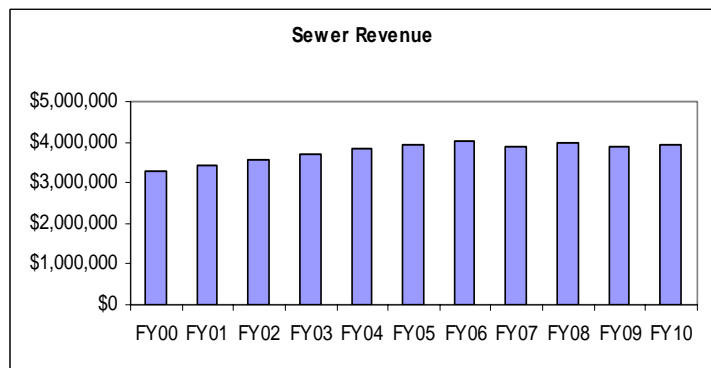


| | July 2008 | July 2007 | July 2006 | July 2005 | July 2004 | July 2003 |
|--|---|---|--|---|---|--|
| Certified | \$1,274,374 | \$1,142,342 | \$1,266,415 | \$1,154,408 | \$1,138,014 | \$1,498,110 |
| Used to Fund Subsequent Budget | Energy Reserve \$110,000 Capital \$700,000 Article \$60,000 | Energy Reserve \$110,000 Capital \$573,000 Stabilization \$25,000 | Energy Reserve \$225,000 Capital \$700,000 Stabilization \$25,000 Articles \$11,175 Budget \$170,473 | Energy Reserve \$225,000 Capital \$700,000 Articles \$100,000 Stabilization \$25,000 | Capital Budgets \$737,899 Stabilization \$122,450 Articles \$25,000 | Capital Budgets \$696,000 Articles \$725,270 Stabilization \$5,000 Article \$25,000 |
| Certified Free Cash as % of Total Budget | 2% | 2% | 2% | 2% | 2% | 3% |

Sewer

Assumptions in FY10:

- Revenue is set to fully recover sewer operating and capital budget.
- Current revenue funds operating budget of \$3,465,730 and capital of \$484,000. If sewer capital greater than \$484,000 is approved, revenue will also increase.



FY2010 Local Receipts

| | FY06 | FY07 | FY08 | FY08 | FY09 | FY10 |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Actual | Actual | Budget | Actual | Budget | Budget |
| Motor Vehicle Excise Tax | \$2,298,851 | \$2,135,755 | \$2,150,000 | \$2,213,371 | \$2,104,500 | \$1,985,000 |
| Penalties and Interest | \$55,045 | \$67,238 | \$50,000 | \$96,971 | \$60,000 | \$60,000 |
| License/Permits | \$566,317 | \$438,495 | \$360,000 | \$479,822 | \$360,000 | \$360,000 |
| Departmental Receipts | \$281,089 | \$301,570 | \$260,000 | \$372,162 | \$277,005 | \$277,000 |
| Special Assessments | \$227 | \$219 | \$0 | \$0 | \$0 | \$0 |
| Investment Income | \$688,030 | \$707,268 | \$504,505 | \$615,900 | \$500,000 | \$350,000 |
| Sewer Indirect* | \$212,000 | \$290,978 | \$290,978 | \$290,978 | \$290,978 | \$0 |
| Recreation | \$145,000 | \$151,164 | \$152,000 | \$152,000 | \$160,000 | \$160,000 |
| Other | \$49,686 | \$195,757 | \$45,000 | \$123,361 | \$60,000 | \$60,000 |
| Westwood Station Guaranteed Payment | | | | | \$1,750,000 | \$1,500,000 |
| Total Local Receipts | \$4,296,245 | \$4,288,444 | \$3,812,483 | \$4,344,565 | \$5,562,483 | \$4,752,000 |

- As prudent financial policy over the past few years, 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). Therefore, the reductions for FY10 are not as high as for other communities.
- The FY10 motor vehicle allows for a 10% reduction from most recent actual receipts.
- FY06 departmental receipts started to include rental income from the Islington Community Center.

*Sewer Indirect – format change only. Beginning in FY10, this account is no longer budgeted this way. Per the Department of Revenue, the sewer revenue budget will include this amount to be transferred directly to the general fund.

FY2010 Available Funds

| Available Funds Allocated | FY06 | FY07 | FY08 | FY09 | FY10 |
|--------------------------------------|------------------|--------------------|------------------|------------------|------------------|
| | Budget | Budget | Budget | Budget | Budget |
| Conservation Receipts | \$17,000 | \$17,000 | \$17,000 | \$17,000 | \$17,000 |
| Cemetery Trust | \$10,000 | \$10,000 | \$10,000 | \$10,000 | \$10,000 |
| Ambulance Receipts | \$223,463 | \$323,850 | \$366,200 | \$370,000 | \$370,000 |
| High School Bond Premium | \$38,302 | \$36,821 | \$35,340 | \$33,859 | \$31,631 |
| Prior Year/Miscellaneous Articles | \$271,000 | \$509,433 | \$21,000 | \$ | \$ |
| Library funds-land purchase | \$180,000 | \$0 | | \$0 | \$0 |
| Prior year Ch70 not used | | \$142,000 | \$118,000 | \$356,720 | \$ |
| | \$739,765 | \$1,039,104 | \$567,540 | \$787,579 | \$428,631 |

Available funds are transferred from these accounts to the general fund to support the corresponding appropriation.

- Major available fund is ambulance receipts – used to offset costs of providing service.
- A new ambulance (cost \$240,000) has been requested in the FY10 capital budget. If approved, additional ambulance funds of \$240,000 will be used for this purpose.
- High School bond premium required annual apportionment to debt.

Municipal Budget

***This section is a summary of the
FY10 Proposed Municipal Budget.***

Please refer to the separate document...

***FY2010 Proposed Municipal Budget
for more detail.***

TOWN OF WESTWOOD

Commonwealth of Massachusetts



Office of the Finance Director

February 11, 2009

To the Honorable Board of Selectmen:

I hereby submit to you the proposed FY10 municipal budget. This document contains the budget proposal for overall municipal operations for FY10. Included are department narratives and detailed budget requests for all the individual municipal departments, including our main services areas of police, fire, and public works.

The budgets for each department are displayed in a clear, easy to read format, allowing readers to review several years of budget and actual expenditures and staffing levels for each department. Each department's budget page also contains a bar graph of salary and expense history, which provides a visual highlight to any significant changes in budget and expenditures.

The budget book also contains a summary section following this letter. This summary section outlines the overall dollar and percent changes to the proposed municipal budget, and quickly lists all major salary and expense items contributing to the change. Readers will find this easy to understand summary provides a concise assessment of the FY10 budget proposal.

This document also contains detailed information on the Town wide fixed cost budget, including debt and employee benefits. These fixed costs cover all employees, municipal and school. The fixed cost budgets have been the fastest growing area of the overall budget, resulting in limited revenue for school and municipal operating budget increases. The FY10 fixed cost budget continues to experience high growth, with a projected \$637,391 or 7.2% increase to fixed costs. The debt service budget will decrease by 8% in FY10 as a \$5.8M bond issued in 1998 has been fully paid and is completed.

Budget Highlights

The FY10 budget has been particularly difficult to prepare. The rapidly deteriorating national economy has impacted our revenue and budget outlook for FY10 and FY11. The state has projected local aid cuts for FY10 and more cuts may follow. The unsettled financial markets have delayed the Westwood Station project. With these financial conditions driving the overall FY10 budget, the Selectmen requested that the FY10 municipal budget be prepared at a \$0 increase budget, remaining at the current FY09 budget level of \$14.5M.

While we have prepared and presented to you a level funded FY10 budget, it does not come easily or without impact. The effects of this budget will be felt by both our employees and our residents. The

FY10 budget proposal does not contain a cost of living wage increase for municipal employees. Our residents will see a decrease in municipal services. As 70% of the municipal budget is spent on public safety and public works, these areas cannot be spared and these services will be reduced.

However, this budget does contain the commitment of the department heads and staff to provide efficient quality services for the community. This budget does retain our current staffing levels in all areas, allowing our departments to continue to provide a broad range of services. These include the areas of public safety, advance life support (ALS) ambulance service, field and playground maintenance, trash and recycling services and programs for our seniors and recreation departments. The Town also must comply with numerous state regulations and mandates, in areas such as inspectional services and public health.

Our municipal staff and department heads will do their best to work through this difficult budget. We know that many of our residents are affected by these same financial conditions in their own work places and homes; our residents understand the difficulties involved with balancing our desire to provide a high level of quality service with limited available funds.

Next Steps

This municipal budget document will be used in conjunction with the Proposed Town Budget Summary book as the budget process moves forward. The Town Budget Summary document contains all budget requests for the school, municipal, fixed costs and capital budget areas, as well as all the revenue information and projections.

At this point, the proposed municipal budget is within the \$0 target established by the Board of Selectmen. We will continue to review and revise the budget proposals for any changes to determine the final municipal budget to be presented to Town Meeting.

Acknowledgements

I would like to thank the municipal department heads for their cooperation and diligence in preparing their department's information. More than ever, the municipal department heads have been asked to do more with less. They remain committed to providing quality services to the community, but recognize the financial constraints the current economic climate presents. The department heads have responded to the Selectmen's request and prepared overall budgets that remain at the current budget level.

I would also like to thank Marie O'Leary, Town Accountant, Pat Conley, Assistant Treasurer, and particularly Sheila Nee, Fincom Administrator, for the significant contribution they make to this document and the overall budget process. They have shown year after year their commitment to quality, accuracy, and full public disclosure.

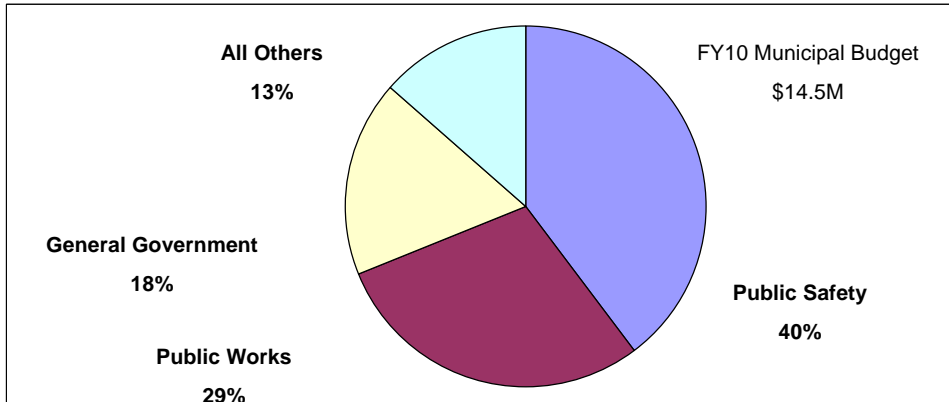
I look forward to working with the Selectmen throughout the spring as we finalize a balanced budget for Town Meeting.

Respectfully submitted,



Pamela Dukeman
Finance Director

Municipal Budget Proposed for FY10

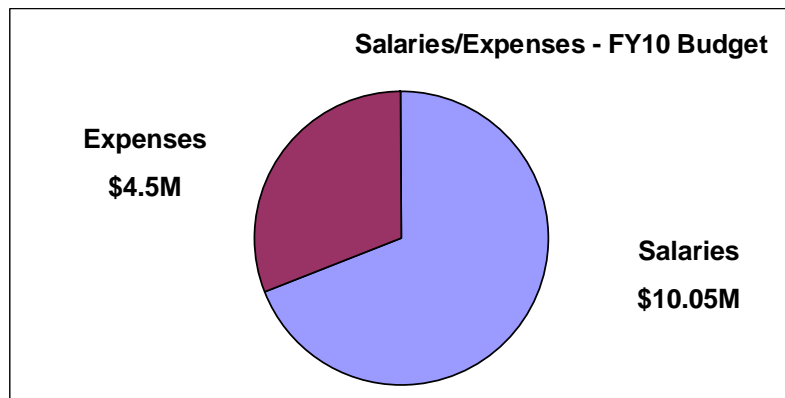


What we do:
 FY10 Municipal Budget \$14.5M
 70% or \$10.1M provides for:

- Police and Fire public safety protection.
- Ambulance services.
- Public Works services.
- Trash/recycling.

| FY09 Amount | Function | FY10 Amount | % of Total |
|--------------|------------------------------------|--------------|------------|
| \$5,764,188 | Public Safety | \$5,778,483 | 40% |
| \$4,204,834 | Public Works | \$4,260,404 | 29% |
| \$2,576,341 | General Government | \$2,546,976 | 18% |
| \$2,001,458 | Library, Recreation and All Others | \$1,960,958 | 13% |
| \$14,546,821 | Total | \$14,546,821 | 100% |

The major portion of the municipal budget is spent on personnel for providing Police, Fire, and DPW services.



Salary is 69% of budget.

FY10 Municipal Budget Summary.....

| | Expended FY2008 | Current FY2009 Budget | FY2010 Budget | \$ Change FY10 vs. FY09 | % Change FY10 vs. FY09 |
|--------------|----------------------------|--------------------------------------|--------------------------|--|---------------------------------------|
| Salaries | \$9,584,332 | \$10,019,779 | \$10,053,502 | \$33,723 | 0.3% |
| Expenses | \$4,640,645 | \$4,527,042 | \$4,493,319 | -(\$33,723) | -0.7% |
| Total | \$14,224,977 | \$14,546,821 | \$14,546,821 | \$0 | 0.0% |

| Major Salary Changes | | |
|---|---|-------------------|
| Department | Item | Amount |
| Salary Obligations | | |
| All Departments | FY10 Contract increases | - 0 - |
| | FY10 Step increases | \$55,000 |
| Police/Fire/DPW | FY10 new at 10-year step increases | \$30,500 |
| Police | Police State share of education aid | \$10,227 |
| All Departments | Other net staffing changes/turnovers | \$6,500 |
| | Total FY09 Staffing Level Changes | \$102,227 |
| Reductions to Salary Budgets to Balance Budget | | |
| Fire | Overtime – reduced by approximately 10% - less coverage | (\$24,000) |
| Police | Overtime – reduced by approximately 10% - less coverage | (\$26,000) |
| DPW | Reduced staffing for field maintenance | (\$5,900) |
| Building | Reduced front desk vacation coverage by 70% | (\$1,050) |
| Recreation | Transfer part time help to recreation revolving account | (\$12,000) |
| | Total FY10 Reductions to Salary Budgets | (\$68,950) |
| | FY10 Net Salary Changes | \$33,277 |

FY10 Municipal Budget Summary.....Continued

| Major Expense Changes | | |
|--|---|-------------------|
| Department | Detail | Amount |
| Requested expense changes – cyclical in nature | | |
| Assessors | Revaluation costs – reval cycle decrease | (\$23,000) |
| Town Clerk | Election cycle decrease (1 election only in FY10) | (\$5,000) |
| | | |
| | Total cyclical expense changes | (\$28,000) |
| Changes in expenses | | |
| DPW – Bldg maintenance | Utilities increase | \$9,700 |
| DPW | Solid waste – increase in contract/fuel charges | \$50,000 |
| Veterans | Veterans benefits – increased payments for eligible recipients | \$23,000 |
| | Total expense changes | \$82,700 |
| | Total usual budget changes | \$54,700 |
| | | |
| Reductions to Expense Budgets to Balance Budget | | |
| Operating Equipment | Budget reduced/projects delayed | (\$47,000) |
| Library | Reduction to expenses | (\$5,500) |
| DPW | Field maintenance reduced | (\$8,000) |
| Personnel | Elimination of consultant funds for classification plan reviews | (\$13,000) |
| Training | General reduction to training/tuition reimbursement | (\$4,000) |
| All Departments | General cuts to expense budgets/programs | (\$9,300) |
| | Total FY10 Reductions to Expense Budgets | (\$86,800) |
| | FY10 Net Expense Changes | (\$32,100) |

What Should FY10 Budget Really Look Like?

| Not included in Requested Budget | |
|---|-----------|
| FY10 COLA salary increase – all employees | \$300,000 |
| Town-wide Facilities Manager position | \$70,000 |
| Total | \$370,000 |

| Items Eliminated to Balance Budget | |
|--------------------------------------|-----------|
| Salary Reductions to Balance Budget | \$68,950 |
| Expense Reductions to Balance Budget | \$86,800 |
| Total | \$155,750 |

| | Expended FY2008 | Current FY2009 Budget | FY2010 Budget | \$ Change FY10 vs. FY09 | % Change FY10 vs. FY09 |
|--------------|---------------------|-----------------------------|---------------------|-------------------------------|------------------------------|
| Salaries | \$9,584,332 | \$10,019,779 | \$10,492,452 | \$472,673 | 4.7% |
| Expenses | \$4,640,645 | \$4,527,042 | \$4,580,119 | \$53,077 | 1.2% |
| Total | \$14,224,977 | \$14,546,821 | \$15,072,571 | \$525,750 | 3.6% |

- As shown on the chart above, if not constrained by the \$0 target, the municipal budget proposal would have increased at least to \$15,072,571, a \$528,000 or 3.6% increase.
- To meet the \$0 target, over \$500,000 was eliminated from the proposals. The largest item being the \$300,000 COLA wage increases.

Appendix D
Proposed FY2010 Departmental Salary/Expense Budgets

| Description | Expended FY2008 | Current FY2009 Budget | Proposed FY2010 Budget | \$ Change FY10 vs FY09 vs | % Change FY10 vs FY09 | Comments |
|--|--------------------|-----------------------------|------------------------------|---------------------------------|-----------------------------|---|
| Selectmen | | | | | | |
| 1. Salaries | 373,680 | 392,955 | 397,732 | 4,777 | 1.2% | |
| 2. Expenses | 53,175 | 52,500 | 50,000 | (2,500) | -4.8% | |
| | <u>426,855</u> | <u>445,455</u> | <u>447,732</u> | <u>2,277</u> | <u>0.5%</u> | |
| Finance Commission | | | | | | |
| 3. Salary | 32,286 | 33,363 | 33,389 | 26 | 0.1% | |
| 4. Expenses | 21,598 | 22,064 | 22,038 | (26) | -0.1% | |
| | <u>53,884</u> | <u>55,427</u> | <u>55,427</u> | <u>0</u> | <u>0.0%</u> | |
| Accounting | | | | | | |
| 5. Salaries | 153,131 | 165,806 | 168,885 | 3,079 | 1.9% | |
| 6. Expenses | 3,753 | 5,700 | 4,800 | (900) | -15.8% | |
| | <u>156,884</u> | <u>171,506</u> | <u>173,685</u> | <u>2,179</u> | <u>1.3%</u> | |
| Audit - School & Municipal Financials | | | | | | |
| 7. Expenses | 49,190 | 50,000 | 50,000 | 0 | 0.0% | |
| Assessors | | | | | | |
| 8. Salaries | 157,194 | 164,507 | 165,637 | 1,130 | 0.7% | |
| 9. Expenses | 25,359 | 44,950 | 21,450 | (23,500) | -52.3% | Cyclical revaluation decrease |
| | <u>182,552</u> | <u>209,457</u> | <u>187,087</u> | <u>(22,370)</u> | <u>-10.7%</u> | |
| Treasurer | | | | | | |
| 10. Salary | 71,867 | 79,078 | 78,670 | (408) | -0.5% | |
| 11. Expenses | 11,519 | 15,130 | 15,130 | 0 | 0.0% | |
| | <u>83,386</u> | <u>94,208</u> | <u>93,800</u> | <u>(408)</u> | <u>-0.4%</u> | |
| Collector | | | | | | |
| 12. Salaries | 89,567 | 99,436 | 99,180 | (256) | -0.3% | |
| 13. Expenses | 59,607 | 66,900 | 66,950 | 50 | 0.1% | |
| | <u>149,173</u> | <u>166,336</u> | <u>166,130</u> | <u>(206)</u> | <u>-0.1%</u> | |
| Legal | | | | | | |
| 14. Salary | 84,072 | 86,617 | 86,645 | 28 | 0.0% | |
| 15. Expenses | 147,685 | 123,500 | 123,500 | 0 | 0.0% | |
| | <u>231,757</u> | <u>210,117</u> | <u>210,145</u> | <u>28</u> | <u>0.0%</u> | |
| Personnel Board | | | | | | |
| 16. Salary | 88,105 | 117,733 | 129,319 | 11,586 | 9.8% | Position Reclass FY09 |
| 17. Expenses | 9,131 | 23,850 | 8,395 | (15,455) | -64.8% | Decrease cost for classification review |
| | <u>97,236</u> | <u>141,583</u> | <u>137,714</u> | <u>(3,869)</u> | <u>-2.7%</u> | |
| Information Systems | | | | | | |
| 18. Salaries | 196,132 | 205,409 | 207,597 | 2,188 | 1.1% | |
| 19. Expenses | 209,560 | 210,000 | 207,812 | (2,188) | -1.0% | |
| | <u>405,692</u> | <u>415,409</u> | <u>415,409</u> | <u>0</u> | <u>0.0%</u> | |

**Appendix D
Proposed FY2010 Departmental Salary/Expense Budgets**

| Description | Expended FY2008 | Current FY2009 Budget | Proposed FY2010 Budget | \$ Change FY10 vs FY09 vs | % Change FY10 vs FY09 | Comments |
|--|--------------------|-----------------------------|------------------------------|---------------------------------|-----------------------------|--|
| Town Clerk | | | | | | |
| 20. Salaries | 114,134 | 132,905 | 131,212 | (1,693) | -1.3% | |
| 21. Expenses | 39,017 | 50,050 | 45,000 | (5,050) | -10.1% | Election cycle decrease |
| | <u>153,151</u> | <u>182,955</u> | <u>176,212</u> | <u>(6,743)</u> | <u>-3.7%</u> | |
| Conservation Commission | | | | | | |
| 22. Salary | 36,974 | 38,857 | 39,749 | 892 | 2.3% | |
| 23. Expenses | 5,275 | 5,550 | 5,450 | (100) | -1.8% | |
| | <u>42,249</u> | <u>44,407</u> | <u>45,199</u> | <u>792</u> | <u>1.8%</u> | |
| Planning Board | | | | | | |
| 24. Salaries | 64,392 | 90,870 | 90,490 | (380) | -0.4% | |
| 25. Expenses | 3,097 | 3,715 | 3,715 | 0 | 0.0% | |
| | <u>67,489</u> | <u>94,585</u> | <u>94,205</u> | <u>(380)</u> | <u>-0.4%</u> | |
| Zoning Board of Appeals | | | | | | |
| 26. Salaries | 19,805 | 23,153 | 23,638 | 485 | 2.1% | |
| 27. Expenses | 807 | 3,350 | 2,865 | (485) | -14.5% | |
| | <u>20,611</u> | <u>26,503</u> | <u>26,503</u> | <u>0</u> | <u>0.0%</u> | |
| Economic Development Task Force | | | | | | |
| 28. Salaries | 26,638 | 69,093 | 70,581 | 1,488 | 2.2% | |
| 29. Expenses | 1,566 | 5,300 | 3,800 | (1,500) | -28.3% | |
| | <u>28,205</u> | <u>74,393</u> | <u>74,381</u> | <u>(12)</u> | <u>0.0%</u> | |
| Outside Professional Services | | | | | | |
| 30. Expenses | 34,924 | 38,000 | 38,000 | 0 | 0.0% | |
| Mass Housing Partnership | | | | | | |
| 31. Expenses | 1,710 | 15,000 | 15,000 | 0 | 0.0% | |
| Housing Authority | | | | | | |
| 32. Expenses | 715 | 10,000 | 10,000 | 0 | 0.0% | |
| Communications Systems | | | | | | |
| 33. Expenses | 115,849 | 121,000 | 121,000 | 0 | 0.0% | |
| Training/Professional Development | | | | | | |
| 34. Expenses | 1,176 | 10,000 | 6,000 | (4,000) | -40.0% | Reduce training/tuition reimbursement budget to help offset public safety cuts |
| Total General Government | 2,302,688 | 2,576,341 | 2,543,629 | (32,712) | -1.3% | |

**Appendix D
Proposed FY2010 Departmental Salary/Expense Budgets**

| Description | Expended FY2008 | Current FY2009 Budget | Proposed FY2010 Budget | \$ Change FY10 vs FY09 vs | % Change FY10 vs FY09 | Comments |
|--------------------------------------|--------------------|-----------------------------|------------------------------|---------------------------------|-----------------------------|---|
| Police Department | | | | | | |
| 35. Salaries | 2,520,483 | 2,498,945 | 2,500,900 | 1,955 | 0.1% | Includes approx \$25,000, 10%, cut to overtime coverage to balance budget |
| 36. Expenses | 196,184 | 217,150 | 217,150 | 0 | 0.0% | |
| | <u>2,716,667</u> | <u>2,716,095</u> | <u>2,718,050</u> | <u>1,955</u> | <u>0.1%</u> | |
| 37. State Funded Education Incentive | 141,997 | 156,717 | 166,944 | 10,227 | 6.5% | Full amount of state program |
| Auxiliary Police/Civil Defense | | | | | | |
| 38. Expenses | 0 | 2,000 | 2,000 | 0 | 0.0% | |
| | <u>0</u> | <u>2,000</u> | <u>2,000</u> | <u>0</u> | <u>0.0%</u> | |
| Animal Control | | | | | | |
| 39. Salary | 31,940 | 41,814 | 41,927 | 113 | 0.3% | |
| 40. Expenses | 6,907 | 7,500 | 7,500 | 0 | 0.0% | |
| | <u>38,847</u> | <u>49,314</u> | <u>49,427</u> | <u>113</u> | <u>0.2%</u> | |
| Fire Department | | | | | | |
| 41. Salaries | 2,299,773 | 2,391,239 | 2,393,239 | 2,000 | 0.1% | Includes approx \$25,000, 10%, cut to overtime coverage to balance budget |
| 42. Expenses | 164,676 | 174,950 | 174,950 | 0 | 0.0% | |
| | <u>2,464,449</u> | <u>2,566,189</u> | <u>2,568,189</u> | <u>2,000</u> | <u>0.1%</u> | |
| Building Inspection | | | | | | |
| 43. Salaries | 222,134 | 238,923 | 238,923 | 0 | 0.0% | Includes \$ 1,050 cut to front desk vacation coverage to balance budget |
| 44. Expenses | 24,110 | 34,950 | 34,950 | 0 | 0.0% | |
| | <u>246,243</u> | <u>273,873</u> | <u>273,873</u> | <u>0</u> | <u>0.0%</u> | |
| Total Public Safety | 5,608,203 | 5,764,188 | 5,778,483 | 14,295 | 0.2% | |

**Appendix D
Proposed FY2010 Departmental Salary/Expense Budgets**

| Description | Expended FY2008 | Current FY2009 Budget | Proposed FY2010 Budget | \$ Change FY10 vs FY09 vs | % Change FY10 vs FY09 | Comments |
|---|--------------------|-----------------------------|------------------------------|---------------------------------|-----------------------------|---|
| Department of Public Works | | | | | | |
| 45. Salaries - admin | 172,975 | 180,753 | 181,917 | 1,164 | 0.6% | |
| 46. Salaries - operations | 1,241,694 | 1,281,681 | 1,284,473 | 2,792 | 0.2% | Includes approx \$6,000 cut to field help to balance budget |
| 47. Expenses | 402,081 | 415,500 | 415,500 | 0 | 0.0% | |
| | <u>1,816,750</u> | <u>1,877,934</u> | <u>1,881,890</u> | <u>3,956</u> | <u>0.2%</u> | |
| Building Maintenance | | | | | | |
| Salaries | | | | | | |
| 48. Expenses | 532,660 | 591,700 | 601,470 | 9,770 | 1.7% | Utility increases |
| | | 591,700 | 601,470 | 9,770 | 1.7% | |
| 49. Municipal & School Field Maintenance | 119,636 | 120,200 | 112,044 | (8,156) | -6.8% | Reduction to field expenses to balance budget |
| 50. Snow & Ice | 568,040 | 250,000 | 250,000 | 0 | 0.0% | |
| 51. Street Lighting/ Traffic Light Maint | 113,827 | 140,000 | 140,000 | 0 | 0.0% | |
| Waste Collection/Disposal | | | | | | |
| 52. Expenses | 1,305,944 | 1,225,000 | 1,275,000 | 50,000 | 4.1% | Increase in Trash Budget to reflect fuel increase in contract |
| Total Public Works | 4,456,857 | 4,204,834 | 4,260,404 | 55,570 | 1.3% | |
| Health Department | | | | | | |
| 53. Salaries | 168,030 | 174,221 | 174,750 | 529 | 0.3% | |
| 54. Expenses | 9,189 | 10,750 | 10,200 | (550) | -5.1% | |
| | <u>177,219</u> | <u>184,971</u> | <u>184,950</u> | <u>(21)</u> | <u>0.0%</u> | |
| 55. Outside Health Agencies | 11,676 | 14,316 | 14,316 | 0 | 0.0% | |
| 56. Disability Commission Expenses | 0 | 500 | 500 | 0 | 0.0% | |
| Council On Aging | | | | | | |
| 57. Salaries | 176,491 | 194,585 | 192,983 | (1,602) | -0.8% | |
| 58. Expenses | 22,442 | 25,535 | 25,535 | 0 | 0.0% | |
| | <u>198,932</u> | <u>220,120</u> | <u>218,518</u> | <u>(1,602)</u> | <u>-0.7%</u> | |
| Youth and Family Services Commission | | | | | | |
| 59. Salaries | 148,521 | 155,343 | 154,285 | (1,058) | -0.7% | |
| 60. Expenses | 14,882 | 15,282 | 15,282 | 0 | 0.0% | |
| | <u>163,403</u> | <u>170,625</u> | <u>169,567</u> | <u>(1,058)</u> | <u>-0.6%</u> | |
| Veterans Services | | | | | | |
| 61. Salaries | 20,941 | 24,541 | 25,185 | 644 | 2.6% | Increase to Veterans Benefits Account |
| 62. Expenses | 50,397 | 37,800 | 60,800 | 23,000 | 60.8% | to reflect actual payments/increase in participants |
| | <u>71,338</u> | <u>62,341</u> | <u>85,985</u> | <u>23,644</u> | <u>37.9%</u> | |
| Total Human Services | 622,567 | 652,873 | 673,836 | 20,963 | 3.2% | |

**Appendix D
Proposed FY2010 Departmental Salary/Expense Budgets**

| Description | Expended FY2008 | Current FY2009 Budget | Proposed FY2010 Budget | \$ Change FY10 vs FY09 vs | % Change FY10 vs FY09 | Comments |
|-------------------------------------|--------------------|-----------------------------|------------------------------|---------------------------------|-----------------------------|---|
| Public Library | | | | | | |
| 63. Salaries | 700,433 | 736,954 | 742,527 | 5,573 | 0.8% | |
| 64. Expenses | 203,490 | 214,350 | 208,801 | (5,549) | -2.6% | Cut to expenses to balance budget |
| 65. Lost Books | 863 | 850 | 850 | 0 | 0.0% | |
| | <u>904,786</u> | <u>952,154</u> | <u>952,178</u> | <u>24</u> | <u>0.0%</u> | |
| Recreation | | | | | | |
| 66. Salaries | 230,945 | 244,281 | 232,725 | (11,556) | -4.7% | Transfer part time salaries to recreation revolving account to balance budget |
| 67. Expenses | 40,769 | 41,550 | 41,550 | 0 | 0.0% | |
| | <u>271,714</u> | <u>285,831</u> | <u>274,275</u> | <u>(11,556)</u> | <u>-4.0%</u> | |
| Memorial/Veteran's Day | | | | | | |
| 68. Expenses | 4,962 | 5,600 | 6,700 | 1,100 | 19.6% | Additional veterans program |
| Total Culture and Recreation | 1,181,462 | 1,243,585 | 1,233,153 | (10,432) | -0.8% | |
| Other | | | | | | |
| 69. Operating Equipment & Projects | 53,200 | 105,000 | 57,316 | (47,684) | -45.4% | Budget reduced/Projects Delayed to balance budget |
| Total Other | 53,200 | 105,000 | 57,316 | (47,684) | -45.4% | |
| Total Municipal Budget | 14,224,977 | 14,546,821 | 14,546,821 | 0 | 0.0% | |

School Budget

***This section is a summary of the
FY10 Recommended School Budget.***

Please refer to the separate document...

***FY2010 School Department Budget
for more detail.***

**Appendix D
Proposed FY2010 Departmental Salary/Expense Budgets**

| Description | Expended FY2008 | Current FY2009 Budget | Proposed FY2010 Budget | \$ Change FY10 vs FY09 vs | % Change FY10 vs FY09 | Comments |
|--------------------------------|--------------------|-----------------------------|------------------------------|---------------------------------|-----------------------------|-----------------------------------|
| Westwood Public Schools | | | | | | |
| Salaries | | 24,979,061 | 24,979,061 | 0 | 0.0% | |
| Expenses | | 7,509,623 | 7,509,623 | 0 | 0.0% | |
| 76. School salaries & exps | 30,760,674 | 32,488,684 | 32,488,684 | 0 | 0.0% | |
| 77. Blue Hills Regional School | 134,725 | 168,144 | 173,379 | 5,235 | 3.1% | Final FY09 assessment - \$173,379 |
| Crossing Guards | | | | | | |
| 78. Salaries | 96,264 | 99,352 | 101,667 | 2,315 | 2.3% | |
| 79. Expenses | 2,233 | 4,900 | 4,900 | 0 | 0.0% | |
| | 98,497 | 104,252 | 106,567 | 2,315 | 2.2% | |
| Total School Budgets | 30,993,896 | 32,761,080 | 32,768,630 | 7,550 | 0.0% | |



WESTWOOD PUBLIC SCHOOLS
 Honoring Tradition, Inspiring Excellence, Shaping the Future

JOHN J. ANTONUCCI
 Superintendent of Schools

January 15, 2009

Dear School Committee Members and Westwood Residents,

On behalf of the Westwood Public Schools, I present to you the Proposed FY'10 School Department Budget. I believe you will find this document to be an excellent resource for you to learn more about our school system. This Executive Summary, in particular, is intended to provide you an easy-to-read, yet detailed overview of the budget request. I am confident your time spent reading this will be valuable.

The development of the FY'10 budget has been extremely challenging in light of the severe downturn in the national, state and local economy. Although I believe it is my job as superintendent to vigorously advocate for the school district, it would be irresponsible of me to present to the community anything less than an austere budget. This is a deviation from my usual stance of presenting a "needs-based budget", which maintains the current level of service *and* keeps the district moving forward.

As the table below illustrates, my recommended budget for FY'10 totals \$33,434,700. This is a \$946,014, or 2.91% increase over FY'09.

| | |
|-----------------------|---------------|
| Final FY'09 Budget | \$ 32,488,686 |
| Proposed FY'10 Budget | \$ 33,434,700 |

Remarkably, and with some minor exceptions, this low increase allows us to fund our current level of service. It does not add programs, or allow us to tackle many of our strategic initiatives, but it does maintain what we have today. I believe strongly that a level service budget should be a *minimum expectation* for the Town of Westwood. While I readily acknowledge the fiscal constraints we face, I am resolved to continue the dialogue about the importance of having a consistent funding stream necessary to run a first-class public school system.

I also want to bring to your attention what I believe is the most important section of this document, titled *What's Missing from the Budget Proposal?* Here I briefly outline several requests which would have been included in a better fiscal climate. I have said repeatedly over the past four years that simply because a need goes unfunded, does not mean the need has gone away. Thus, although my FY'10 budget is "missing" several requests, I believe it is important for the School Committee and the entire school community to have dialogue about the implications of that decision.

HOW DOES A 2.91% INCREASE FUND LEVEL SERVICES?

In past years, I have made the case that typically the community should expect to see a 5% annual increase to the school's operating budget *if it wishes to maintain level services*. Like many organizations, public school systems have several fixed or unavoidable costs on an annual basis. I would actually argue that schools have *more*, given that we are highly regulated by the state and federal government and have mandates that are unfunded (special education is perhaps the greatest example).

This year, we are fortunate to have some accounts decrease (or at least stabilize) that in normal years would rise, enabling us to present a budget at this level. Here are five examples:

- **Turnover:** Although salaries are by far the largest budget driver, in FY'10 we reap the benefits of a banner hiring cycle, during which we beat our estimated Turnover budget by \$109,000. The turnover budget is the amount of money we need to "make up" in the hiring process by hiring less expensive replacements when employees leave the system. The overage in the turnover account reduces the salary base in FY'09, which in turn leads to budgetary savings in FY'10. This is due primarily to the amount of turnover in administrative staff last year, when we replaced three building principals, one assistant principal, the Pre-school Director, the Director of Business and Finance and the Director of Operations. In addition, we created parameters in regards to hiring replacement teachers within certain salary and experience levels. This conservative approach resulted in significant cost savings in FY'09.
- **Utilities:** Unlike the past several years, when the heating fuel and electricity budgets were increasing dramatically, in FY'10 we are projecting a decrease in the utilities' budget of almost \$200,000 (note: there is a more detailed explanation about this later in this document).
- **Transportation:** Due to de-escalating fuel prices, we are projecting a reduction in the transportation budget of approximately \$46,000 (note: there is a more detailed explanation about this later in this document).
- **Special Education:** Like utilities, the rising cost of special education placed significant pressure on the school budget for several fiscal years (primarily FY'03 through FY'07). We are fortunate that due to exceptional new leadership, *and the absence of any unanticipated move-ins or new students*, special education costs have stabilized in FY'09 and FY'10. We are projecting a \$66,000 decrease to the non-salary SPED budget in FY'10 (note: there is a more detailed explanation about this later in this document).
- **Enrollment:** Although some pockets of high class sizes will not be addressed in this proposal, we are fortunate that enrollment will only marginally increase in FY'10.

In regards to the information above, I believe strongly that we are beginning to reap the benefits of our hard work over the past four years. We have been diligent in our efforts to create efficiencies in all departments, and look for ways to reduce or stabilize costs throughout the system. That being said, we are also the beneficiaries of good fortune this year, or at least some pleasant surprises. It is rare to have several annual budget drivers, drive the budget down all at once.

BUDGET DRIVERS

WHAT ARE THE COMPONENTS OF THE \$946,014 INCREASE?

The chart below breaks down the total budget increase of \$946,014 into large, recognizable components. Although schools by nature are complex organizations, school budgets do not have to be. We try to simplify our summaries and exhibits to create understanding and transparency. Please note that more detailed information regarding these six budget drivers appear on the following three pages.

| | |
|--|--------------|
| 1. Salary increases for existing salaries | \$ 1,066,599 |
| 2. Personnel changes: Reduction of .24 FTE; net salary increase | \$ 70,106 |
| 3. Reduction to School Bus Transportation budget (fuel de-escalation) | \$ (48,760) |
| 4. Reduction to Utilities budget (<i>electricity, heating fuel, telephone, water</i>) | \$ (199,300) |
| 5. Reduction to Special Education non-salary budget: Drivers include <i>Transportation In-District Program and Tuition costs</i> | \$ (66,311) |
| 6. Increase to other non-salary budgets: <i>Supplies, Equipment, Contracted Services, Other Expenses</i> | \$ 123,680 |

1. SALARY INCREASES FOR EXISTING EMPLOYEES

TOTAL INCREASE: \$1,066,599

Given the size and nature of a public school system, it is no surprise that employees' salaries drive the operating budget on an annual basis. Each day we serve over 3,000 students housed in seven buildings and, like most large organizations, our human resources are critical to our mission and to our success. In the FY'10 budget, salary increases for our existing 445.49 FTE employees total \$1,066,599, which represents a 4.27% increase over FY'09.

| | | | |
|-----------------------------------|---------------|---------------|--------------|
| Salary Budget: Existing employees | \$ 24,979,046 | \$ 26,045,645 | \$ 1,066,599 |
|-----------------------------------|---------------|---------------|--------------|

Salaries, and in particular teachers' salaries, are driven by two factors. The first is that the great majority of school employees belong to a collective bargaining unit. Most collective bargaining units throughout the nation have a salary scale for their membership. A salary scale defines a range of pay for employees, which is largely dependent on how many years of service the employee has. For example, a first-year teacher will be on Step 1, a second year teacher will be on Step 2, etc. Because of this pay system, salaries rise on an annual basis regardless of whether or not there is an annual "raise". In the FY'10 budget, approximately \$500,000 of the salary increase is due to step increases. This is a 2.0% overall increase over FY'09.

The second factor is a "cost of living" increase, the amount of which varies by year and is the result of employee contract negotiations. Two major contracts -- Custodial and Maintenance and Teachers -- are set to expire at the end of FY'09. Negotiations for those contracts will not be complete until after the budget season, and as such an estimated increase is built into the FY'10 budget. Due to the confidentiality requirements of collective bargaining, we are not at liberty to identify the percentage increase at this time. An aggregate collective bargaining budget line item is included in the budget detail pages in the 600-series accounts.

2. PERSONNEL CHANGES REDUCTION OF .24 FTE – NET SALARY INCREASE OF \$70,106

My recommended budget results in a net reduction of personnel of .24 FTE. However several changes that led to that reduction result in an overall salary *increase* of \$70,016 (to explain in basic terms how that is possible, we "traded" less expensive instructional assistant positions for more expensive teacher and ABA tutor positions). With the exception of the Literacy Para-Professionals, all of the positions listed below are level-service positions. That is, they are required in FY'10 to serve our projected student enrollment.

- **Grade 5 Teacher, Hanlon Elementary School – 1.0 FTE – \$54,000:** This position is needed to accommodate anticipated enrollment in FY'10. The current fifth grade at the Hanlon School is a "singleton" classroom of twenty-four students. As this class graduates from Hanlon, an anticipated 42 Kindergarten students will enroll, requiring an additional classroom in 2009-2010. That will result in thirteen classrooms, as compared to the current twelve.
- **Literacy Para Professionals, Sheehan and Hanlon Elementary Schools – 1.0 FTE - \$20,000:** These positions (.5 FTE in each school) are recommended in lieu of adding first grade teachers in each school to accommodate larger-than-guideline class sizes. Each classroom would be serviced by the literacy paraprofessional for approximately two hours per day.
- **Special Education, District-Wide – net reduction of 2.24 FTE – net savings of \$3,894:** There are several changes, some more significant than others, that result in a reduction of Special Education staff for the 2009-2010 school year. The most significant change is to the district's STAR Program, which serves elementary students with social/emotional and behavioral needs through therapeutic interventions and supports. My recommendation is to eliminate 3.24 FTE Instructional Assistants and replace them with a 1.0 FTE Academic Special Education Teacher. The overriding goal is to ensure that students receive the necessary academic and behavioral supports, which is sometimes compromised in the current model when the *one* classroom teacher is required to respond to students in crisis. The new model, which results in a teaching staff of one Behavior specialist and one Academic specialist, will allow us to more seamlessly serve our students. This change results in a reduction of 2.24 FTE and a cost savings of \$19,992. Furthermore, although health insurance is not carried in the school department budget, the town could net a potential savings of more than \$20,000 in health insurance premiums.

The other recommended Special Education change is at Thurston Middle School, with the elimination of a 1.0 FTE Instructional Assistant (IA) and a corresponding addition of a 1.0 FTE ABA Tutor. Although it does not result in additional FTEs, there is an associated net cost of \$16,097, which is the difference in salary of a traditional IA and an ABA Tutor. The ABA position is required to serve incoming sixth grade students who are transitioning from the Peer Intensive Program at the Downey School, which serves students with significant special needs in the category of autism.


**3. SCHOOL BUS TRANSPORTATION
DECREASE OF \$48,760**

There is no recommended change in service for FY'10, however the total school bus transportation budget has decreased by \$48,760 over FY'09. This is due to the estimated reduction in fuel costs. We are in the third year of a five-year contract with Connolly Bus Company. Like most public transportation contracts, our contract has a "fuel escalation" or "fuel de-escalation" clause. It simply means that the district and contractor agree on a fair-market fuel price at bid time. If during the life of the contract prices fluctuate well beyond that, a contract adjustment is made. Last year, in FY'09, we budgeted for an increase due to rising fuel prices; in FY'10, we expect a reduction due to falling fuel prices.

**4. UTILITIES: ELECTRICITY, HEATING FUEL, TELEPHONE, WATER
DECREASE OF \$199,300**

Over the past several years, the rising cost of Utilities, in particular Heating Fuel and Electricity, placed great pressure on school and municipal budgets. As the chart below illustrates, in FY'09 the utility budget represented 4.57% of the total school operating budget. This is a fixed cost that competes with other budget requests, and limits our ability to enhance our educational programs.

In FY'10, I am pleased to report that the trend is reversed, and our overall utilities budget is decreasing by \$199,300. Consequently, utilities as a percentage of the overall budget is reduced from 4.57 % to 3.84%.



| | | | |
|-------|-------------|--------------|-------|
| FY'09 | \$1,483,450 | \$32,488,686 | 4.57% |
| FY'10 | \$1,284,150 | \$33,434,700 | 3.84% |

What drives the utility budget?: The major driver behind the reduction is found at the High School, where, after four years, we are confident that our actual expenditures give us the baseline we need to build a realistic budget. Last year, FY'08, was the first year where 100% of the building was occupied for the entire year, and where we had full control over the heating and electrical systems. Although there remains some volatility in the high school utility budget, we are comfortable with the FY'10 budget request.

**5. SPECIAL EDUCATION NON-SALARY BUDGET
DECREASE OF \$66,311**

This budget driver represents an aggregate decrease for all special education non-salary accounts. Although the dollar decrease of \$66,311 may not seem significant, it is remarkable in an era where the rising cost of special education is materially impacting school departments throughout the nation. With new leadership in place over the last two fiscal years, Westwood has been able to enhance its special education programs and provide services in a more efficient and cost-effective manner.

That is not to say that special education does not place great pressure on our budget. In fact, special education services account for 23.6% of our total budget, whereas special education enrollment represents

only 15.6% of the total enrollment. However, since FY'07, that impact has been minimized. The table below illustrates that SPED as a percent of the total budget has decreased almost 2% in the last three years.

| | | | |
|-------|-------------|--------------|-------|
| | | | |
| FY'07 | \$6,889,504 | \$27,094,125 | 25.4% |
| FY'10 | \$7,894,084 | \$33,434,700 | 23.6% |

**6. NON-SALARY ACCOUNTS (EXCLUDING SPED, TRANSPORTATION, UTILITIES)
INCREASE OF \$123,681**

The increases or decreases to the Special Education, Transportation, and Utility budgets were highlighted above. The remaining non-salary budget line items – *over 500 of them* – fund our educational programs in all seven schools, central office, the custodial and maintenance division, and athletics. For FY'10, the aggregate budget in all of these accounts increased by \$123,681. Explanations of the major budget drivers are below:

- **Curriculum and Instruction** increased by \$27,300: Unfortunately, the district lost approximately \$30,000 in grant funding in FY'09 that will carry over to FY'10. Those funds are used to offset the professional development budget. The first was a pure \$20,000 reduction from a federal *Program Improvement* grant. The second was a loss of \$10,000 from the *Title II, Improving Teacher Quality* grant. By law, private schools are entitled to a share of these grant proceeds (allocated based on a student enrollment). Xaverian Brothers High School, which has never asked for its share, is doing so now. Thus, we lose approximately \$10,000 of this public grant to a private school. The increase to the curriculum and instruction operating budget is to offset the loss of the grant funds. There are no new programs or services being requested.
- **Central Administration** increased by \$25,025: This increase is due primarily to a \$22,000 increase to the advertising budget (the total FY'10 budget request of \$55,000 is still less than last year's *actual* expenditures). The rate of teacher and administrator turnover is at an all-time high throughout the Commonwealth. The Boston Globe continues to be the most effective means of recruiting high-quality teaching candidates. Advertising rates, however, continue to rise. For example, a 2"x3" block ad in the Sunday paper costs approximately \$3,000. The FY'10 budget request is realistic, however we are committed to exploring other advertising options moving forward.
- **Operations and Maintenance (excluding utilities)** increased by \$32,850: This is the net change of several increases and decreases in the O&M budget. The major increase of \$50,000 is in the Building Maintenance line item. This budget, totaling \$445,000, is the system-wide funding for all building repairs including plumbing, electrical, and HVAC. With over 600,000 sq. feet of building space in seven schools, and several aging buildings, it is important to have sufficient funds in this account. The increase in funding reflects our continued effort and commitment to the care and maintenance of our school facilities.
- **Net of all other increases/decreases** total \$46,020: Throughout the budget document you will see several accounts that have changes as compared to FY'09. Accounts are adjusted for several reasons, including: To more accurately reflect historical expenditures; to account for projected enrollment increases; to account for contractual obligations or inflation; to transfer among departmental line items,

or; to reflect a change to a budget offset. None of these are budget drivers - it is more a reflection of having such a large organization with a large chart of accounts.

HOW DOES THE WEAK ECONOMY AFFECT THE WESTWOOD PUBLIC SCHOOLS?

Public school systems are unique. They do not fit into the category of "business" or "industry" like other organizations. Yet they are not immune to the pressures of a weak economy. There are several ways that the Westwood Public Schools may be, or more likely, *will be* impacted by the most tenuous fiscal climate in recent memory. For example:

1. **Chapter 70 Education Aid:** This is perhaps my greatest cause for concern as we move forward into the budget cycle. Chapter 70 aid, which is Massachusetts' education funding program, is an important source of revenue for the town, totaling \$3.5 million in FY'09. There are strong indications that local aid will be cut by at least 10% for FY'10, if not more. To put this into perspective for the school budget, a 10% reduction would total approximately \$350,000. At first glance, it may seem insignificant. However, when you consider that an average teacher salary is approximately \$55,000, a cut of that magnitude could result in a reduction of six full-time teachers.
2. **State and Federal Grants:** The school department relies heavily on state and federal grants, and deep budget cuts at that level could result in the reduction or elimination of our funding. One prime example is the state's Full-Day Kindergarten grant, which Westwood was awarded in FY'08. We are able to staff our Kindergarten classrooms with Assistants only because we have this grant. If it were eliminated, there is a distinct possibility that we would be forced to eliminate those positions. Furthermore, we receive almost \$750,000 in special education funds from the federal government in the form of the PL94-142 Grant. That *directly* funds 20.75 FTE positions in the FY'10 budget. Once again, a reduction in federal funding could lead to significant budget cuts for the Westwood Public Schools.
3. **User Fees:** Although we were able to fund a slight reduction in user fees two years ago, the reality is that we still collect almost \$900,000 in user fee revenue from Athletics, School Bus Transportation and Full-Day Kindergarten. One hundred percent of that revenue is used to offset (i.e. reduce) the school operating budget. Since these programs are optional for students, there is the possibility that as the local economy suffers, family budgets will be adversely impacted leading to a decline in participation in these programs. A significant reduction to this revenue stream would impact our ability to fund the school department budget.
4. **Inflation:** Like any business, the school department's purchasing power is compromised as the cost of goods and services rise. It is important to remember that the school department is a very large organization and serves over 3,000 students, families and the greater community each day. We are comprised of seven buildings totaling 600,000 sq. feet, and pay the same associated costs of other organizations, including consumable and non-consumable supplies, equipment, utility costs, cleaning and maintenance, etc. For example, in FY'10, our utility budget alone is almost \$1.3 million.
5. **Local Revenue:** Almost ninety percent of the school's budget comes from local revenue sources. Furthermore, like most suburban towns, Westwood's primary source of local revenue is property tax. Unfortunately, Proposition 2 ½ limits the town's ability to raise taxes that are commensurate with the services it wishes to provide. The mechanism to raise taxes to provide those services is an "override", which is a permanent increase to the town's taxing capacity. In this economy, it is difficult to ask residents to increase their expenses by approving an override. Therefore, the school department must accept what limited funding the town can provide without an override.

THE BUDGET INCREASE IN HISTORICAL CONTEXT
SCHOOL DEPARTMENT BUDGET HISTORY: FY'03 TO FY'10

I think it always important to show the budget increase in historical context. The chart below shows that from FY'03 to FY'10, the school budget increased by an average of 4.40%.

| | | |
|-------|--------------|--------|
| FY'03 | \$24,862,000 | - |
| FY'04 | \$24,966,760 | 0.4% |
| FY'05 | \$26,060,095 | 4.4% |
| FY'06 | \$26,060,095 | 0.0% |
| FY'07 | \$27,212,125 | 4.4% |
| FY'08 | \$30,739,512 | 12.96% |
| FY'09 | \$32,488,700 | 5.69% |
| FY'10 | \$33,434,700 | 2.91% |

WHAT'S MISSING FROM THIS BUDGET PROPOSAL?

Like every organization, the Westwood Public Schools wrestles with competing priorities as the budget is developed. Several budget items are proposed by administrators and omitted from my Superintendent's recommended budget, or there are known needs that simply are not requested at all. Both outcomes are due to the very real fiscal constraints of local government. However, I frequently say that *because a need is not funded in a particular budget cycle, it does not mean the need has gone away*. As such, I think it is very important to highlight the following items that are *not* in the FY'10 request:

- **High School Dean of Students:** Lack of an adequate administrative staff at our 832-student high school continues to be a major concern. This position was the number one priority in the FY'09 budget, however was cut during final deliberations. It is still a top priority.
- **Middle School Teachers:** If there were any flexibility in this budget request, adding teachers at the Middle School would likely have jumped to the top of the priority list. Although our overall enrollment is projected to drop slightly next year, from 705 to about 700, we still project some very large class sizes, particularly in grade seven. Here's why: This year, the large enrollment in grade six resulted in large class sizes throughout the grade. The average class size was 25. There were seventeen classes with 27 or more students. Put another way, 28% of our core grade six classes had 27 or more students.

If the same number of students moves from grade six to grade seven, the number of very large classes for some sections will increase. While the class size average, of course, will not change (we will have the same number of kids and the same number of total sections), students will not be as evenly distributed among the classes. We will see some very large classes and some smaller ones. In grade seven, students are placed into leveled math classes for the first time. Typically, about 10% of students (~26 students) are in level three, 40% are in level two (~104 students), and about 50% are in level one (~130 students).

With a level services budget, we cannot add additional math sections. As a result, we project that our level two classes will include about 26 students and our level one classes will each include about 33 students. In addition, all the classes that meet while our level three math classes are in sessions will

include about 29 students. All told, that means at least twelve classes are projected to have 29 or more students.

- **Elementary Classroom Teachers:** There are five elementary classes in the district that are projected to be at the upper end (or over) class-size guidelines in the 2009-2010 school year. Of particular concern are the incoming grade one and grade four classes at the Hanlon and Sheehan schools, and the grade four classes at the Martha Jones school. The building principals advocated for new teachers to mitigate the high class sizes, however we recognize as an administrative team that it would not be responsible to add teaching staff at this time.
- **Middle School Special Education Teacher:** The middle school still has one fewer special education teacher than it did in FY'06 – four budget cycles ago. This position is still needed to meet the needs of the middle school special education population.
- **High School Foreign Language Teacher:** Due to the successful override in FY'08, class sizes at Westwood High School are satisfactory. Foreign Language remains the notable exception. This year, 50% of the sections are over class size guidelines, and six classes have 25 or more students.
- **User Fees:** Although this budget does not *increase* user fees, we still rely on over \$900,000 in user-fee revenue from School Bus Transportation, High School Athletics and Full-Day Kindergarten.

IS THIS THE FINAL BUDGET?

There is a very strong likelihood, if not a guarantee, that my recommended budget will be reduced when budget deliberations are complete. There is the further possibility that it will be reduced by a significant amount if current revenue projections do not change (*Note: Revenue projections are made available to us by the town's finance department. Questions regarding the town's revenue may be directed to town hall.*)

The budgeting process, at both the school and municipal level, is fluid. Since our budgets are developed so early in the year, we are forced to develop a proposed budget that makes many assumptions about potential revenue, federal, state and local aid, projected enrollment, and many other factors. In particular, the largest variable is the contribution we receive from the town. As the budget process evolves, the size and scope of the budget may change based on what the town is able to contribute. At publication time, the town is projecting a 0% increase for all department budgets. The town's estimate is built with several variables in mind, among them potential Westwood Station revenue and State Aid.

Should the 0% budget materialize, we would be forced to cut our budget request. I call the difference between my recommended budget and the town's probable contribution the "Funding Gap", which in this case is \$946,014.

| | | |
|-----------------------------|----|---------|
| Probable Local Contribution | \$ | - |
| Total FY'10 Budget Increase | \$ | 946,014 |

IMPORTANT: What this means is that if the town's estimated budget becomes the *actual* budget, the school department will have to reduce its request by \$946,014. Although we are prepared for any scenario, I believe it is premature to develop a list of proposed cuts before any accurate revenue information is available to us.

CONCLUSION

I hope this overview is helpful to you. The annual development of the school budget is a challenge to every administrator in the district, as we try to balance the needs of our students, the needs of the community, and the local mandate for continuous improvement.

Given the importance of our public schools, and given the amount of resources necessary to run a first-class system, I am committed to an annual budget process that is transparent and thorough. I want to ensure that Westwood residents have budget information readily available, and that I meet my stated goal of leaving *no question unanswered*. Toward that end, I encourage all residents to attend School Committee meetings or other budget forums when possible.

In recognition of the fact that busy schedules do not always allow residents to attend meetings, I have also made all of the budget documents available on-line at www.westwood.k12.ma.us. There are several documents available for your review including: Budget detail pages, Power Point presentations, this Executive Summary and much more. I encourage you to visit our website.

I want to thank all of the principals, K-12 Directors, and central office staff for their contributions in developing the Proposed FY'10 Budget. I also want to acknowledge Heath Petracca, the district's new Director of Business and Finance, whose work in developing in this document was nothing short of exceptional.

Please let me know if you have any questions about this budget or any other school related matter. I can be reached by e-mail at jantonucci@westwood.k12.ma.us or by phone at 781-326-7500 x1341. Thank you for your continued support.

Sincerely,



John J. Antonucci

Exhibit 1
FY'09 vs. FY '10 Budget Summary by Major Category

| | FY'09 Appropriation | FY'10 Proposed Budget | Increase/ Decrease (\$) | Increase/ Decrease (%) |
|--|------------------------|-----------------------------|----------------------------|---------------------------|
| I. INSTRUCTIONAL | | | | |
| Salary | \$ 22,685,693 | \$ 23,775,773 | \$ 1,090,081 | 4.81% |
| Non-Salary | 2,412,850 | 2,439,655 | 26,805 | 1.11% |
| <i>Instructional Sub-total</i> | \$ 25,098,543 | \$ 26,215,428 | \$ 1,116,886 | 4.45% |
| II. CENTRAL ADMINISTRATION | | | | |
| Salary | 863,857 | \$ 872,201 | \$ 8,344 | 0.97% |
| Non-Salary | 275,950 | 300,975 | 25,025 | 9.07% |
| <i>Administration Sub-total</i> | \$ 1,139,807 | \$ 1,173,176 | \$ 33,369 | 2.93% |
| III. OPERATIONS | | | | |
| Salary | 1,429,496 | \$ 1,467,778 | \$ 38,282 | 2.68% |
| Non-Salary | 2,636,830 | 2,421,620 | (215,210) | -8.16% |
| <i>Operations Sub-total</i> | \$ 4,066,326 | \$ 3,889,397 | \$ (176,930) | -4.35% |
| Sub-Total Sections I.-III. | \$ 30,304,676 | \$ 31,278,001 | \$ 973,325 | 3.21% |
| IV. SPED TUITION AND TRANSP. | | | | |
| Out-of-district Tuition | 1,507,000 | \$ 1,499,699 | \$ (7,301) | -0.48% |
| Sped Transportation | 677,010 | 657,000 | (20,010) | -2.96% |
| <i>Spec. Ed. Tuition and Transp. Sub-total</i> | \$ 2,184,010 | \$ 2,156,699 | \$ (27,311) | -1.25% |
| Sub-Total Section IV. | \$ 2,184,010 | \$ 2,156,699 | \$ (27,311) | -1.25% |
| TOTAL OPERATING BUDGET | \$ 32,488,686 | \$ 33,434,700 | \$ 946,014 | 2.91% |

Budget-30

Exhibit 7
Capital Budget Summary

| Item | Description | Actual FY '04 | Actual FY '05 | Actual FY '06 | Actual FY '07 | Actual FY '08 | Proposed FY '09 | Proposed FY '10 |
|---------------------------------------|----------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 1. | Technology | \$ - | \$ 100,000 | \$ 100,000 | \$ 100,000 | \$ 183,500 | \$ 185,000 | \$ 200,000 |
| 2. | FF&E | \$ - | \$ 3,500 | \$ 22,300 | \$ 70,800 | \$ 16,500 | \$ 7,000 | \$ - |
| 3. | HVAC | \$ 70,000 | \$ - | \$ 15,000 | \$ 15,000 | \$ - | \$ - | \$ 18,000 |
| 4. | Roofing | \$ - | \$ - | \$ - | \$ 340,000 | \$ - | \$ - | \$ - |
| 5. | Repair & Maintenance | \$ 27,800 | \$ 51,000 | \$ 64,000 | \$ 31,000 | \$ 50,000 | \$ 59,300 | \$ - |
| 6. | Copiers | \$ 70,000 | \$ 87,300 | \$ 66,500 | \$ 51,000 | \$ 77,600 | \$ 76,300 | \$ 80,000 |
| 7. | Vehicles | \$ - | \$ 26,000 | \$ - | \$ - | \$ - | \$ - | \$ 30,000 |
| 8. | Modulars - Hanlon | \$ - | \$ - | \$ - | \$ - | \$ 78,400 | \$ 78,400 | \$ 78,400 |
| 9. | M. S. - Modulars | \$ 138,200 | \$ 138,200 | \$ 138,200 | \$ 138,200 | | \$ 110,000 | |
| Total | | \$ 306,000 | \$ 406,000 | \$ 406,000 | \$ 746,000 | \$ 406,000 | \$ 516,000 | \$ 406,400 |
| | | | | | | | | |
| Cumulative Shortfall from Plan | | \$ 884,000 | \$ 1,829,500 | \$ 3,225,000 | \$ 4,301,500 | \$ 5,582,900 | \$ 6,778,300 | \$ 8,579,300 |

* Thurston Roof funded by separate ATM article

Budget-31

Fixed Costs/Other Budgets

Debt

Reserves/Benefits/Insurance

Sewer

**Appendix D
Proposed FY2010 Departmental Salary/Expense Budgets**

| Description | Expended FY2008 | Current FY2009 Budget | Proposed FY2010 Budget | \$ Change FY10 vs FY09 vs | % Change FY10 vs FY09 | Comments |
|-------------|--------------------|-----------------------------|------------------------------|---------------------------------|-----------------------------|----------|
|-------------|--------------------|-----------------------------|------------------------------|---------------------------------|-----------------------------|----------|

Fixed Costs Budgets - School and Municipal

Municipal Employee Benefits/Costs

| | | | | | | |
|--|------------------|------------------|------------------|----------------|-------------|------------------|
| Retirement Assessment | 1,296,702 | 1,494,903 | 1,630,909 | 136,006 | 9.1% | |
| Non-Contrib Pension | 53,146 | 54,740 | 56,383 | 1,643 | 3.0% | |
| Worker's Compensation | 49,871 | 65,827 | 65,827 | (0) | 0.0% | |
| Unemployment Compensation | 5,071 | 12,000 | 12,000 | 0 | 0.0% | |
| Health Insurance | 1,092,003 | 1,143,079 | 1,257,387 | 114,308 | 10.0% | Current Estimate |
| Life Insurance | 3,709 | 3,675 | 4,200 | 525 | 14.3% | |
| Pre-Hire/EAP/Payroll | 75,722 | 85,149 | 74,244 | (10,905) | -12.8% | |
| Public Safety Medical/111F ins | 24,595 | 30,000 | 54,064 | 24,064 | 80.2% | |
| Medicare Part B Refund | 29,257 | 30,510 | 35,100 | 4,590 | 15.0% | |
| Social Security Tax | 10,596 | 23,000 | 23,000 | 0 | 0.0% | |
| Medicare Payroll Tax | 119,950 | 118,589 | 124,178 | 5,589 | 4.7% | |
| Municipal Employee Benefits/Costs | 2,760,622 | 3,061,472 | 3,337,292 | 275,819 | 9.0% | |

School Employee Benefits/Costs

| | | | | | | |
|---------------------------------------|------------------|------------------|------------------|----------------|-------------|------------------|
| Retirement Assessments | 555,399 | 640,283 | 698,514 | 58,231 | 9.1% | |
| Worker's Compensation | 105,976 | 139,774 | 139,779 | 5 | 0.0% | |
| Unemployment Compensation | 41,768 | 75,000 | 75,000 | 0 | 0.0% | |
| Health Insurance | 2,783,007 | 3,321,398 | 3,653,538 | 332,140 | 10.0% | Current Estimate |
| Life Insurance | 7,014 | 5,964 | 7,550 | 1,586 | 26.6% | |
| EAP/Payroll service | 29,307 | 37,155 | 21,226 | (15,929) | -42.9% | |
| Medicare Part B Refund | 78,391 | 77,823 | 90,150 | 12,327 | 15.8% | |
| Social Security Tax | 19,500 | 30,000 | 30,000 | 0 | 0.0% | |
| Medicare Payroll Tax | 312,452 | 346,077 | 363,380 | 17,303 | 5.0% | |
| School Employee Benefits/Costs | 3,932,814 | 4,673,474 | 5,079,137 | 405,663 | 8.7% | |

70. **Total Benefits/Costs** **6,693,436** **7,734,946** **8,416,428** **681,482** **8.8%**

Insurance/Reserves

Comprehensive And Liability Insurance - School & Municipal

| | | | | | | |
|----------------------------------|----------------|------------------|------------------|-----------------|--------------|-------------------------|
| 71. Expenses | 371,053 | 446,091 | 402,000 | (44,091) | -9.9% | Reflects updated policy |
| 72. Energy/Utility Reserve Fund* | 0 | 225,000 | 225,000 | 0 | | |
| 73. Reserve Fund | 0 | 400,000 | 400,000 | 0 | 0.0% | |
| Total Ins./Reserve | 371,053 | 1,071,091 | 1,027,000 | (44,091) | -4.1% | |

| | | | | | | |
|---------------------------------|------------------|------------------|------------------|----------------|-------------|--|
| Total Fixed Costs Budget | 7,064,489 | 8,806,037 | 9,443,428 | 637,391 | 7.2% | |
|---------------------------------|------------------|------------------|------------------|----------------|-------------|--|

Reserve Accounts -Actual expenditures are shown in the budgets to which transfers were made.

* This energy reserve account has been established in order to handle FY09/FY10 utility costs.

This reserve fund budget will be transferred if needed to the respective budgets upon vote by the Board of Selectmen .
\$150,000 of the \$225,000 energy reserve account was expended in FY08.

Debt Service Budget

| | | | | | | |
|------------------------------------|-----------|-----------|-----------|-----------|--------|---|
| 74. Municipal Related Debt Service | 685,321 | 887,713 | 744,525 | (143,188) | -16.1% | Reduction in sch/municipal debt reflects completion in FY09 of 1998 Bond |
| 75. School Related Debt Service | 5,438,748 | 5,485,093 | 5,128,234 | (356,859) | -6.5% | Debt includes partial interest only payment for Middle School Modular project |

| | | | | | | |
|--------------------------|------------------|------------------|------------------|------------------|--------------|--|
| Total Debt Budget | 6,124,069 | 6,372,806 | 5,872,759 | (500,047) | -7.8% | |
|--------------------------|------------------|------------------|------------------|------------------|--------------|--|

**Appendix D
Proposed FY2010 Departmental Salary/Expense Budgets**

| Description | Expended FY2008 | Current FY2009 Budget | Proposed FY2010 Budget | \$ Change FY10 vs FY09 vs | % Change FY10 vs FY09 | Comments |
|---------------------------------|--------------------|-----------------------------|------------------------------|---------------------------------|-----------------------------|---|
| Sewer Enterprise | | | | | | |
| 80. Salaries | 309,429 | 311,805 | 336,040 | 24,235 | 7.8% | |
| 81. Expenses | 96,183 | 118,900 | 116,900 | (2,000) | -1.7% | |
| 82. Pumping Stations | 148,245 | 150,900 | 150,900 | 0 | 0.0% | |
| 83. MWRA Assessment | 2,383,235 | 1,964,562 | 2,114,039 | 149,477 | 7.6% | |
| 84. Mandated Inspections | 120,000 | 120,000 | 120,000 | 0 | 0.0% | |
| Indirect Costs | 290,978 | 290,978 | 0 | (290,978) | -100.0% | Formatting change - no longer expense item |
| 85. Sewer Debt & Int | 449,491 | 439,980 | 311,873 | (128,107) | -29.1% | Decrease due to completion of 1998 bond |
| 86. System Ext./Repairs | 25,000 | 25,000 | 25,000 | 0 | 0.0% | |
| Total Sewer Enterprise** | 3,822,561 | 3,422,125 | 3,174,752 | (247,373) | -7.2% | Note - Sewer Revenue will be Operating Budget + \$290,978 for indirect |

Capital

This section is a summary of the
Capital Improvement Plan.

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 committed to improving the overall Capital Improvement Plan, increasing the funding for capital, and providing 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 – Annual revenue from the total tax levy can be used to fund 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.

Capital Improvement Stabilization Fund – Funding for annual capital expenditures may come from the Capital Improvement Stabilization Fund upon vote of Town Meeting. This fund, established at the 2005 Annual Town Meeting, currently has a \$0 balance.

Other Sources – Other funding sources may include state and federal grants and available funds, such as ambulance receipts, library trust funds or other restricted accounts.

A Look at Recent Capital Project Financing

| | FY04 | FY05 | FY06 | FY07 | FY08 | FY09 |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Tax Revenue | \$176,000 | \$142,000 | \$85,101 | \$123,000 | \$123,000 | \$573,000 |
| Free Cash | \$600,000 | \$696,000 | \$737,899 | \$700,000 | \$700,000 | \$700,000 |
| Borrowing Within Proposition 2 ½ | | \$600,000 | \$1,000,000 | \$2,145,000 | \$475,000 | \$4,500,000 |
| Exempt Debt | | | | | | |
| Sewer Enterprise Funds | \$0 | \$133,000 | | \$355,000 | \$155,000 | \$484,000 |
| Sewer Enterprise Borrowing | | \$750,000 | | | | |
| Other Sources | \$144,819 | \$200,000 | \$370,000 | \$450,000 | | |

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.

FY10 CAPITAL DISCUSSION

FY10 continues to be a difficult budget year for municipalities across the state of Massachusetts. Limited new revenue growth, reduced 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. These ongoing concerns with our structural deficit are now coupled with the unprecedented problems of the national economy.

The Town has been operating in prior years with funding capital on a pay-as-you-go basis, with limited 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 had allowed the Town to maintain an annual capital budget of approximately \$800,000 to \$1 million dollars. The Town had been able to avoid debt financing for such items as vehicles, DPW equipment and information systems equipment.

The pay-as-you-go plan that worked in the past cannot continue in future years. First, the funding source, free cash, cannot be maintained at the same levels; therefore, funds will not be available to appropriate at these same capital levels.

In addition, overall capital expenditures need to significantly increase. The Town's assets and infrastructure, including Town and School buildings, roadways, and equipment are aging and will require sufficient annual appropriations to maintain their proper condition. In addition, it is important that funding is available to properly maintain the new and renovated assets recently brought on line, including the Carby Street Municipal Office building, the new High School, and the renovated elementary schools. After significant investment in these resources, proper investment is critical to ensure these assets remain at a high quality level.

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 has demonstrated that a portion of new tax revenue from new commercial development could be dedicated to capital financing as was done in FY09. This would also provide for a long term, consistent method of funding necessary for capital improvements and maintenance when the Westwood Station project moves forward.

In addition, in FY06 the LRFP Subcommittee proposed establishing a Capital Stabilization Fund, which would legally limit the funds for capital uses. This fund was approved at the May, 2005 Annual Town Meeting. The 2008 Annual Town Meeting appropriated \$75,000 into this fund. Voters are guaranteed that these funds can only be used for capital. The Town must continue to guide new commercial revenue to capital projects and the Capital Stabilization Fund.

FY10 Recommendations

Capital appropriations in FY09 were significantly higher than recent years due to a guaranteed payment from the Westwood Station developer. The Town took approximately 25% of the first \$1.75M of guaranteed payment from Westwood Station and devoted it to additional capital projects. This provided a one-time boost of \$450,000 in much needed capital spending. Specifically, an additional \$110,000 was provided to the schools and \$341,000 to municipal capital needs. However, the current financial projections for FY10 indicate that there will only be funding within Proposition 2 ½ to support FY10 capital at the FY08 level. To support capital above these minimum levels would require new funding sources. Therefore, without significant new funding, the capital budget will continue below what is necessary to properly maintain the Town's assets.

**Capital Outlay Requests - FY2010
For Approval at the 2009 Annual Town Meeting**

Current Availability for Funding - FY2010

At this time, available funds within Proposition 2 1/2 only allow for funding for capital at the same level as FY08. The Town is not able to retain capital at the FY09 level.

In summary, the current funding would provide the following capital level:

| | FY08 | FY09 | FY10 |
|-------------------|-------------|-------------|-------------|
| School Capital | \$406,000 | \$516,000 | \$406,000 |
| Municipal Capital | \$417,000 | \$757,000 | \$417,000 |

The School Committee and Board of Selectmen will identify specific recommendations for items to be approved with the capital targets.

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

FY2010 - 2014 Capital Improvement Plan

| Capital Project Requests | FY2010 Request | FY2011 Request | FY2012 Request | FY2013 Request | FY2014 Request | Total |
|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------|
|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------|

Municipal Infrastructure

| | | | | | | |
|--------------------------|--|--|-------------|--|--|-------------|
| Road Improvement Project | | | \$2,500,000 | | | \$2,500,000 |
| Cemetery Expansion | | | \$700,000 | | | \$700,000 |

| | | | | | | |
|--------------------------|--|------------|--|------------|--|--------------------|
| Category Subtotal | | \$0 | | \$0 | | \$3,200,000 |
|--------------------------|--|------------|--|------------|--|--------------------|

Municipal Buildings

| | | | | | | |
|--|-------------|-------------|-------------|-----------|-----------|-------------|
| Design Plans for Senior Center Addition | \$45,000 | | | | | \$45,000 |
| Senior Center Addition | | | \$500,000 | | | \$500,000 |
| Storage Garage - Cemetery | \$175,000 | | | | | \$175,000 |
| DPW Equipment Storage/Lunch Room Facility | \$480,000 | | | | | \$480,000 |
| Fire Station 1 Renovations | \$100,000 | \$1,500,000 | | | | \$1,600,000 |
| Fire Station 2 Renovations | \$150,000 | \$3,000,000 | | | | \$3,150,000 |
| Main Library Building Project | \$7,950,000 | | | | | \$7,950,000 |
| Town Hall Landscaping | \$250,000 | | | | | \$250,000 |
| Town Hall Renovation | \$200,000 | \$1,800,000 | | | | \$2,000,000 |
| Islington Community Center Lift | | | | \$100,000 | | \$100,000 |
| Colburn School Renovations | | | \$2,760,000 | | | \$2,760,000 |
| Islington Community Center Kitchen/Theater | \$100,000 | | | | | \$100,000 |
| Municipal Building Maintenance | \$100,000 | \$100,000 | \$100,000 | \$100,000 | \$100,000 | \$500,000 |

| | | | | | | |
|--------------------------|--------------------|--------------------|--------------------|------------------|------------------|---------------------|
| Category Subtotal | \$9,550,000 | \$6,400,000 | \$3,360,000 | \$200,000 | \$100,000 | \$19,610,000 |
|--------------------------|--------------------|--------------------|--------------------|------------------|------------------|---------------------|

COA

| | | | | | | |
|-----|----------|--|--|--|--|----------|
| Van | \$50,000 | | | | | \$50,000 |
|-----|----------|--|--|--|--|----------|

| | | | | | | |
|-------------------------|--|------------|------------|--|--|-----------------|
| Department Total | | \$0 | \$0 | | | \$50,000 |
|-------------------------|--|------------|------------|--|--|-----------------|

DPW

| | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Brook Street Bridge Repair | \$50,000 | | | | | \$50,000 |
| Superintendent Sedan | \$28,000 | | | | | \$28,000 |
| Heavy Duty Dump Truck, Sander, & Plow | \$150,000 | | | | | \$150,000 |
| Heavy Duty Dump Truck, Sander, & Plow | \$150,000 | | | | | \$150,000 |
| Street Sweeper | \$190,000 | | | | | \$190,000 |
| Nahatan Street Retaining Wall | \$35,000 | | | | | \$35,000 |
| Heavy Duty Truck, Sander & Plow | | \$150,000 | | | | \$150,000 |
| Heavy Duty Pickup Truck & Plow | | \$58,000 | | | | \$58,000 |
| 8 Garage Doors - Maintenance Garage | | \$55,000 | | | | \$55,000 |
| (2) Heavy Duty Dump Truck, Sander & Plow | | | \$370,000 | | | \$370,000 |
| (3) One Ton Dump Trucks & Plows | | | \$180,000 | | | \$180,000 |
| One Ton Dump Truck | | | \$55,000 | | | \$55,000 |
| One Ton Dump & Plow | | | | \$65,000 | | \$65,000 |
| One Medium Dump & Plow | | | | \$85,000 | | \$85,000 |
| One Heavy Duty Dump Truck, Sander & Plow | | | | \$150,000 | | \$150,000 |
| One Hook Lift Truck, Sander & Plow | | | | \$150,000 | | \$150,000 |
| (2) Heavy Duty Dump Truck, Sander & Plow | | | | | \$300,000 | \$300,000 |
| Side Walk Tractor | | | | | \$125,000 | \$125,000 |
| 3 Yard Loader | | | | | \$200,000 | \$200,000 |
| Wood Chipper | | | | | \$30,000 | \$30,000 |
| Skid Loader | | | | | \$45,000 | \$45,000 |

| | | | | | | |
|-------------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| Department Total | \$603,000 | \$263,000 | \$605,000 | \$450,000 | \$700,000 | \$2,621,000 |
|-------------------------|------------------|------------------|------------------|------------------|------------------|--------------------|

FY2010 - 2014 Capital Improvement Plan

| Capital Project Requests | FY2010 Request | FY2011 Request | FY2012 Request | FY2013 Request | FY2014 Request | Total |
|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------|
|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------|

Fire

| | | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| Command Vehicle | \$29,000 | | | | | \$29,000 |
| Replace Service Truck | \$49,730 | | | | | \$49,730 |
| Deputy Chief's Vehicle | \$27,000 | | | | | \$27,000 |
| Chief's Vehicle | \$29,000 | | | | | \$29,000 |
| Ambulance | \$240,000 | | \$250,000 | | | \$490,000 |
| Ladder Truck (\$600,000) | \$100,000 | \$100,000 | \$100,000 | \$100,000 | \$100,000 | \$500,000 |
| Breathing Apparatus Upgrade & Replacement | \$16,200 | \$16,400 | \$16,600 | \$16,800 | \$17,000 | \$83,000 |
| Radio Upgrade & Replacement | \$7,000 | \$7,200 | \$7,400 | \$7,600 | \$7,800 | \$37,000 |
| Rescue Equipment | \$12,000 | \$12,000 | \$12,000 | \$12,000 | \$12,000 | \$60,000 |
| Engines - Overhaul | | \$30,000 | | | | \$30,000 |

| | | | | | | |
|-------------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| Department Total | \$509,930 | \$165,600 | \$386,000 | \$136,400 | \$136,800 | \$1,334,730 |
|-------------------------|------------------|------------------|------------------|------------------|------------------|--------------------|

Information Technology

| | | | | | | |
|--|----------|----------|----------|----------|----------|-----------|
| End User Technology | \$75,000 | \$75,000 | \$80,000 | \$80,000 | \$80,000 | \$390,000 |
| School Human Resources Program for EPIMS | \$20,000 | | | | | \$20,000 |
| Archiving & Offsite Storage Solution | \$20,000 | \$20,000 | \$20,000 | \$20,000 | \$20,000 | \$100,000 |
| Student Management Program Enhancements | \$75,000 | \$85,000 | \$85,000 | | | \$245,000 |
| Library Public Access Upgrades | \$8,000 | \$8,000 | \$8,000 | \$8,000 | \$8,000 | \$40,000 |

| | | | | | | |
|-------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Department Total | \$198,000 | \$188,000 | \$193,000 | \$108,000 | \$108,000 | \$795,000 |
|-------------------------|------------------|------------------|------------------|------------------|------------------|------------------|

Police

| | | | | | | |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Replacement of Police Vehicles | \$115,687 | \$120,314 | \$125,127 | \$130,132 | \$135,337 | \$626,597 |
| Radio Infrastructure Plan | \$20,000 | \$20,000 | \$20,000 | | | \$60,000 |
| Communications Radio Console | \$150,000 | | | | | \$150,000 |
| Safety Officer Vehicle | \$35,000 | | | | | \$35,000 |
| Animal Control Officer Vehicle | | \$30,000 | | | | \$30,000 |

| | | | | | | |
|-------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Department Total | \$320,687 | \$170,314 | \$145,127 | \$130,132 | \$135,337 | \$901,597 |
|-------------------------|------------------|------------------|------------------|------------------|------------------|------------------|

School

| | | | | | | |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-------------|
| Technology | \$800,000 | \$800,000 | \$800,000 | \$500,000 | \$500,000 | \$3,400,000 |
| Furniture, Fixtures, Equipment | \$325,000 | \$325,000 | \$325,000 | \$325,000 | \$325,000 | \$1,625,000 |
| HVAC and Controls | \$100,000 | \$100,000 | \$100,000 | \$100,000 | \$100,000 | \$500,000 |
| Roofing | \$209,000 | \$379,935 | \$379,935 | \$379,935 | \$379,935 | \$1,728,740 |
| Repair Items | \$350,000 | \$350,000 | \$350,000 | \$350,000 | \$350,000 | \$1,750,000 |
| Copiers/Duplicators | \$95,000 | \$95,000 | \$95,000 | \$95,000 | \$95,000 | \$475,000 |
| Vehicles | \$30,000 | | \$24,000 | | | \$54,000 |
| Modulars-lease purchase Hanlon | \$78,400 | | | | | \$78,400 |

| | | | | | | |
|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Department Total | \$1,987,400 | \$2,049,935 | \$2,073,935 | \$1,749,935 | \$1,749,935 | \$9,611,140 |
|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|

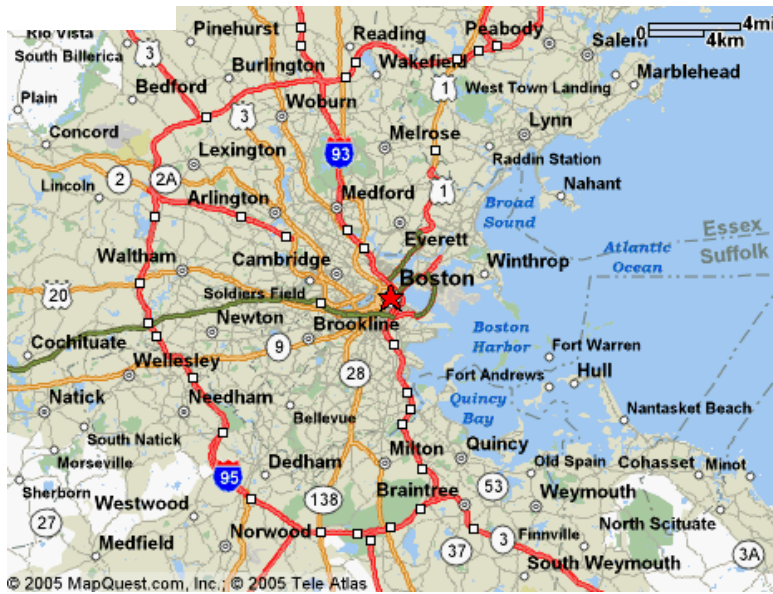
FY2010 - 2014 Capital Improvement Plan

| Capital Project Requests | FY2010 Request | FY2011 Request | FY2012 Request | FY2013 Request | FY2014 Request | Total |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|
| Sewer | | | | | | |
| Generator Replacement - Phase 2 | \$80,000 | | | | | \$80,000 |
| Flow Metering | \$265,000 | | | | | \$265,000 |
| Sewer Camera | \$140,000 | | | | | \$140,000 |
| Sewer Garage | \$415,000 | | | | | \$415,000 |
| Motor and Pump Replacement | | 175,000 | | | | \$175,000 |
| Sewer Main Repairs | | \$100,000 | | | | \$100,000 |
| Superintendent Sedan | | \$30,000 | | | | \$30,000 |
| Pump Replacement - Far Reach PS | | | \$40,000 | | | \$40,000 |
| 2nd Meter System - Phase 1 | | | \$80,000 | | | \$80,000 |
| Brook Street Pump Station Overhaul | | | | \$300,000 | | \$300,000 |
| Flow Analysis of System | | | | \$100,000 | | \$100,000 |
| Pump Replacement | | | | | \$50,000 | \$50,000 |
| Arcadia Road Pump Station Overhaul | | | | | \$320,000 | \$320,000 |
| Department Total | \$900,000 | \$305,000 | \$120,000 | \$400,000 | \$370,000 | \$2,095,000 |
| Totals 5-Year Capital Requests All Departments | \$14,069,017 | \$9,541,849 | \$6,883,062 | \$3,174,467 | \$3,300,072 | \$40,218,467 |

Capital Outlay Requests - FY2009
Approved at 2008 Annual Town Meeting

| Item/Project | Department | Cost | Funding Source |
|---|---------------------|-------------------------|---|
| Main Library Building Plans/Proj. Manager | Library | \$45,000 | Free Cash |
| Replacement of Police Vehicles | Police | \$110,500 | \$61,500 Taxation/\$49,000 Free Cash |
| IS Townwide Software Upgrade | Information Systems | \$135,000 | Free Cash |
| Squad Truck Pumps | Fire | \$70,000 | Free Cash |
| 3 Yard Loader (1st of 2 payments) | DPW | \$92,500 | \$36,000 WW Station Guaranteed Payment/\$56,500 Free Cash |
| Heavy Duty Dump Truck, Sander, & Plow (1st of 2 payments) | DPW | \$75,000 | WW Station Guaranteed Payment |
| Vehicle Service Truck | DPW | \$26,000 | |
| Backhoe | DPW | \$98,000 | |
| One Ton Dump Truck & Plow | DPW | \$55,000 | |
| One Heavy Duty Pickup Truck & Plow | DPW | \$50,000 | |
| | Total | <u>\$757,000</u> | |
| Replace Pipe and Controls | Sewer | \$35,000 | Sewer User Fees |
| Pump Replacements | Sewer | \$44,000 | |
| Electrical Control System Upgrade | Sewer | \$25,000 | |
| Generator Replacement - Phase 1 | Sewer | \$80,000 | |
| Vacuum Truck | Sewer | \$300,000 | |
| | | <u>\$484,000</u> | |
| Technology | School | \$185,000 | \$61,500 Taxation/\$123,000 Free Cash |
| Furniture, Fixtures and Equipment | School | \$7,000 | Free Cash |
| Repair and Maintenance | School | \$59,300 | Free Cash |
| Copiers | School | \$76,300 | Free Cash |
| Modulars - Hanlon (2nd of 3 payments) | School | \$78,400 | Free Cash |
| Middle School Expansion Project | School | \$110,000 | WW Station Guaranteed Payment |
| | Total | <u>\$516,000</u> | |

A Few Words About Westwood....



Westwood was incorporated as a town in 1897 and has a current population of approximately 14,626. 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.

Westwood 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.

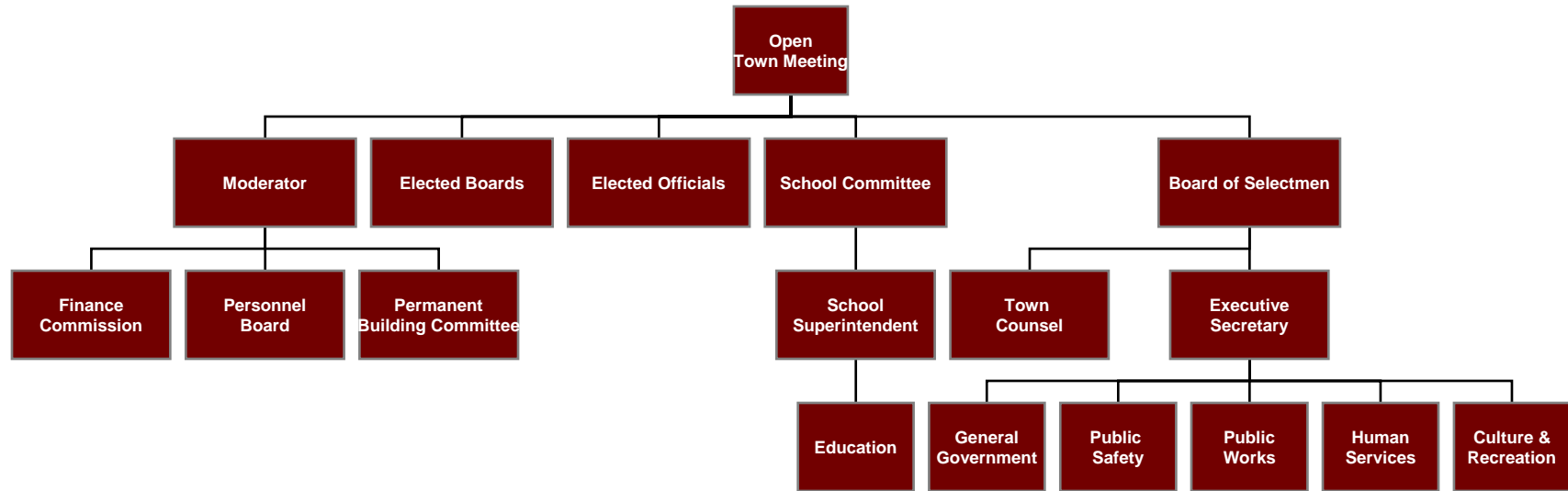
Westwood operates under a Board of Selectmen/Open Town Meeting/Executive Secretary form of government. The elected, three-member Board of Selectmen makes policy decisions. The Executive Secretary is responsible for carrying out the policies and direction of the Board of Selectmen and for managing the 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 maintains many recreational areas and facilities, including numerous conservation areas, playgrounds, ball fields and an indoor pool facility. The town has two libraries, a senior center and numerous community-sponsored events for residents.

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



Information-2



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

General Overrides Approved

| Project Date of Vote | Amount | Type of Override | Year Cost Impact to be Completed |
|---|-------------|---------------------|--|
| School Override 1995 Annual Town Election | \$560,413 | General Override | Permanent change to the allowable taxation levy limits |
| School Override 1999 Special Town Election | \$999,164 | General Override | Permanent change to the allowable taxation levy limits. |
| School Override 2002 Special Town Election | \$1,615,203 | General Override | Permanent change to the allowable taxation levy limits. |
| School Override 2007 Annual Town Election | \$2,777,387 | General Override | Permanent change to the allowable taxation levy limits. |

Debt/Capital Exemption Overrides Approved

| | | | |
|---|--------------|----------------------|---|
| 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 |
| Middle School/Fields 1997 Annual Town Election | \$2,373,430 | Debt Exemption* | Completed – FY2009 |
| Middle School/Gymnasium 1997 Annual Town Election | \$550,000 | Debt Exemption* | Completed – FY2009 |
| Downey School Expansion 1999 Annual Town Election | \$6,500,000 | Debt Exemption* | Will be completed in FY012. Net cost to average home \$480 total or \$48/yr. for ten years. |
| 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. |
| High School – Additional Appropriation for New High School 2002 Special Town Election | \$8,333,640 | Debt Exemption* | |

*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 |
| 2005 Annual Town Election | \$525,616 | General | General Override for Municipal Budget |
| 2005 Annual Town Election | \$2,394,199 | General | General Override for School Budget |
| 2005 Annual Town Election | \$1,500,000 | General | General Override to fund Capital Stabilization Fund |

**Town of Westwood
History of Tax Levy**

| Tax Levy Calculation | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 | Projected FY2010 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------------------|
| Prior Year Levy Limit | \$35,065,082 | \$36,916,575 | \$38,726,265 | \$40,281,755 | \$41,938,657 | \$46,442,531 | \$48,296,355 |
| Plus 2.5% Increase | \$876,627 | \$922,914 | \$968,157 | \$1,007,044 | \$1,048,466 | \$1,161,063 | \$1,207,409 |
| Plus New Growth** | \$974,866 | \$886,775 | \$587,334 | \$649,858 | \$678,020 | \$692,761 | \$300,000 |
| General Overrides | \$0 | \$0 | \$0 | \$0 | \$2,777,387 | \$0 | \$0 |
| Tax Levy Limit | \$36,916,575 | \$38,726,265 | \$40,281,755 | \$41,938,657 | \$46,442,531 | \$48,296,355 | \$49,803,764 |
| Exempt Debt* | \$6,265,148 | \$4,367,789 | \$1,948,546 | \$2,219,419 | \$2,199,779 | \$2,158,527 | \$1,722,080 |
| Levy Capacity | \$43,181,723 | \$43,094,054 | \$42,230,301 | \$44,158,076 | \$48,642,309 | \$50,454,882 | \$51,525,844 |
| Actual Levy Assessed | \$43,112,383 | \$43,092,347 | \$42,197,019 | \$43,967,446 | \$48,519,937 | \$50,373,089 | \$51,525,844 |
| Excess Levy(Taxes not raised) | \$69,340 | \$1,707 | \$33,282 | \$190,630 | \$122,373 | \$81,793 | \$0 |
| Increase in Actual Levy (including new growth) | 15.6% | 0.0% | -2.1% | 4.2% | 10.4% | 3.8% | 2.3% |
| Increase in Levy without new growth | 13.00% | -2.10% | -3.44% | 2.66% | 8.81% | 2.39% | 1.69% |

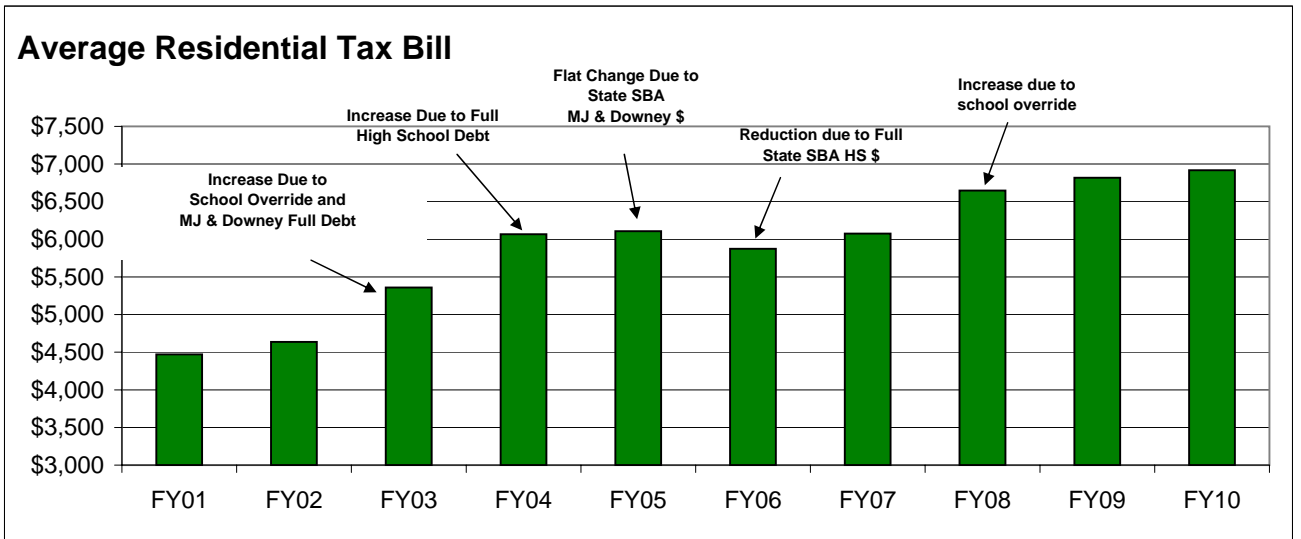
* Exempt debt - This is the net principal and interest payment required each year for borrowing projects approved outside Proposition 2 1/2.

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

| FY2010 Tax Change Detail | |
|------------------------------|--------------------|
| 2.5/new growth | \$1,507,409 |
| FY09 excess levy | \$81,793 |
| change in exempt debt | <u>(\$436,447)</u> |
| Total Change in Taxes | \$1,152,755 |

Tax Rate/Tax Bill History

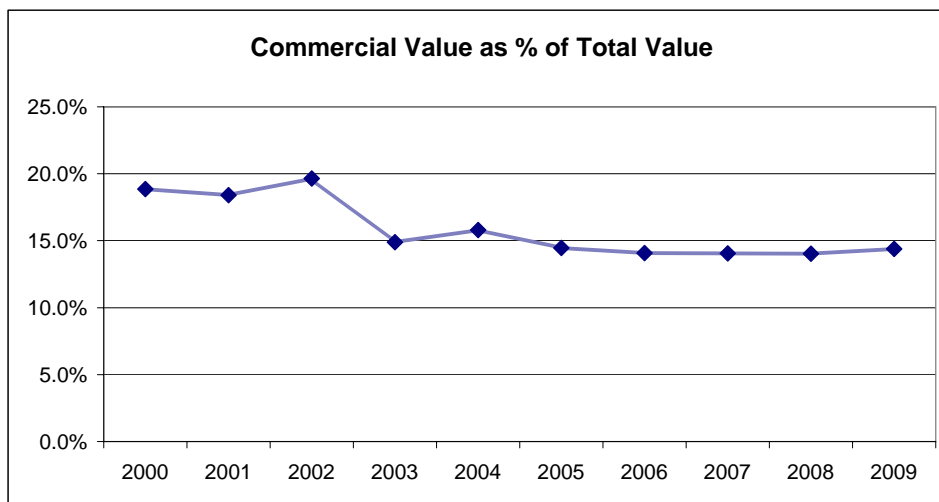
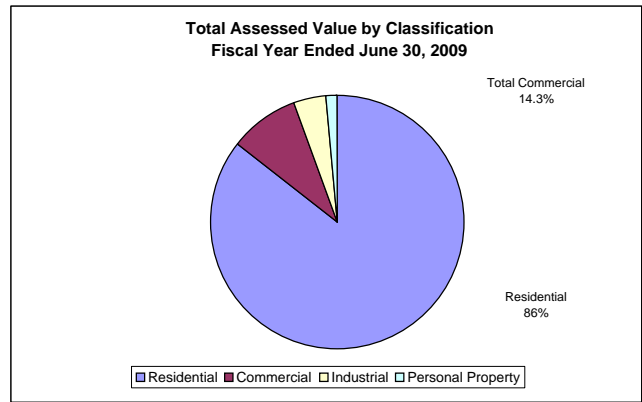
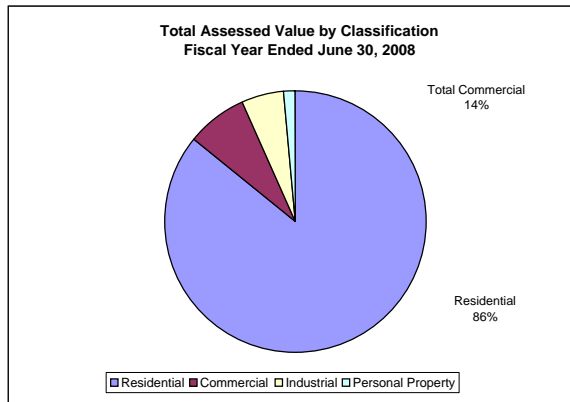
| Tax Rate per Thousand | FY03 | FY04 | FY05 | FY06 | FY07 | FY08 | FY09 | Projected FY10 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------|
| Residential | \$11.45 | \$12.96 | \$11.97 | \$10.37 | \$10.73 | \$11.74 | \$12.01 | |
| Commercial | \$20.80 | \$23.36 | \$20.97 | \$18.85 | \$19.81 | \$21.67 | \$22.25 | |
| % of Total Town Value | | | | | | | | |
| Residential Property | 85.1% | 84.2% | 85.5% | 85.9% | 85.9% | 85.9% | 85.6% | |
| Commercial Property | 14.9% | 15.8% | 14.5% | 14.1% | 14.1% | 14.0% | 14.3% | |
| Tax Shift Factor | 1.62 | 1.60 | 1.58 | 1.63 | 1.65 | 1.65 | 1.65 | |
| % of Total Town Taxes | | | | | | | | |
| Residential Properties | 75.9% | 74.7% | 77.1% | 77.1% | 76.8% | 76.8% | 76.2% | |
| Commercial Properties | 24.1% | 25.3% | 22.9% | 22.9% | 23.2% | 23.2% | 23.7% | |
| Average Residential Tax Bill | | | | | | | | |
| Home Value | \$468,075 | \$468,075 | \$510,202 | \$566,324 | \$566,324 | \$566,324 | \$566,324 | |
| Tax Bill | \$5,359 | \$6,066 | \$6,107 | \$5,873 | \$6,076 | \$6,648 | \$6,802 | \$6,917 |
| Average Tax Bill Increase | 15.57% | 13.2% | 0.67% | -3.84% | 3.50% | 9.40% | 2.3% | 1.69% |
| Single Tax Rate | \$12.84 | \$14.60 | \$13.27 | \$11.56 | \$12.01 | \$13.13 | \$13.49 | |
| Savings to Average Tax Bill from Having Split Tax Rate | \$651.2 | \$767.0 | \$663.0 | \$673.7 | \$725.5 | \$789.8 | \$838.0 | |



Assessed Value and Actual Value of Taxable Property by Classification and Tax Rates

Last Ten Fiscal Years

| Fiscal Year | Assessed and Actual Values and Tax Rates | | | | | | | |
|-------------|--|----------------------|------------------|------------------|-------------------|------------------------|---------------------|------------------|
| | Residential Value | Residential Tax Rate | Commercial Value | Industrial Value | Personal Property | Total Commercial Value | Commercial Tax Rate | Total Town Value |
| 2000 | (1) \$1,685,949,500 | \$12.66 | \$171,721,300 | \$190,194,000 | \$29,756,990 | \$391,672,290 | \$21.09 | \$2,077,621,790 |
| 2001 | \$1,709,699,250 | \$13.37 | \$162,673,650 | \$191,446,000 | \$31,531,378 | \$385,651,028 | \$21.99 | \$2,095,350,278 |
| 2002 | \$1,731,760,550 | \$13.87 | \$205,967,250 | \$185,038,900 | \$32,480,313 | \$423,486,463 | \$21.52 | \$2,155,247,013 |
| 2003 | (1) \$2,471,698,300 | \$11.45 | \$217,111,450 | \$186,762,200 | \$28,226,499 | \$432,100,149 | \$20.80 | \$2,903,798,449 |
| 2004 | \$2,485,356,400 | \$12.96 | \$220,942,100 | \$190,054,500 | \$55,705,658 | \$466,702,258 | \$23.36 | \$2,952,058,658 |
| 2005 | \$2,777,182,391 | \$11.97 | \$257,451,131 | \$175,306,750 | \$36,935,683 | \$469,693,564 | \$20.97 | \$3,246,875,955 |
| 2006 | (1) \$3,135,347,507 | \$10.37 | \$270,425,345 | \$192,667,650 | \$50,618,745 | \$513,711,740 | \$18.85 | \$3,649,059,247 |
| 2007 | \$3,147,514,446 | \$10.73 | \$271,807,104 | \$190,849,800 | \$51,962,800 | \$514,619,704 | \$19.81 | \$3,662,134,150 |
| 2008 | \$3,175,772,814 | \$11.74 | \$272,818,535 | \$193,747,600 | \$51,955,500 | \$518,521,635 | \$21.67 | \$3,694,294,449 |
| 2009 | (1) \$3,197,768,457 | \$12.01 | \$325,730,795 | \$164,387,500 | \$47,764,400 | \$537,882,695 | \$22.25 | \$3,735,651,152 |



(1) Revaluation year.

Source: Assessor's Department, Town of Westwood

All property in the Commonwealth of Massachusetts is assessed at 100% of fair cash value.

Note: Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the Town. The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value.

The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. The secondary limit may be exceeded in any year by a majority vote of the voters, however it cannot exceed the primary limitation.

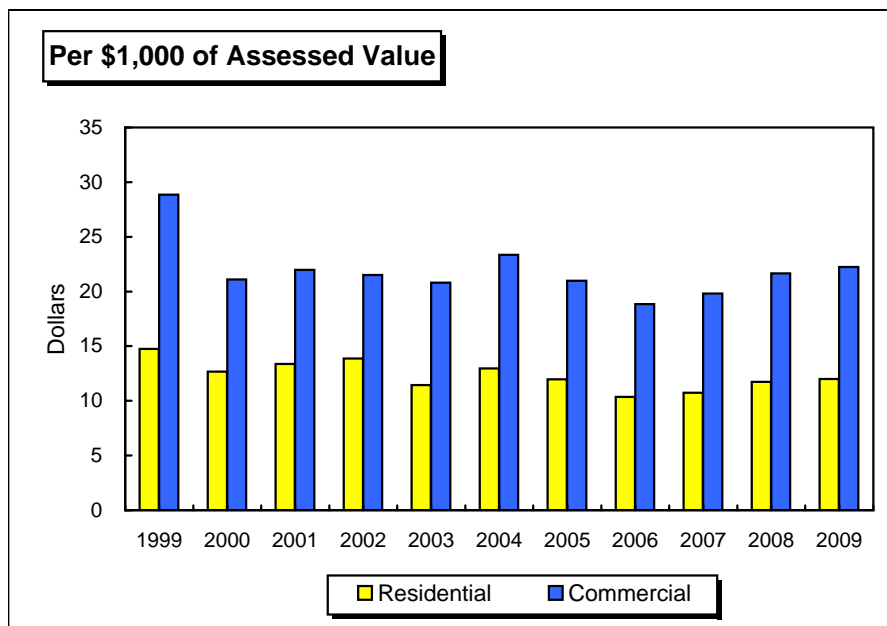
Town of Westwood, Massachusetts

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 |
|-------------|---------------------------|---|-------------------|
|-------------|---------------------------|---|-------------------|

| | | | |
|----------|---------|---------|---------|
| 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 |
| 2006 (1) | \$10.37 | \$18.85 | \$18.85 |
| 2007 | \$10.73 | \$19.81 | \$19.81 |
| 2008 | \$11.74 | \$21.67 | \$21.67 |
| 2009 (1) | \$12.01 | \$22.25 | \$22.25 |



(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.

The Town's two main categories of aid are Chapter 70 education aid and lottery proceeds.

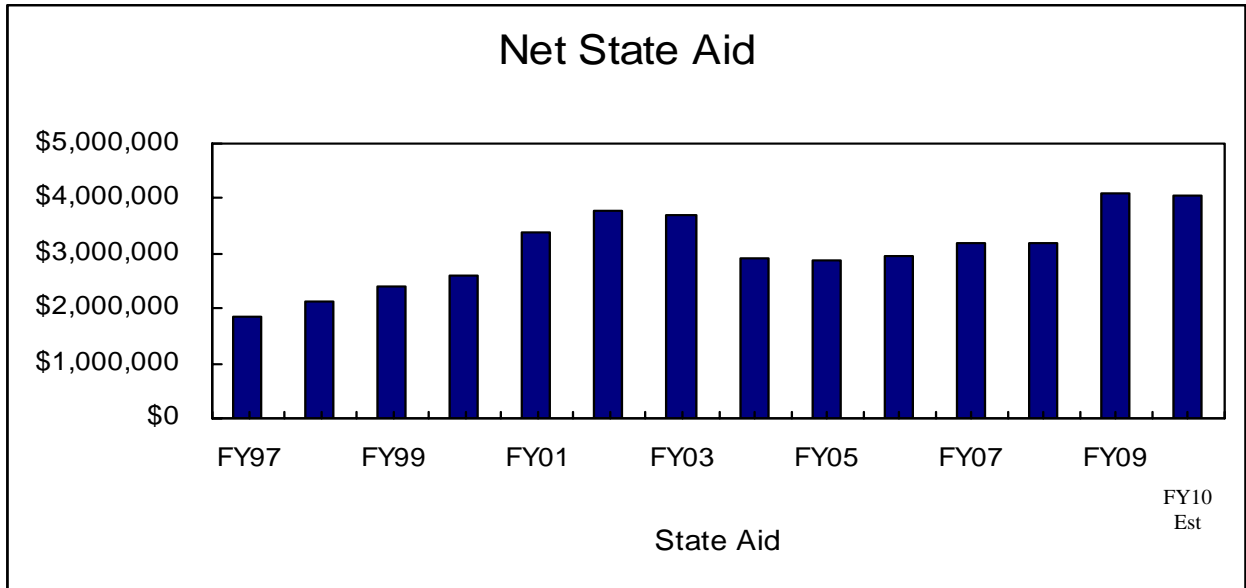
State aid, once a reliable source of budget income, has recently become an inconsistent and volatile account.

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. This continued until FY02.

State budget problems in FY03 caused a level funding of state aid followed by a drastic 20% cut in FY04. In the years since we have experienced great inconsistency in state aid.

In FY07 and FY08, the Town received larger increases in Chapter 70. The Chapter 70 increase reflected a change in the statewide distribution of Chapter 70 funds.

The FY10 state aid estimate per the Governor's budget is shown on the following page. The Governor's budget would level fund Chapter 70, reduce municipal aid by 30%, and add in new revenue from increased meals/hotel taxes. These numbers are all subject to change during the state budget process and should not be considered actual amounts for budget purposes. We will monitor the state budget process and update our state aid estimates for Town Meeting.



| Cherry Sheet Receipts | | | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--|
| | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 | Governor's Budget Projected FY2010 |
| Chapter 70 - Education | \$2,108,502 | \$2,108,502 | \$2,250,702 | \$2,588,559 | \$3,096,779 | \$3,547,941 | \$3,547,941 |
| School Building Assistance | \$327,161 | \$226,025 | *\$0 | *\$0 | *\$0 | | *\$0 |
| Lottery | \$635,077 | \$635,077 | \$721,560 | \$857,639 | \$871,741 | \$871,741 | |
| Other | \$197,069 | \$222,123 | \$234,916 | \$241,807 | \$258,112 | \$282,347 | \$248,751 |
| Offsets (Restricted to Metco,** Library, School Lunch) | \$166,850 | \$188,436 | \$217,988 | \$29,099 | \$30,678 | \$30,830 | \$29,148 |
| General Municipal Aid | | | | | | | \$648,781 |
| Revenue from statewide meals & hotel taxes | | | | | | | \$103,170 |
| Total Receipts | \$3,434,659 | \$3,380,163 | \$3,425,166 | \$3,717,104 | \$4,257,310 | \$4,732,859 | \$4,577,791 |
| Charges | | | | | | | |
| County Tax | \$153,089 | \$156,916 | \$154,381 | \$158,240 | \$152,576 | \$156,390 | \$156,183 |
| MBTA Assessment | \$297,187 | \$280,407 | \$263,622 | \$271,824 | \$279,854 | \$278,767 | \$286,757 |
| Other | \$64,704 | \$77,565 | \$68,309 | \$80,359 | \$87,485 | \$84,175 | \$87,541 |
| Prior Year Adjustment | \$0 | \$0 | \$0 | \$0 | | | \$0 |
| Total Charges | \$514,980 | \$514,888 | \$486,312 | \$510,423 | \$519,915 | \$519,332 | \$530,481 |
| Net State Aid | \$2,919,679 | \$2,865,275 | \$2,938,854 | \$3,206,681 | \$3,737,395 | \$4,213,527 | \$4,047,310 |

*School Building Assistance is no longer a cherry sheet item. This revenue is now a separate state category. See next page for more detail.

**Metco - In 2007, the state changed Metco payments from cherry sheet offset to a separate grant program.

FY09

On January 28, 2009 the Governor approved mid year cuts to the budgeted FY09 state aid. The cuts, approximately 10% of lottery and additional assistance total \$128M statewide. Westwood's FY09 mid year cut is \$88,500.

FY10

The FY10 cherry sheet shown reflects the Governor's budget released January 28, 2009. For FY10, the Governor's budget level funds Chapter 70 education aid for all communities in the state. The Governor's budget eliminates lottery and additional assistance accounts, combining them into a new "Municipal Aid" account. This account has been cut approximately 30% statewide for FY10.

The Governor's cherry sheet budget reflects new revenue for Westwood of \$103,170 from statewide meals and hotel tax increases. This is Westwood's estimated share of a proposed 1% increase to this state tax. The state would collect this revenue and distribute back to communities via the lottery formula.

The FY10 state aid will change throughout the spring as the Governor's budget undergoes review by the state legislature. Therefore, it should not be assumed that the current cherry sheet funds shown will be our final amounts for FY10. The state aid estimates will be updated throughout the spring as the state budget process proceeds.



State School Building Assistance

In 2004 the state made a major change to the school building program. Since then, Westwood continues to benefit from those changes. Payments are applied directly to the debt service.

The Town is currently receiving State School Building reimbursement on 4 school construction projects. All audits are completed and the remaining annual payments finalized and guaranteed.

| School Building Reimbursement | | | |
|-------------------------------|---------------|--|---------------------------------|
| Project | Payment Years | Total State Reimbursement (59% of Project) | Remaining Annual State Payments |
| 1997 Middle School | FY01-FY2010 | \$2,396,493 | \$248,732/yr |
| Downey School | FY05-FY2012 | \$4,983,848 | \$620,168/yr |
| Martha Jones School | FY05-FY2012 | \$5,237,717 | \$617,180/yr |
| High School-Annual Payments | FY06-FY2023 | \$33,092,311 | \$1,522,815/yr |

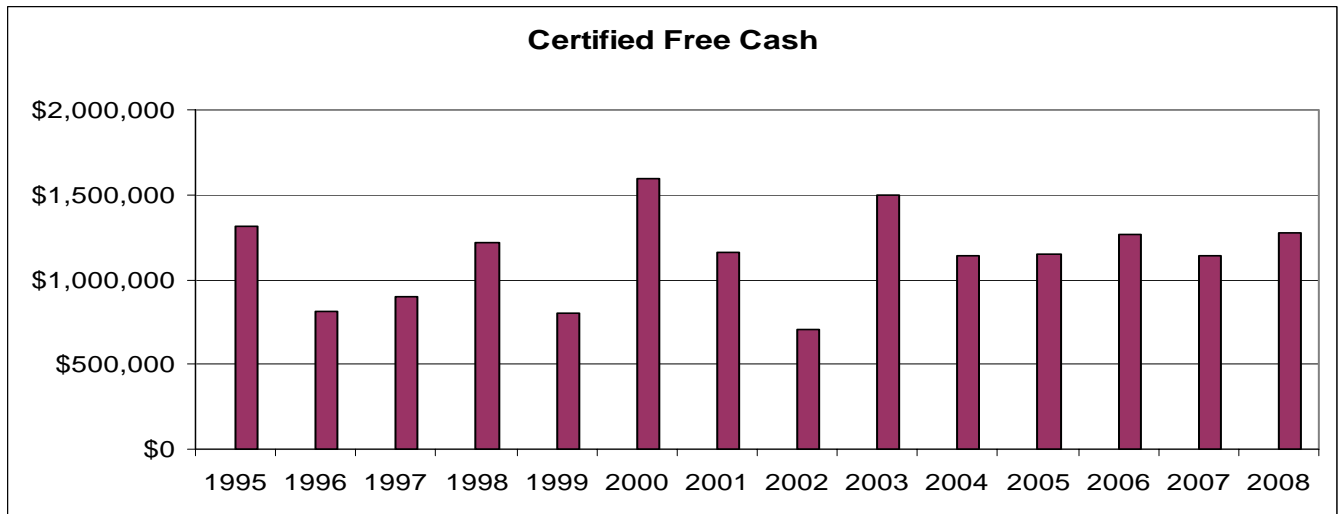
| Total State Reimbursement | | | |
|---------------------------|-------------|-----------|-------------------------|
| FY05 | \$1,544,068 | FY10 | \$3,008,895 |
| FY06 | \$3,600,190 | FY11 | \$2,760,163 |
| FY07 | \$3,193,029 | FY12 | \$2,760,163 |
| FY08 | \$3,089,590 | FY13 | \$1,522,815 |
| FY09 | \$3,008,895 | FY14-FY23 | \$1,522,815 Per year |

These annual payments are finalized and guaranteed. They are not subject to the annual state budget process.

In addition to these annual payments, the Town also received a one-time lump sum payment of \$5,474,763 on 9/1/05 for the High School project.

Free Cash

- Certified Free Cash as of July 1, 2008 is \$1,274,374. which is approximately 2% of the FY08 budget.
- The 5-year average Free Cash has been approximately \$1.2 million.
- Financial policy not to use free cash for operating budget.
- FY09 used \$700,000 of free cash for capital, \$110,000 for energy reserve, \$25,000 for stabilization and \$128,000 for snow and ice.
- FY10 projections use \$700,000 for capital and \$110,000 for energy reserve. In addition, \$60,000 is allocated for the proposed article related to the library.



| | July 2008 | July 2007 | July 2006 | July 2005 | July 2004 | July 2003 |
|--|---|---|--|---|--|---|
| Certified | \$1,274,374 | \$1,142,342 | \$1,266,415 | \$1,154,408 | \$1,138,014 | \$1,498,110 |
| Used to Fund Subsequent Budget | Energy Reserve \$110,000 Capital \$700,000 Article \$60,000 | Energy Reserve \$110,000 Capital \$700,000 Stabilization \$25,000 Articles \$128,000 | Energy Reserve \$225,000 Capital \$700,000 Stabilization \$25,000 Articles \$11,175 Budget \$170,473 | Energy Reserve \$225,000 Capital \$700,000 Articles \$100,000 Stabilization \$25,000 | Capital Budgets \$737,899 Stabilization \$122,450 Article \$25,000 | Capital Budgets \$696,000 Article \$725,270 Stabilization \$5,000 Article \$25,000 |
| Certified Free Cash as % of Total Budget | 2% | 2% | 2% | 2% | 2% | 3% |

Reserve Fund Transfer History Fiscal Years 1995 – 2009

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 |
|--------------------|------------------------|--|-------------------|------------------------|
| FY09 | \$400,000 | \$30,000 Transfer to Library capital article | \$30,000 | \$370,000 |
| FY08 | \$400,000 | \$60,000 Planning Board Special Counsel \$100,000 Annual Town Meeting Transfer to supplement FY08 snow & ice budget \$20,000 High School litigation legal expenses | \$180,000 | \$220,000 |
| FY07 | \$400,000 | \$133,922 Annual Town Meeting Transfer to supplement FY07 budgets \$65,000-Colburn School building \$30,543 Special Town Meeting Transfer to supplement FY07 budgets | \$229,465 | \$170,535 |
| FY06 | \$400,000 | \$90,727 Annual Town Meeting Transfer to supplement FY06 budgets \$75,000 snow and ice | \$165,727 | \$234,273 |
| FY05 | \$420,000 | \$50,192 Annual Town Meeting Transfer to supplement FY05 budgets \$360,000 snow and ice | \$410,192 | \$9,808 |
| 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.

A significant portion of the overall debt is paid by State School Building Assistance funds.

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.

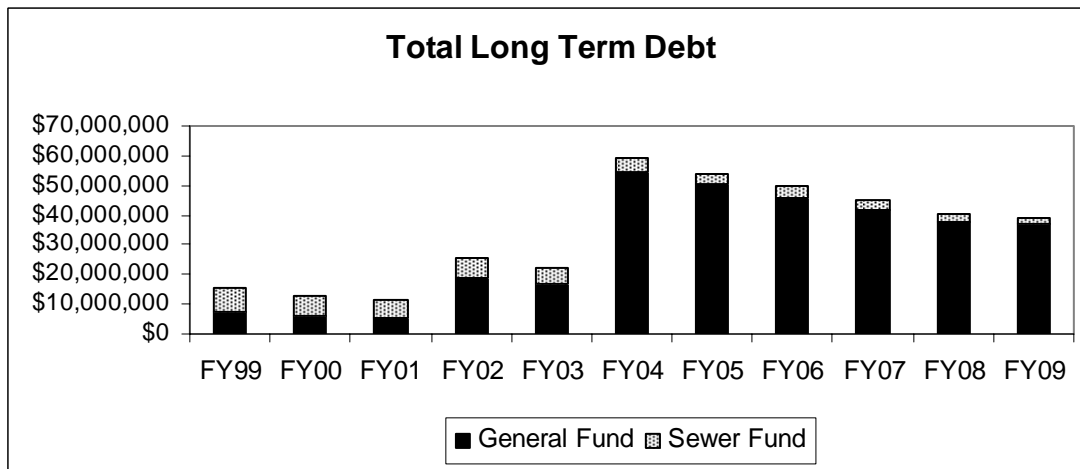
During the summer of 2008, the Town underwent a major credit review in preparation for the sale of a \$3.8M bond. The Town received updated credit ratings of AAA from Standard & Poor's and Moody's Investor Service reaffirmed the Town's credit rating of Aa1. These excellent ratings place Westwood in the top 5% of Massachusetts communities.

However, the agencies expressed concern with the Town's low level of reserves. In order to maintain high credit ratings, the Town must continue to increase reserve funds to meet stated goals.

Other debt information:

- Total Legal Debt Limit - approx. \$195 Million.
- The Town's general fund debt service is approximately 9.5 % of the operating budget for FY09.

The Town currently has \$4.5 million in authorized debt remaining to be issued for projects approved at the May, 2008 Annual Town Meeting.



| Total Long Term Debt Issued and Outstanding | FY09 | FY08 | FY07 | FY06 | FY05 | FY04 | FY03 | FY02 | FY01 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| General Fund | 37,075,000 | 37,760,000 | 41,925,000 | 46,090,000 | 50,255,000 | 54,670,000 | 16,595,000 | 18,955,000 | 5,145,000 |
| Sewer Fund | 2,063,417 | 2,600,875 | 3,022,828 | 3,440,498 | 3,854,664 | 4,823,582 | 5,872,408 | 6,786,885 | 6,114,567 |
| Total | 39,138,417 | 40,360,875 | 44,947,828 | 49,530,498 | 54,109,664 | 59,493,582 | 22,467,408 | 25,741,885 | 11,259,567 |

Long Term General Fund Debt Outstanding as of June 30, 2009

| Description | Rate of Interest | Date Issued | Maturity Date | Amount Issued | Total Outstanding 30-Jun-09 |
|------------------------------|------------------|-------------|---------------|---------------|--------------------------------|
| General Fund | | | | | |
| Middle School/Gym | 3.79 | 12/98 | 12/2008 | \$2,923,000 | \$0 |
| Land Acquisition | 3.79 | 12/98 | 12/2008 | \$400,000 | \$0 |
| Senior Center | 3.79 | 12/98 | 12/2008 | \$239,000 | \$0 |
| School Fields | 3.79 | 12/98 | 12/2008 | \$189,000 | \$0 |
| Middle School/Gym Completion | 3.79 | 12/98 | 12/2008 | \$225,000 | \$0 |
| Martha Jones Construction | 4.04 | 3/21/02 | 3/21/2012 | \$7,200,000 | \$2,160,000 |
| Downey Construction | 4.04 | 3/21/02 | 3/21/2012 | \$6,300,000 | \$1,890,000 |
| Land Acquisition | 4.04 | 3/21/02 | 3/21/2012 | \$1,300,000 | \$390,000 |
| Land Acquisition | 4.04 | 3/21/02 | 3/21/2012 | \$300,000 | \$90,000 |
| High School Project | 4.25 | 8/01/03 | 06/01/2023 | \$39,262,300 | \$27,650,000 |
| Municipal DPW Building | 4.25 | 8/01/03 | 06/81/2014 | \$2,600,000 | \$1,300,000 |
| Public Building | 4.25 | 8/01/03 | 06/08/2014 | \$240,700 | \$115,000 |
| Land Acquisition | 3.19 | 8/01/08 | 02/01/2015 | \$210,000 | \$180,000 |
| High Street Reconstruction | 3.40 | 8/01/08 | 02/01/2017 | \$1,000,000 | \$885,000 |
| High Street Lights | 3.39 | 8/01/08 | 02/01/2017 | \$195,000 | \$170,000 |
| High Street Fields | 3.84 | 8/01/08 | 02/01/2018 | \$475,000 | \$425,000 |
| High School Completion | 3.48 | 8/01/08 | 02/01/2023 | \$1,950,000 | \$1,820,000 |
| Total General Fund | | | | | \$37,075,000 |

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

| | | | |
|------|-------------|---------|--------------|
| FY09 | \$6,277,533 | FY14 | \$3,596,059 |
| FY10 | \$5,771,508 | Fy15 | \$3,191,584 |
| FY11 | \$5,603,320 | FY16 | \$3,050,271 |
| FY12 | \$5,431,671 | Fy17 | \$2,956,849 |
| FY13 | \$3,725,709 | Fy18-23 | \$14,609,538 |

Total repayment of Long Term Debt Currently issued \$54,214,042

General Fund Debt authorized - Not Yet Issued Long Term

| | | |
|---------------------------------|----------|--------------------|
| Middle School Modular Expansion | ATM 5/08 | \$4,500,000 |
| Total | | \$4,500,000 |

**Total Principal and Interest Payments
For Current Outstanding Debt**

General Fund Debt

| | Outstanding as of 30-Jun-09 | FY08 | FY09 | FY10 | FY11 | FY12 | FY13 | FY14 | FY15 | FY16-23 | Total FY09-FY23 |
|--|--|------------------|------------------|------------------|------------------|------------------|--------------------|------------------|------------------|-------------------|----------------------------|
| Principal and Interest for Current Long term Debt Outstanding | | | | | | | | | | | |
| Middle School/Gym (Exempt) | 0 | 307,328 | 295,800 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$295,800 |
| Land Acquisition | 0 | 42,390 | 40,800 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$40,800 |
| Senior Center | 0 | 25,434 | 24,480 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$24,480 |
| School Fields | 0 | 20,135 | 19,380 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$19,380 |
| Additional Middle School /Gym | 0 | 23,314 | 22,440 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$22,440 |
| Downey Construct (Exempt) | 2,160,000 | 760,095 | 735,525 | 710,325 | 684,338 | 657,563 | 0 | 0 | 0 | 0 | \$2,787,751 |
| MJ school Construct (exempt) | 1,890,000 | 868,680 | 840,600 | 811,800 | 782,100 | 751,500 | 0 | 0 | 0 | 0 | \$3,186,000 |
| Strair Land Purchase | 390,000 | 156,845 | 151,775 | 146,575 | 141,213 | 135,688 | 0 | 0 | 0 | 0 | \$575,251 |
| Cemetery Land Purchase | 90,000 | 36,195 | 35,025 | 33,825 | 32,588 | 31,313 | 0 | 0 | 0 | 0 | \$132,751 |
| High School Construct (Exempt) | 27,650,000 | 3,388,606 | 3,329,356 | 3,240,481 | 3,161,481 | 3,082,481 | 2,983,731 | 2,884,981 | 2,786,231 | 18,960,000 | \$40,428,743 |
| Municipal Building | 1,300,000 | 339,300 | 331,500 | 319,800 | 309,400 | 299,000 | 286,000 | 273,000 | 0 | 0 | \$1,818,700 |
| Obed Baker | 115,000 | 32,125 | 31,375 | 30,250 | 29,250 | 28,250 | 22,000 | 21,000 | 0 | 0 | \$162,125 |
| Erminnet domain | 180,000 | 0 | 33,563 | 36,225 | 35,325 | 34,275 | 33,225 | 32,175 | 31,125 | 0 | \$235,913 |
| High Street Lights | 170,000 | | 28,413 | 31,075 | 30,325 | 24,450 | 23,750 | 23,050 | 22,350 | 42,400 | \$225,813 |
| High Street Construction | 885,000 | 0 | 132,613 | 146,775 | 138,325 | 134,475 | 130,625 | 126,775 | 122,925 | 233,200 | \$1,165,713 |
| High School field | 425,000 | | 58,456 | 65,413 | 63,913 | 62,163 | 60,413 | 53,663 | 52,088 | 145,800 | \$561,906 |
| High School Completion | 1,820,000 | 0 | 166,433 | 198,965 | 195,065 | 190,515 | 185,965 | 181,415 | 176,865 | 1,229,930 | \$2,525,153 |
| Total General Fund Debt | 37,075,000 | 6,000,447 | 6,277,532 | 5,771,509 | 5,603,323 | 5,431,673 | 3,725,709 | 3,596,059 | 3,191,584 | 20,611,330 | 54,208,717 |
| Total Exempt Debt | | 5,324,709 | 5,201,281 | 4,762,606 | 4,627,919 | 4,491,544 | 2,983,731 | 2,884,981 | 2,786,231 | 18,960,000 | 46,698,294 |
| Change in Gross Exempt Debt | | | (123,428) | (438,675) | (134,687) | (136,375) | (1,507,813) | (98,750) | (98,750) | | |
| State Reimbursement Being Received - for School Projects - all project audits completed | | | | | | | | | | | |
| 1997 Middle School - FY2001 - FY2010 | | 248,732 | 248,732 | | 0 | 0 | 0 | 0 | 0 | 0 | |
| 1999 Downey School -FY2005 - FY2012 | | 625,794 | 620,168 | 620,168 | 620,168 | 620,168 | 0 | 0 | 0 | 0 | |
| 2000 Martha Jones School -FY2005 - FY2012 | | 692,249 | 617,180 | 617,180 | 617,180 | 617,180 | 0 | 0 | 0 | 0 | |
| High School Project - FY06 - FY23 | | 1,522,815 | 1,522,815 | 1,522,815 | 1,522,815 | 1,522,815 | 1,522,815 | 1,522,815 | 1,522,815 | 12,182,520 | |
| High School Bond Premium | | 35,340 | 33,859 | 31,631 | 29,662 | 27,687 | 25,278 | 22,750 | 20,281 | 78,999 | |
| Total State/Premium annual payments | | 3,124,930 | 3,042,754 | 3,040,526 | 2,789,825 | 2,787,850 | 1,548,093 | 1,545,565 | 1,543,096 | 12,261,519 | |
| Net annual Exempt Debt | | 2,199,779 | 2,158,527 | 1,722,080 | 1,838,094 | 1,703,694 | 1,435,638 | 1,339,416 | 1,243,135 | 6,698,481 | |
| Change in annual Exempt Debt | | | (41,252) | (436,447) | 116,014 | (134,400) | (268,056) | (96,222) | (96,281) | | |

**Total Principal and Interest Payments
For Current Outstanding Debt**

Sewer Fund Debt

| | Outstanding as of June 30,2007 | FY04 | FY05 | FY06 | FY07 | FY08 | FY09 | FY10 | FY11-19 | Total |
|--|---|------------------|------------------|------------------|----------------|----------------|----------------|----------------|------------------|-------------------|
| Principal and Interest payments for current Sewer Debt Outstanding | | | | | | | | | | |
| | | | | | | | | | | FY07- FY19 |
| Sewer -Bond 4/95 | 0 | 126,385 | 120,750 | | | | | | | \$0 |
| Sewer - Abatement Trust 2/94 | 0 | 456,581 | 451,198 | | | | | | | \$0 |
| Sewer -Bond 12/98 | 240,000 | 145,200 | 140,850 | 136,410 | 131,850 | 127,170 | 122,400 | | | \$381,420 |
| Sewer - Abatement Trust 11/98 | 2,032,828 | 141,349 | 141,577 | 141,759 | 142,027 | 142,247 | 142,455 | 142,748 | 1,317,561 | \$1,887,038 |
| MWRA no interest loans | 0 | 20,614 | | | | | | | | \$0 |
| Sewer - \$1.5 m bond 4/02 | 750,000 | 209,475 | 201,975 | 194,475 | 186,975 | 180,975 | 175,125 | 169,125 | 319,500 | \$1,031,700 |
| Sewer - Auth 5/04 ATM not issued as long term debt** | | | 200,000 | 550,000 | 0 | 0 | 0 | 0 | 0 | \$0 |
| Total Sewer Debt | 3,022,828 | 1,099,604 | 1,256,350 | 1,022,644 | 460,852 | 450,392 | 439,980 | 311,873 | 1,637,061 | 3,300,158 |
| All debt funded by sewer user fees | | | | | | | | | | |
| ** This is the \$750,000 borrowing authorization approved at the 2004 Annual Town Meeting. The \$750,000 was never issued as long term debt, but rather paid off in appropriations as shown. The debt was paid through appropriations due to the decline in the debt schedule and the drop off of the 1994 abatement trust loan. | | | | | | | | | | |

Town of Westwood, Massachusetts

Computation of Legal Debt Margin

June 30, 2008

| | |
|--|-------------------------------|
| Fiscal Year 2009 equalized valuation | <u><u>\$3,906,162,100</u></u> |
| Debt Limit - 5% of equalized valuation | \$195,308,105 |
| Less: | |
| Total debt applicable to limitation | \$39,138,417 |
| Authorized and unissued debt | <u><u>\$4,500,000</u></u> |
| Legal debt margin | <u><u>\$151,669,688</u></u> |

Cost of Local Government Typical Residential Taxpayer

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

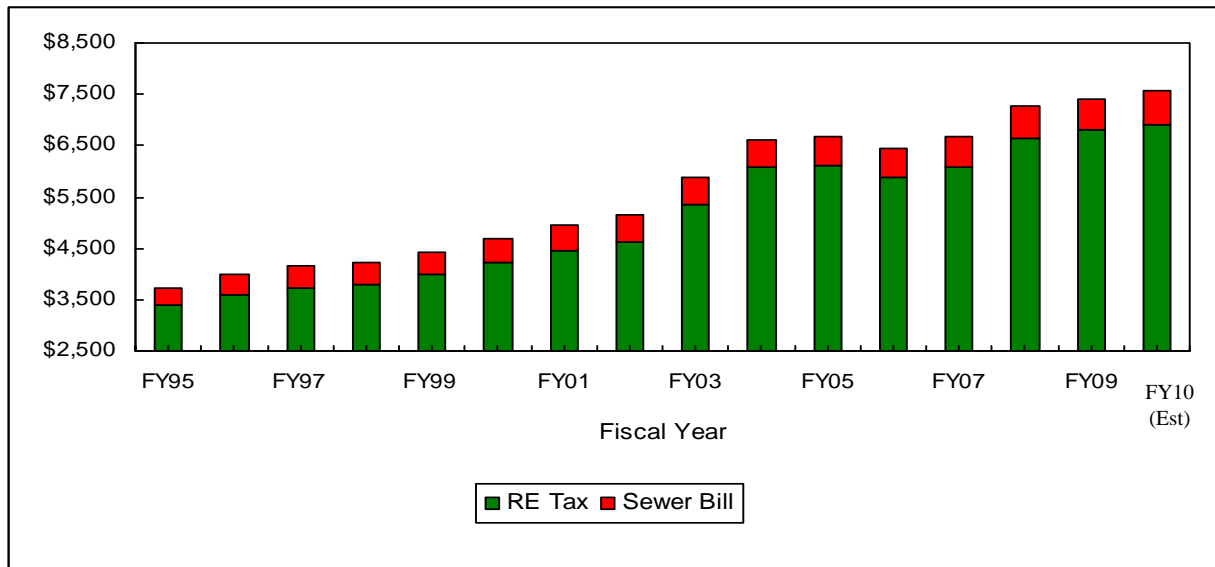
- 1st Quarter Due August 1
- 2nd Quarter Due November 1
- 3rd Quarter Due February 1
- 4th Quarter Due May 1

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; \$510,000 for FY05; and \$566,324 for FY06-FY09.

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



| | FY99 | FY00 | FY01 | FY02 | FY03 | FY04 | FY05 | FY06 | FY07 | FY08 | FY09 | FY10 (Est) |
|--------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|------------|
| Tax Bill | \$3,993 | \$4,233 | \$4,470 | \$4,637 | \$5,359 | \$6,065 | \$6,107 | \$5,873 | \$6,076 | \$6,648 | \$6,802 | \$6,917 |
| Tax Rate/Thousand | \$14.75 | \$12.66 | \$13.37 | \$13.87 | \$11.45 | \$12.96 | \$11.97 | \$10.37 | \$10.73 | \$11.74 | \$12.01 | |
| Annual Sewer Bill | \$430 | \$450 | \$470 | \$500 | \$510 | \$535 | \$560 | \$580 | \$610 | \$635 | \$605 | \$665 |

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 2/3 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.

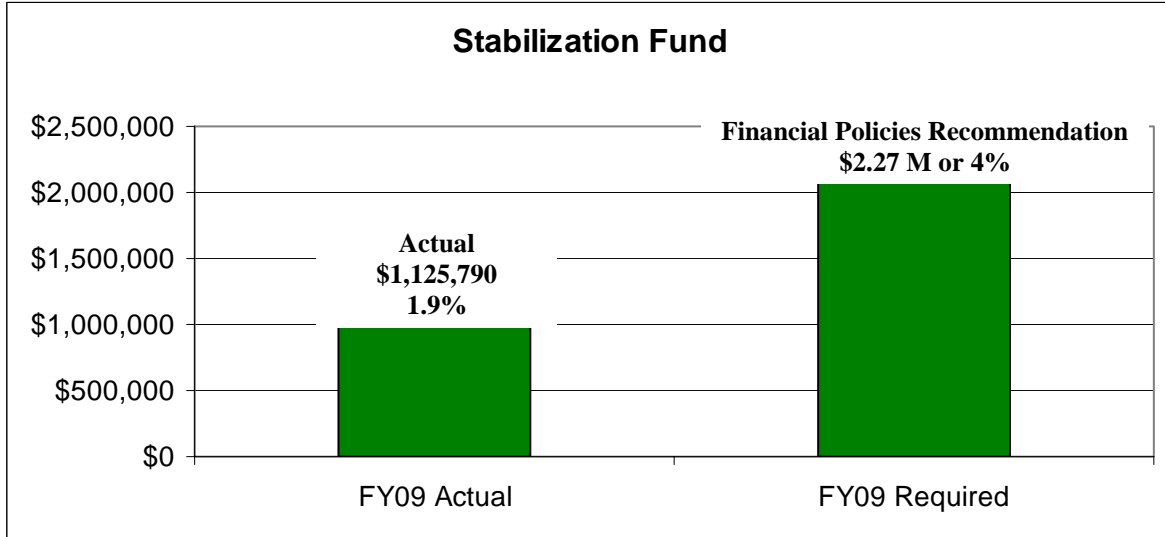
As with any business, it is important for the Town to have a reserve account to provide for unforeseen emergencies or future expenditures. As like most communities, Westwood was not able in the late '80's and early '90's to continue the practice of appropriating funds in to the Stabilization account.

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, 2005, 2006, and 2007 Annual Town Meetings.

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 \$2.2 million. The current balance, at 1.9% of revenue, is inadequate. Recognizing the importance of this account, the Town shall strive to make an annual appropriation to the stabilization fund.

This account must start to reach the policy targets, or the Town's credit rating may drop.



| | FY2009 | FY2008 | FY2007 | FY2006 | FY2005 | FY2004 | FY2003 | FY99 |
|--|-------------|-------------|-----------|-----------|-----------|-----------|-----------|---------|
| Balance | | | | | | | | |
| Stabilization Fund | \$1,125,790 | \$1,037,359 | \$968,827 | \$904,083 | \$848,225 | \$782,142 | \$760,200 | \$4,003 |
| Capital Improvement Stabilization Fund | \$75,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

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."

Source: MA Department of Revenue

| Municipality | Miles from Westwood | 2004 Estimated U.S. Census | 2004 EQV Per Capita | 2000 Income Per Capita |
|-----------------|---------------------|----------------------------|---------------------|------------------------|
| Canton | 8 | 21,505 | \$164,732 | \$33,510 |
| Concord | 24 | 16,919 | \$285,814 | \$51,477 |
| Holliston | 14 | 13,919 | \$133,628 | \$32,116 |
| Medfield | 6 | 12,397 | \$169,463 | \$42,891 |
| Sharon | 9 | 17,847 | \$147,209 | \$41,323 |
| Sudbury | 21 | 17,164 | \$218,708 | \$53,285 |
| Wayland | 17 | 13,063 | \$231,391 | \$52,717 |
| Weston | 15 | 11,595 | \$401,644 | \$79,640 |
| Westwood | | 14,020 | 243,613 | 41,553 |

| Fiscal Year 2008 | | | | |
|------------------|----------------------|---------------------|---------------------|-----------------------------|
| Municipality | Residential Tax Rate | Commercial Tax Rate | Tax Levy | Taxes As % of Total Revenue |
| Canton | 9.34 | 18.40 | \$46,968,565 | 64.73 |
| Concord | 10.72 | 10.72 | \$58,946,454 | 78.88 |
| Holliston | 14.52 | 14.52 | \$30,787,782 | 58.47 |
| Medfield | 12.80 | 12.80 | \$49,306,272 | 61.40 |
| Sharon | 16.79 | 16.79 | \$46,818,425 | 68.77 |
| Sudbury | 14.27 | 18.47 | \$80,265,288 | 75.42 |
| Wayland | 14.98 | 14.98 | \$47,780,650 | 76.67 |
| Weston | 10.67 | 10.67 | \$54,440,553 | 71.87 |
| Westwood | 11.74 | 21.67 | \$48,519,937 | 72.39 |

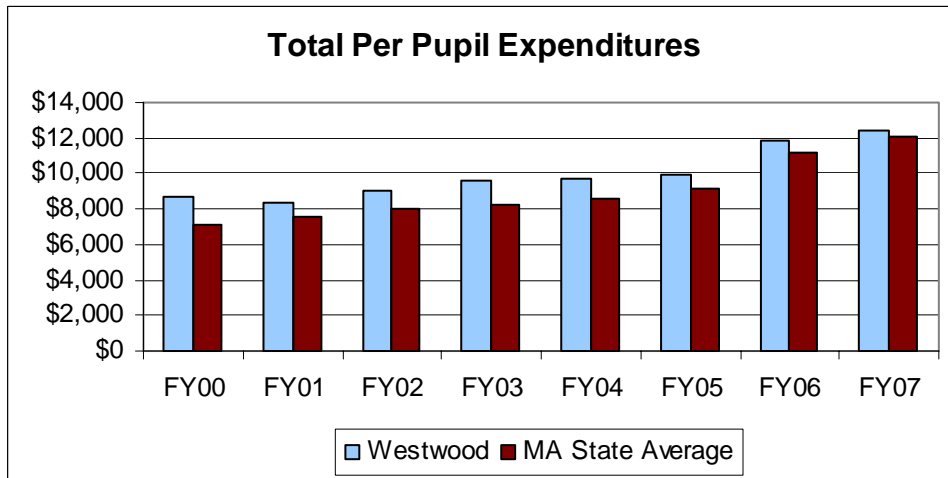
| Municipality | Fiscal Year 2008 | | | Fiscal Year 2007 | January, 2008 |
|-----------------|--------------------------------|------------------|--------------------|--------------------|---------------------|
| | Average Single Family Tax Bill | State Hi-Lo Rank | Free Cash | Stabilization Fund | Moody's Bond Rating |
| Canton | \$4,566 | 90 | \$1,439,646 | \$2,014,534 | AA+ (S&P) |
| Concord | \$10,125 | 6 | \$8,003,063 | \$2,237 | Aaa |
| Holliston | \$6,015 | 43 | \$882,642 | \$424,481 | AA- (S&P) |
| Medfield | \$7,666 | 21 | \$1,339,234 | \$1,991,101 | Aa2 |
| Sharon | \$7,626 | 23 | \$1,210,007 | \$114,179 | Aa3 |
| Sudbury | \$9,758 | 8 | \$419,110 | \$1,682,127 | Aa1 |
| Wayland | \$9,772 | 7 | \$4,933,805 | \$424,870 | Aaa |
| Weston | \$14,537 | 1 | \$2,469,546 | \$16,974 | Aaa |
| Westwood | \$7,744 | 20 | \$1,142,342 | \$968,827 | Aa1 |

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 (2008) | Total | Democrats | Republicans | Unenrolled/Other |
| | 9,687 | 2,727 | 1,766 | 5,194 |

Westwood Schools

At Town Meetings in 2000, 2002, and 2006, Westwood residents reaffirmed their commitment to education by approving a total of \$46.2 million for the construction of a new high school and recreational sports fields. In April, 2005 the new high school was opened for students. The new school features beautiful classroom facilities, a state of the art media center, and a new performing arts facility.



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.

Financial Policies Status Update – February, 2009

| Policy | Target | Actual | Comments | Target Status |
|---|---|---|---|---------------|
| B. 2. Operating Reserve Fund – shall be 1% of total general fund operating budget, net of debt service. | \$557,139 1% | FY09 Budget \$400,000 | Close to target; 72% of target. | Not Met |
| B. 3. Free Cash – shall maintain at 4% of general fund operating budget, net of debt service. | \$2,228,557 4% | \$1,274,374 2.1% | Actual is at 57% of goal, approximately \$954,000 short of goal. This would be <u>before</u> use of any free cash | Not Met |
| 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% \$2,270,396 Total 8% or \$5,675,990 | Stabilization Actual 1.7% \$1,125,790 Total 4.2% or \$2,400,169 | Stabilization approximately \$1.15M short of target. Total is at 42% of target. This would be <u>before</u> use of free cash. | Not Met |
| E. 4. General fund nonexempt debt service should not exceed 8% of net general fund revenues. | Not exceed 8% Or \$4,540,792 | Actual 2% | 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 \$6,811,188 | Actual 11.2% \$6,372,806 | Actual is within target by .8%. | ✓ |
| F. 5. Investment in capital stock – will maintain 3% of general fund operating budget, net of debt, on ongoing capital maintenance and replacement. | \$1,671,418 3% | \$823,000 1.5% | Actual is approximately \$848,000 short of target. Actual at 50% of target. | Not Met |
| G. 5. Maintain sewer retained earnings – will maintain 10% of sewer fund revenues. | \$449,156 10% | \$718,788 16% | Actual is above target. | ✓ |

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 FY09 budget solution, \$110,000 of Free Cash was used to support energy reserve account as well as \$356,720 one-time revenue used to supplement school operating budget.</p> | <p>Not Met</p> |
| <p>D.5. Reserves – Town will strive to make annual appropriation to the Stabilization Fund</p> | <p>\$75,000 appropriated at 2008 Annual Town Meeting; 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> |

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. |

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.



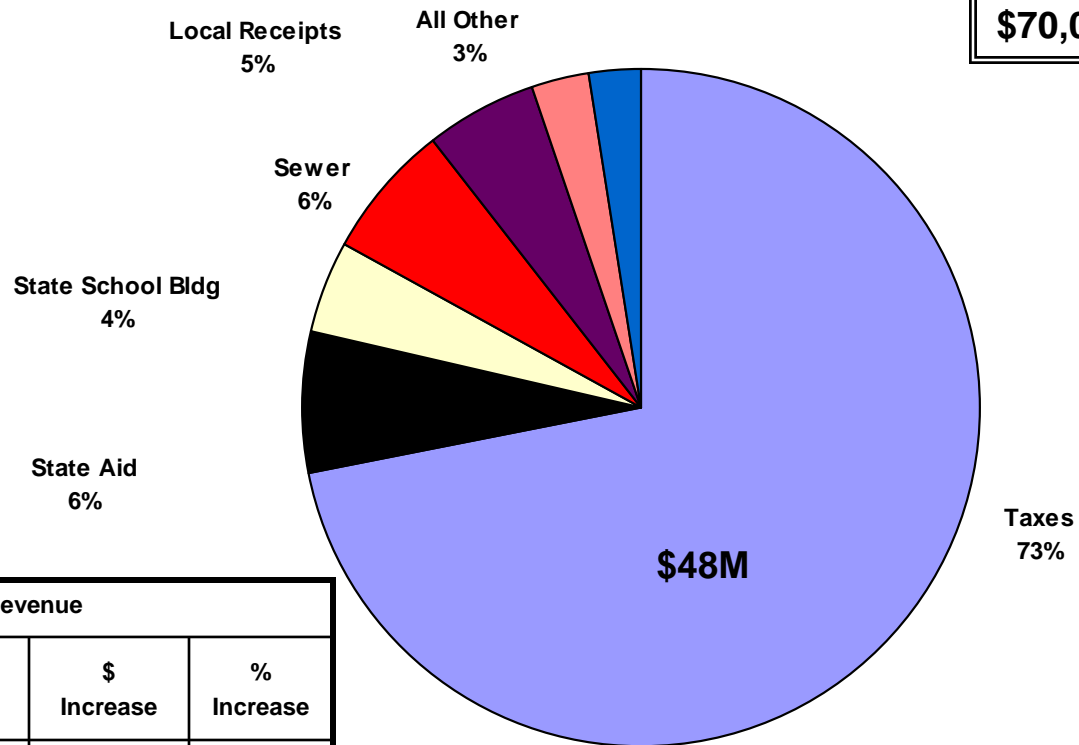
Financial Overview

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 FY10 budget recommendations.

Included is information regarding the current FY09 budget, as well as historical data on taxes, debt, state aid, 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.

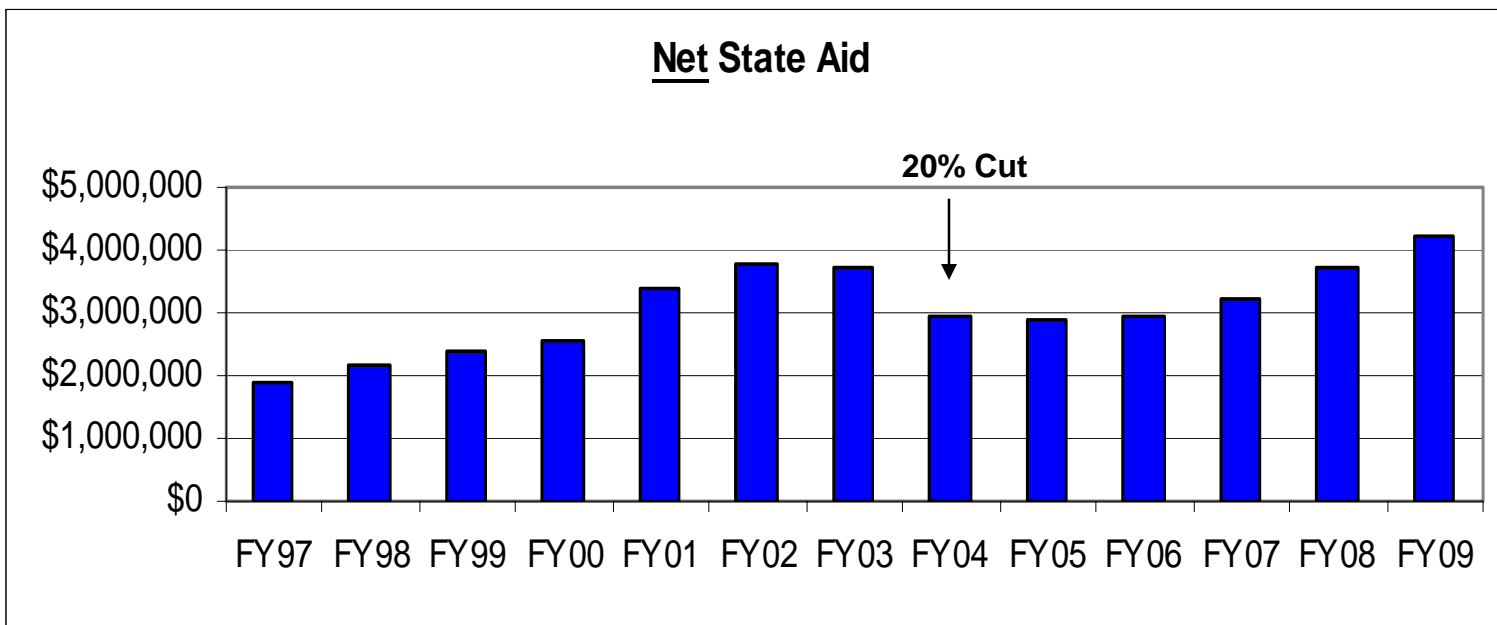
FY09 Budget Revenue – Where Does the Money Come From?



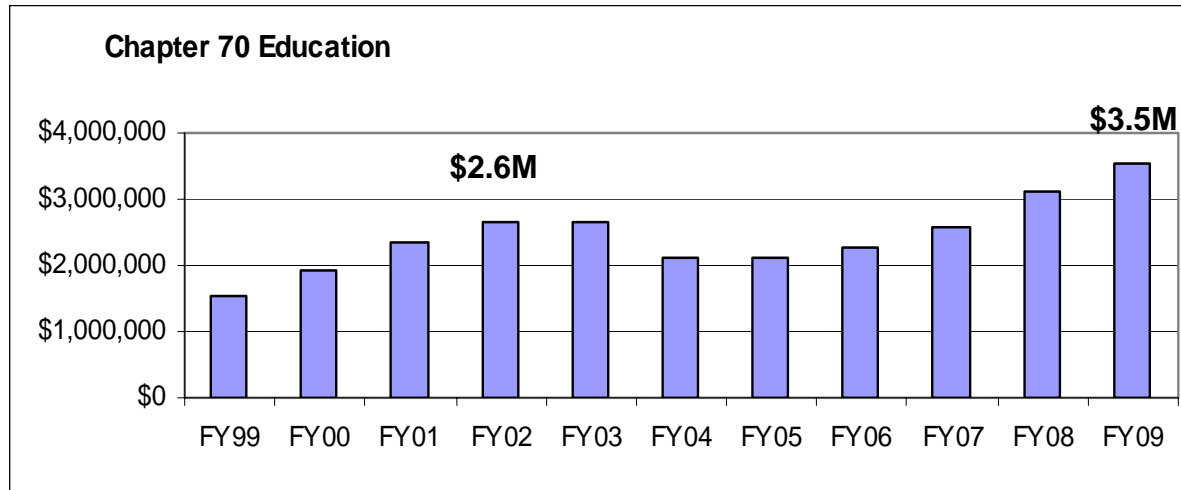
| FY2009 Projected Budget Revenue | | | | |
|---------------------------------|---------------------|---------------------|--------------------|-------------|
| | FY2008 Budget | FY2009 | \$ Increase | % Increase |
| Taxes | \$48,519,937 | \$50,373,089 | \$1,542,184 | 3.2% |
| State Aid | \$4,257,310 | \$4,732,394 | \$475,084 | 11.2% |
| State School Bldg Reimbursement | \$3,089,590 | \$3,008,895 | (\$80,695) | -2.6% |
| WW Station Guaranteed Payment | | \$1,750,000 | | |
| All Other | \$9,512,272 | \$10,196,771 | \$2,434,034 | 25.6% |
| Total Revenue | \$65,379,109 | \$70,061,149 | \$4,370,607 | 6.7% |

FY09 State Aid

- State aid as a budget item – Difficult to predict in a timely manner.
 - Timing
 - Not final until after May Town Meeting.
 - Initial Governor's budget late January.
 - Not stable/consistent.
 - State budget problems affect state aid distribution.



Major Categories of State Aid – Chapter 70

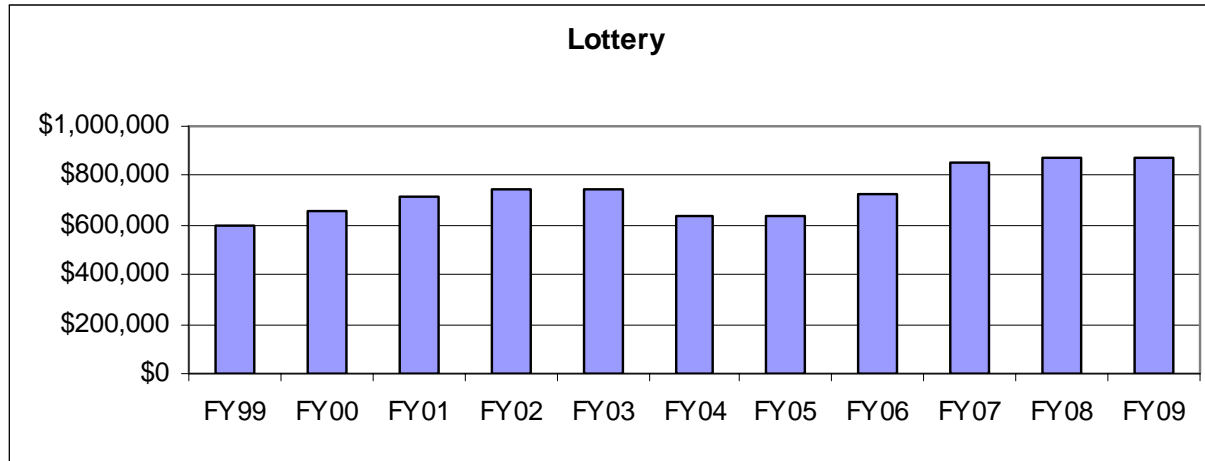


| Chapter 70 | |
|-------------------|-------------|
| FY99 | \$1,539,577 |
| FY00 | \$1,908,727 |
| FY01 | \$2,345,177 |
| FY02 | \$2,635,628 |
| FY03 | \$2,635,628 |
| FY04 | \$2,108,502 |
| FY05 | \$2,108,502 |
| FY06 | \$2,250,702 |
| FY07 | \$2,588,559 |
| FY08 | \$3,096,779 |
| FY09 | \$3,547,941 |

FY09 Budget Implications:

- FY08 change in formula benefited Westwood.
- FY09 increase \$451,000.
- Will state be able to maintain in future years?

Major Categories of State Aid and Lottery



| Lottery | |
|----------------|-----------|
| FY99 | \$596,949 |
| FY00 | \$658,858 |
| FY01 | \$711,529 |
| FY02 | \$747,149 |
| FY03 | \$747,149 |
| FY04 | \$635,077 |
| FY05 | \$635,077 |
| FY06 | \$721,560 |
| FY07 | \$857,639 |
| FY08 | \$871,741 |
| FY09 | \$871,741 |

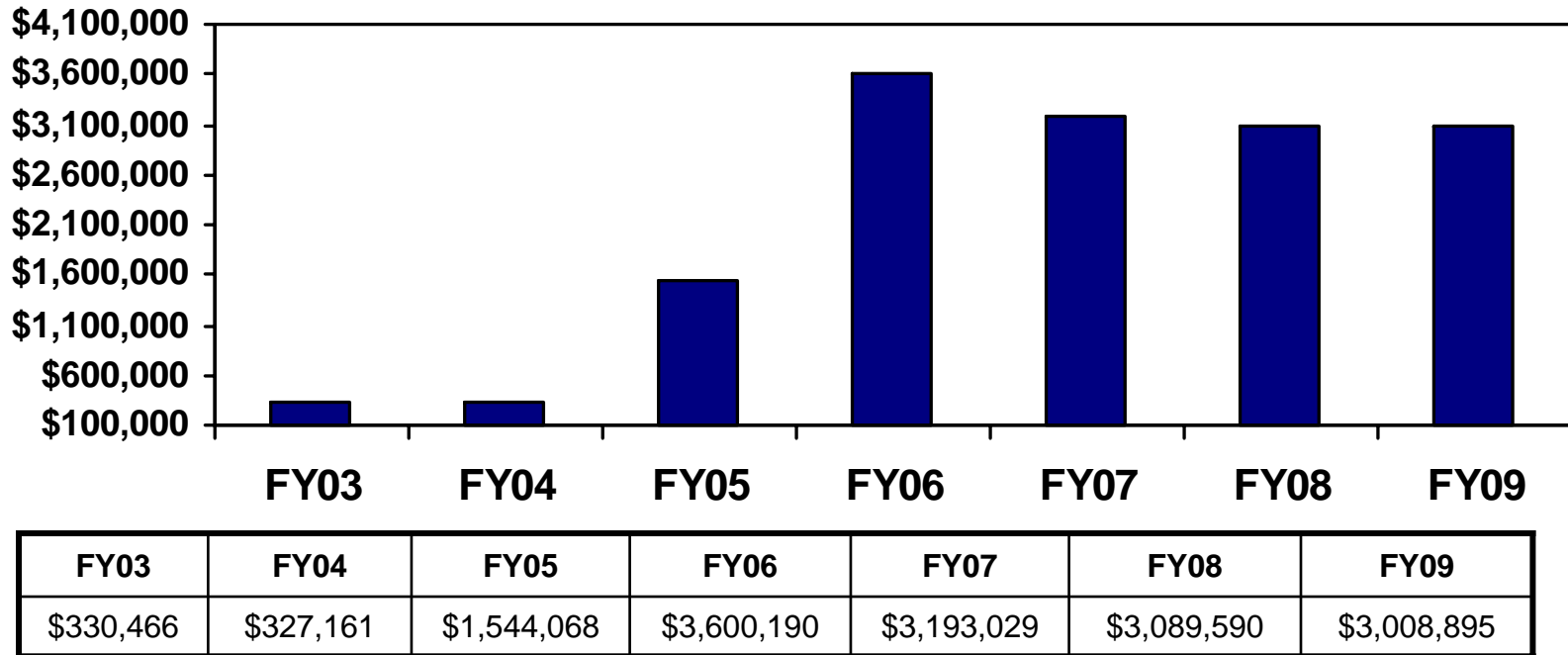
FY09 Budget Implications:

- Level funded for FY09.
- Going forward?

State School Building Reimbursement – Directly Pays the Debt Cost

School Building Annual Payments

FY09 Budget Implication:
 ■ Stable going forward.



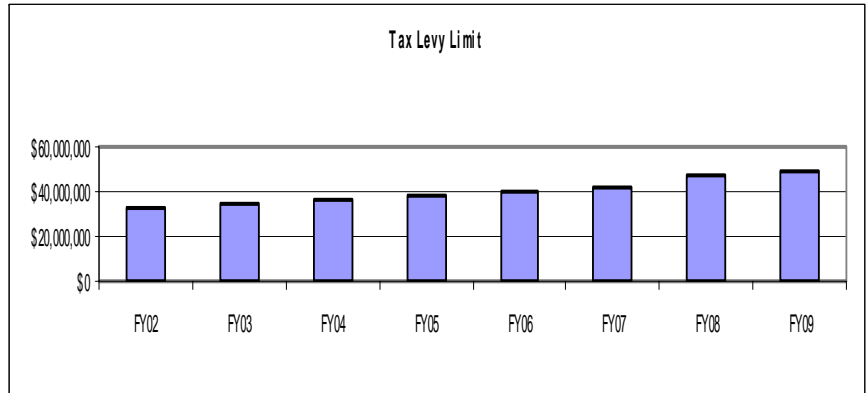
- We are now receiving payments for all of our projects:
 - Middle School
 - Martha Jones
 - Downey
 - High School
- All audits are completed.

Major Revenue Source - Taxes

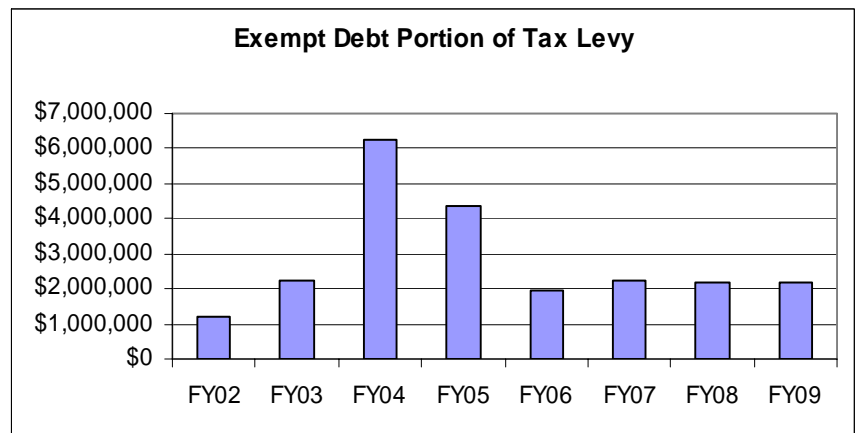
- Property tax levy:
 - Revenue a community can raise through property taxes.
 - Proposition 2 ½ places constraints on the amount of the levy raised by a community and on how much the levy can be increased from year to year.

- There are 2 categories of taxes:

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

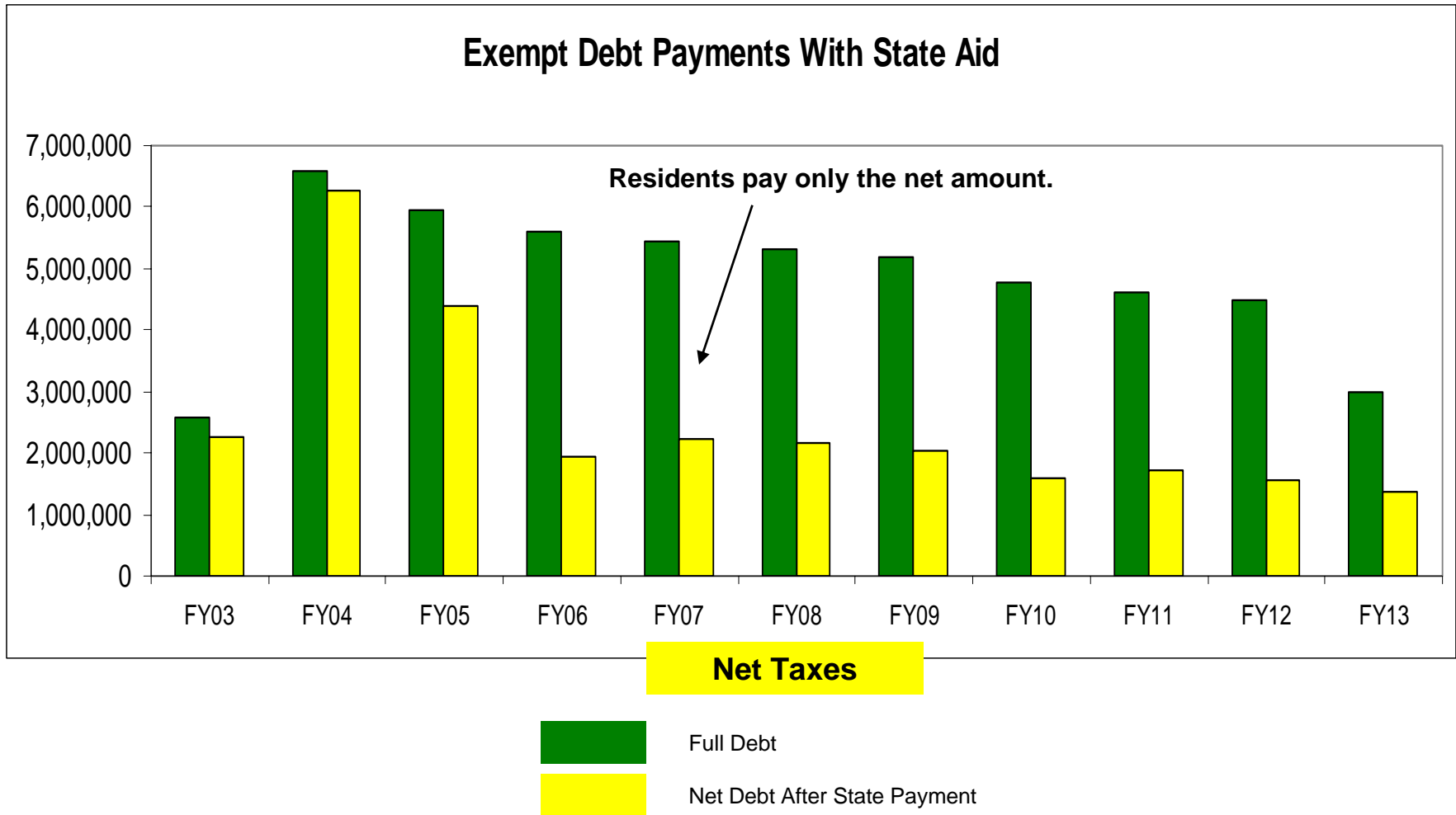


2. Exempt Debt:
 - Principal & interest for bonds for projects voted outside of Proposition 2 ½.
 - Exact amount of debt cost is taxed.
 - Not limited to 2.5% increase – It is what it is.



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

School Building Reimbursement – Impact on Taxes



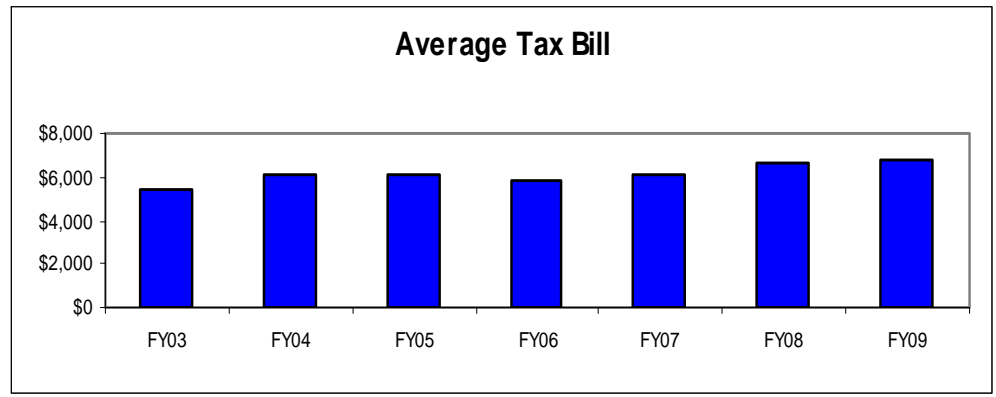
State payments directly reduce debt portion of residents' property taxes.

Taxes – A Look at History

| | FY04 | FY05 | FY06 | FY07 | FY08 | FY09 |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Average Residential Home Value | \$468,075 | \$510,202 | \$566,324 | \$566,324 | \$566,324 | \$566,324 |
| Tax Bill | \$6,066 | \$6,107 | \$5,873 | \$6,076 | \$6,648 | \$6,802 |
| Average Tax Bill Increase | 13.2% | .67% | (-3.8%) | 3.5% | 9.4% | 2.3% |

- Tax increase has been high in FY03 and FY04 due to debt for construction projects, general override in FY03, and commercial/residential shift.
- Tax increases have been mitigated due to receipt of state MSBA funds.
- FY08 increase due to general override.

| State Average Tax Bill Hi-Lo Ranking Town of Westwood | |
|---|---------------|
| Fiscal Year | State Ranking |
| FY09 | 22 |
| FY08 | 20 |
| FY07 | 26 |
| FY06 | 25 |
| FY05 | 19 |
| FY04 | 14 |
| FY03 | 21 |
| FY02 | 31 |

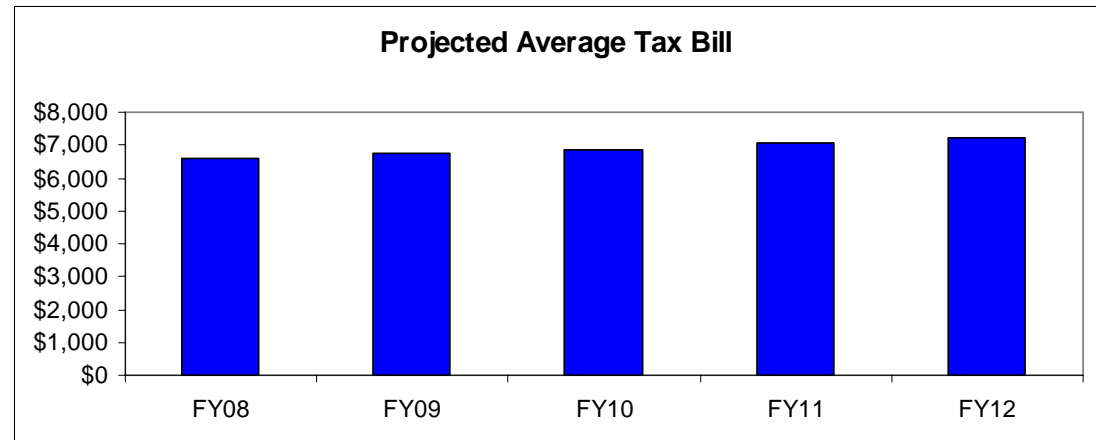


Taxes – Projections Going Forward

| | FY08* | FY09 | Projected FY10 | Projected FY11 | Projected FY12 |
|--------------------------------|--------------|-------------|---------------------------|---------------------------|---------------------------|
| Average Residential Home Value | \$566,324 | \$566,324 | | | |
| Tax Bill | \$6,648 | \$6,802 | \$6,917 | \$7,100 | \$7,254 |
| Average Tax Bill Increase | 9.4% | 2.3% | 1.69% | 2.65% | 2.16% |

- Assumes no new overrides.
- Tax increase will be less than 2.5% because of natural decline in exempt debt interest payments.
- Projections are based on total taxes only; do not include impact of any revaluation or commercial tax shift.

*Year of general override.



Analysis of Average Tax Bill Increase.....

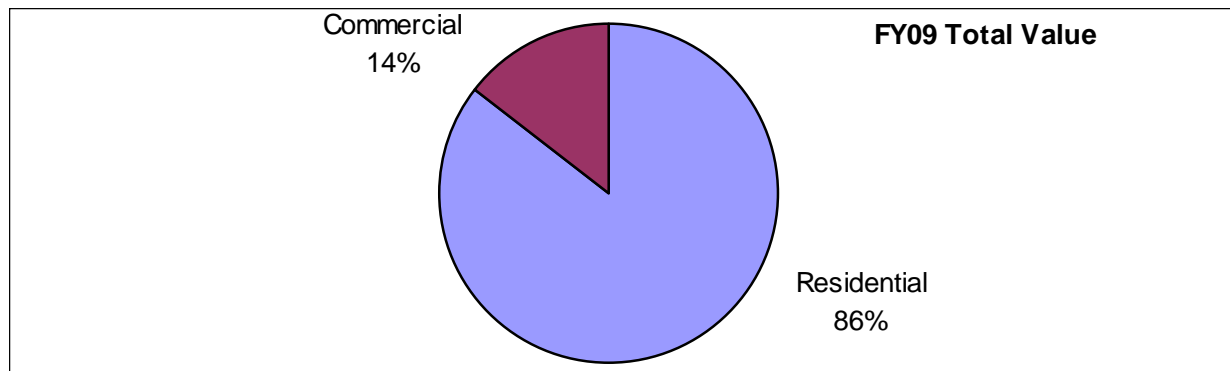
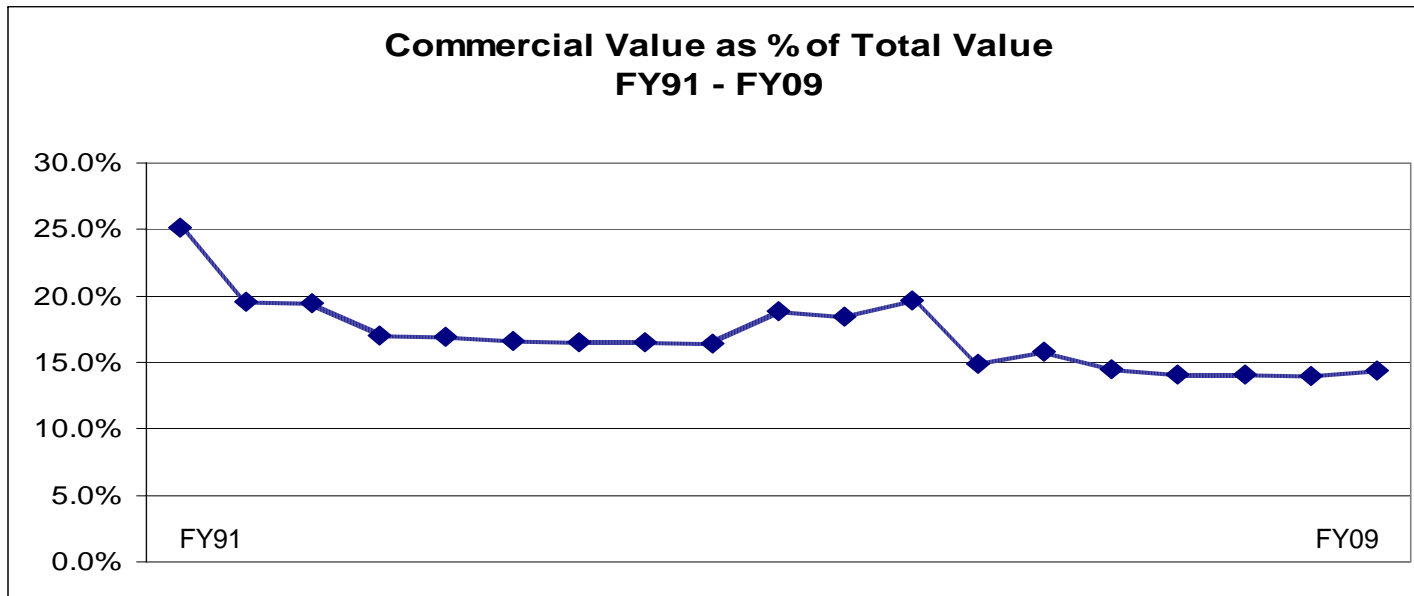
The change in taxes each year is driven by multiple factors. These include:

- Proposition 2 ½ increases – Taxes general increase by 2.5% each year as allowed by Proposition 2 ½.
- General Overrides – Taxes increase if a general override is approved by the voters. The amount of the override determines the tax increase.
- Change in Exempt Debt – As the principal and interest on exempt debt changes each year, the impact on taxes may change. In general, when new exempt debt is brought on, taxes increase; as debt is paid off or when state reimbursement is received, the tax impact decreases.
- Value Shift – There can be a tax impact if there is significant change in total value among the commercial and residential property sectors.

The following chart shows the approximate impact of each item on the tax bill for the last several years.

| | FY02 | FY03 | FY04 | FY05 | FY06 | FY07 | FY08 | FY09 |
|---------------------------|--------------|---------------|--------------|-------------|-----------------|-------------|-------------|-------------|
| Proposition 2 ½ Increase | 2.8% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| General Overrides | -- | 5% | -- | -- | -- | -- | 6.5% | -- |
| Change in Exempt Debt | (-1.16%) | 3.07% | 10.50% | (-4.53%) | (-5.94%) | .6% | | (-.2%) |
| Effect of Value Shift | 2.1% | 5% | .2% | 2.7% | (-.4%) | .39 | .4% | |
| | | | | | | | | |
| Total Tax Increase | 3.74% | 15.57% | 13.2% | .67% | (-3.84%) | 3.5% | 9.4% | 2.3% |

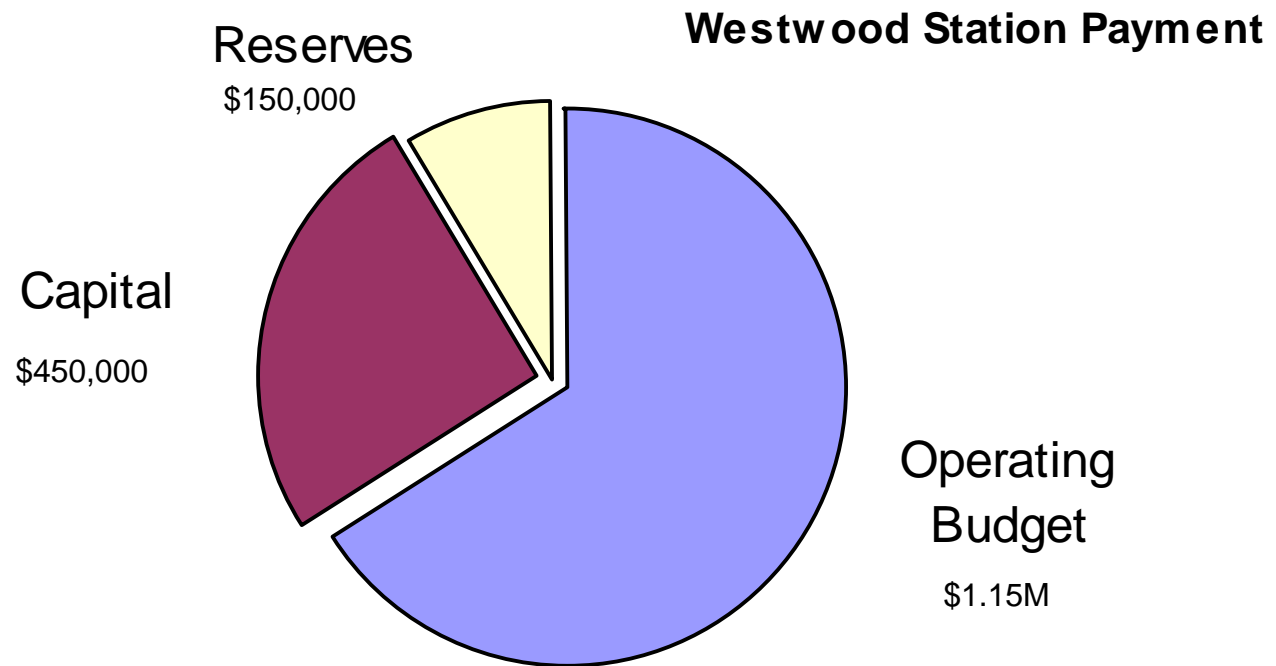
Commercial as % of Total Town Value – Has Been Declining



- FY09 – Commercial pay 23.76% of taxes.
- Split rate saves average home \$838 in FY09.

FY09 Budget Includes Westwood Station Guaranteed Payment - \$1.75M

35% will be used to fund reserves and capital.



- Will utilize \$1.15M to fund FY09 Operating Budget:
 - School - \$575,000
 - Municipal - \$575,000



Tax Levy – FY10 Projections

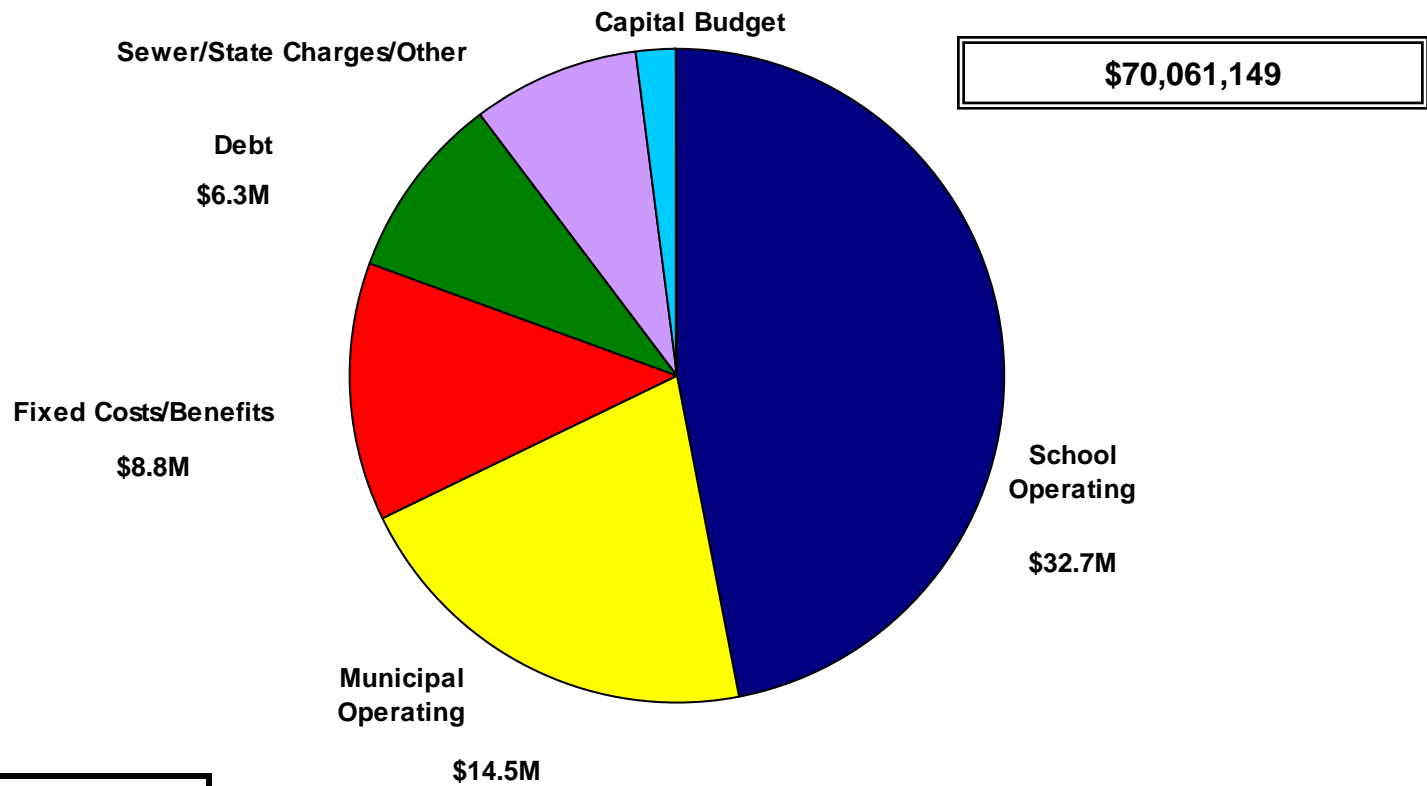
■ Baseline

- Proposition 2 ½ increase – Approximately \$1. 2M.
- Budget \$300,000 new growth.
- Decline in exempt debt - \$436,000.

■ What Will Westwood Station Bring?

- Timing is significant issue.
- Potential new tax growth?
- Potential change in residential/commercial split of taxes?
- Will Westwood receive guaranteed tax payment - \$1.75M, \$1.5M?

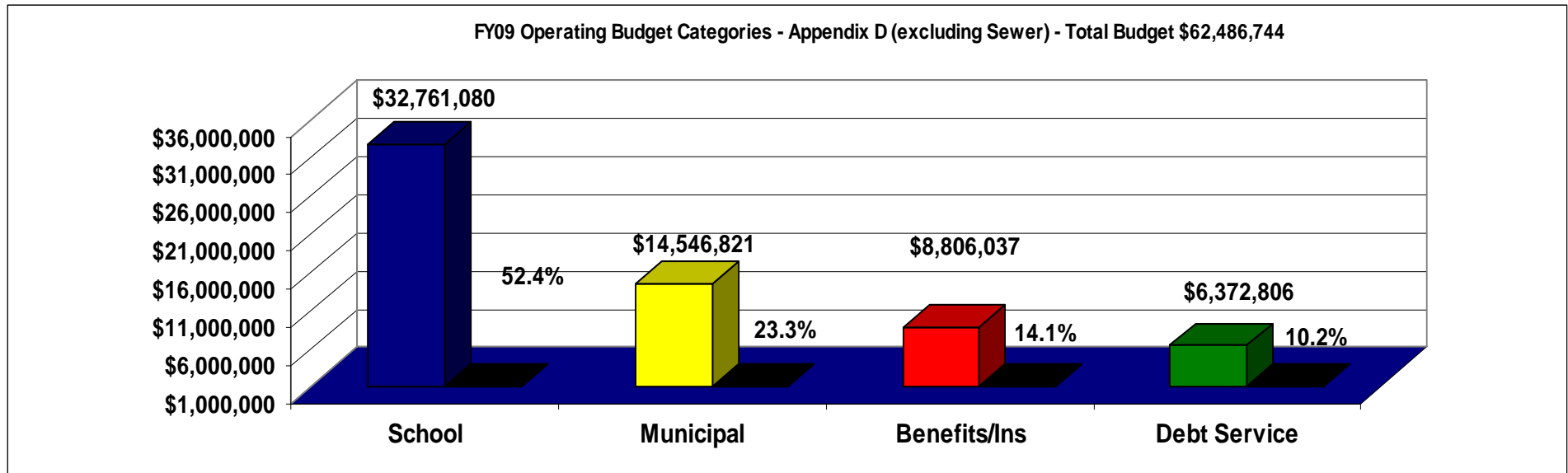
The FY09 Budget Categories – How is the Money Spent?



| | FY09 |
|------------------------------|---------------------|
| School & Municipal Operating | \$47,307,901 |
| Capital - Annual | \$1,273,000 |
| Debt | \$6,372,806 |
| Fixed Costs/Benefits | \$8,806,037 |
| Sewer/State Charges/Other | \$6,301,405 |
| | \$70,061,149 |

**Approximately 70% Spent on
Direct Operating Costs**

A Look at The FY09 Operating Budget Categories.....



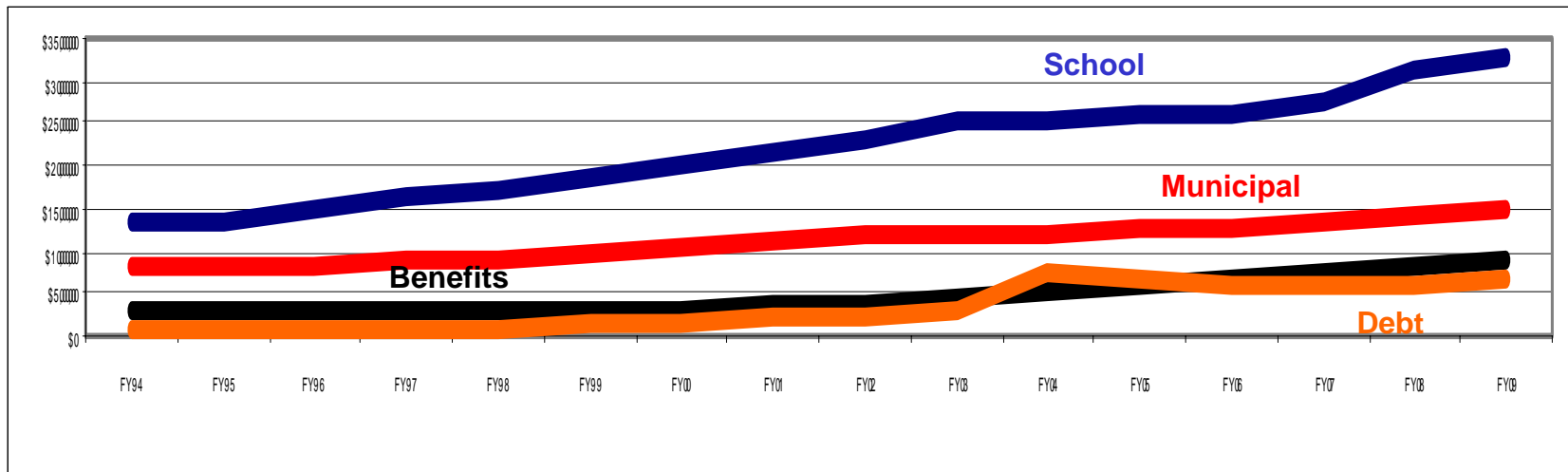
Note: Debt and Benefit budgets not allocated in School or Municipal budgets shown above.

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

| | |
|--------------------|-------------|
| School Benefits | \$4,673,474 |
| Municipal Benefits | \$3,061,472 |
| Insurance/Reserves | \$1,071,091 |
| Total | \$8,806,037 |

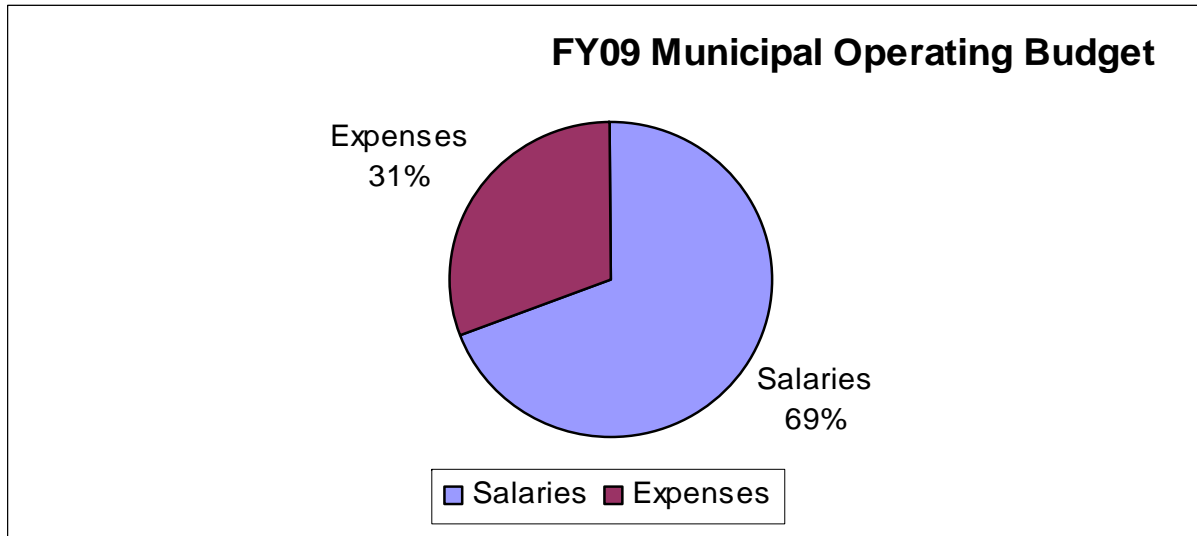
A Look at the Budget History.....

| Budget | % Change in Budget | | | | | | |
|---------------------------------|--------------------|-------|-------|-------|-------|-------|-------|
| | FY03 | FY04 | FY05 | FY06 | FY07 | FY08 | FY09 |
| School Budgets | 8.2% | 0.4% | 4.7% | .1% | 4% | 12.9% | 5.8% |
| Municipal Budgets | 4.5% | 0.0% | 3.4% | 1.2% | 4.5% | 3.7% | 5.4% |
| Benefits/Insurance/ Reserves | 13.4% | 10.9% | 14.3% | 11.2% | 13.6% | 7.6% | 12.3% |
| Debt Service | 33.8% | 56.7% | -7.7% | -6.3% | -2.2% | -0.7% | 4.1% |

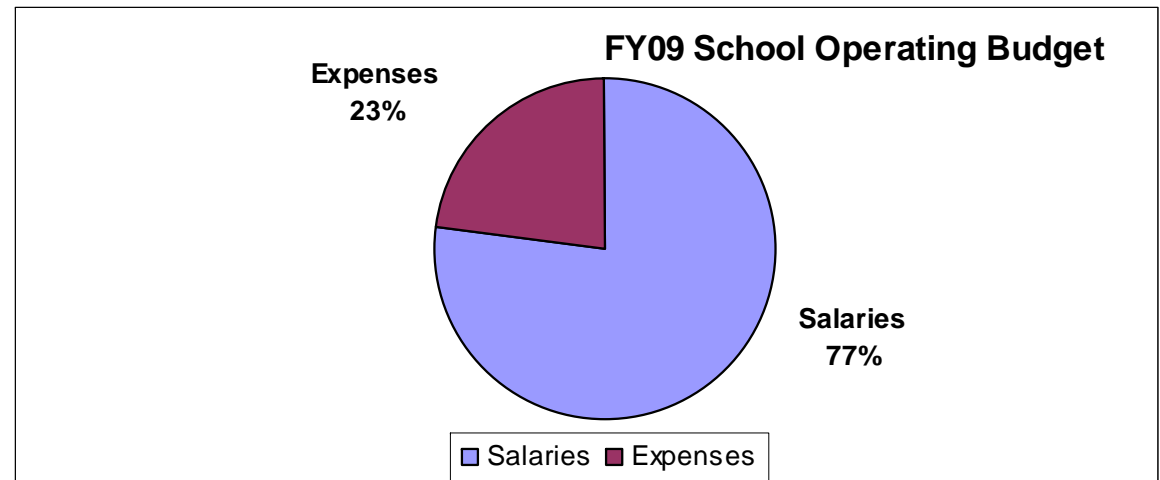


| Budget | \$ Budget | | | | | | |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | FY03 | FY04 | FY05 | FY06 | FY07 | FY08 | FY09 |
| School Budgets | \$24,956,196 | \$25,062,489 | \$26,237,002 | \$26,268,304 | \$27,444,091 | \$30,978,154 | \$32,761,080 |
| Municipal Budgets | \$12,127,081 | \$12,127,081 | \$12,540,894 | \$12,688,282 | \$13,311,360 | \$13,804,145 | \$14,546,821 |
| Benefits/Insurance Reserves | \$4,497,240 | \$5,045,017 | \$5,767,904 | \$6,413,450 | \$7,287,385 | \$7,839,004 | \$8,806,037 |
| Debt Service | \$3,157,965 | \$7,286,431 | \$6,722,777 | \$6,302,362 | \$6,164,592 | \$6,124,069 | \$6,372,806 |

Salaries as Component of Budgets

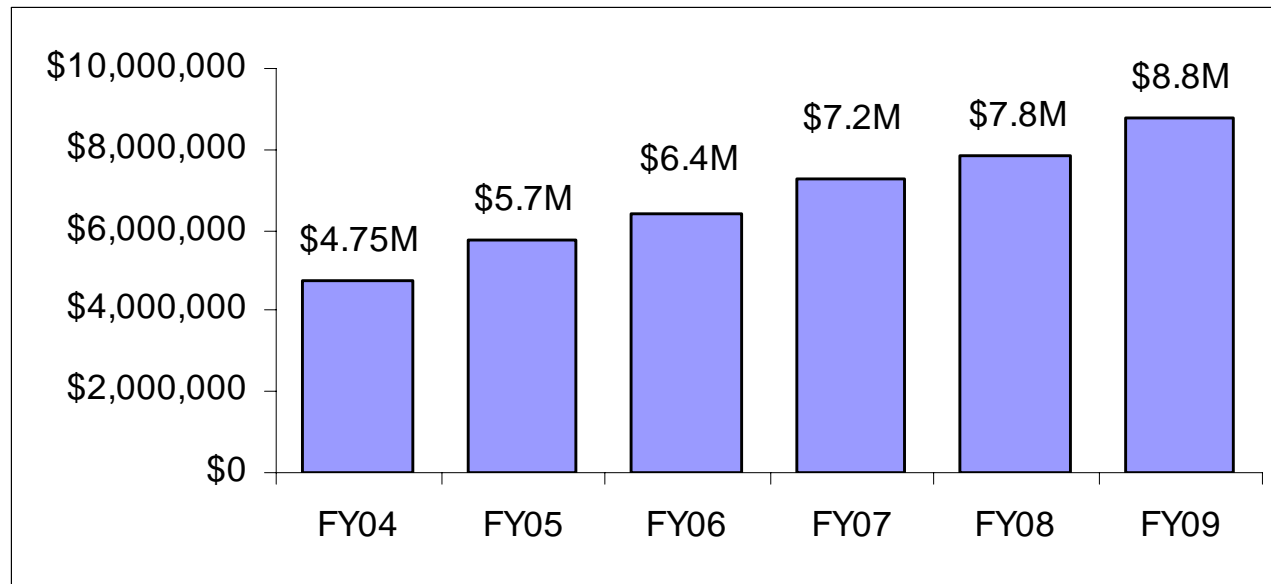


- Salary driven organization.
- Salary increase typically the largest component of school/municipal growth each year.



Fixed Costs – Fastest Growing Component of Overall Budget

Fixed costs increases take most of new revenue available within Proposition 2 ½. Limited revenue is available for school and municipal operating budgets. Similar issues are being experienced by many municipalities.



Fixed costs increases:

- Health insurance.
- Pension costs.
- Payroll taxes.
- Comprehensive insurance.

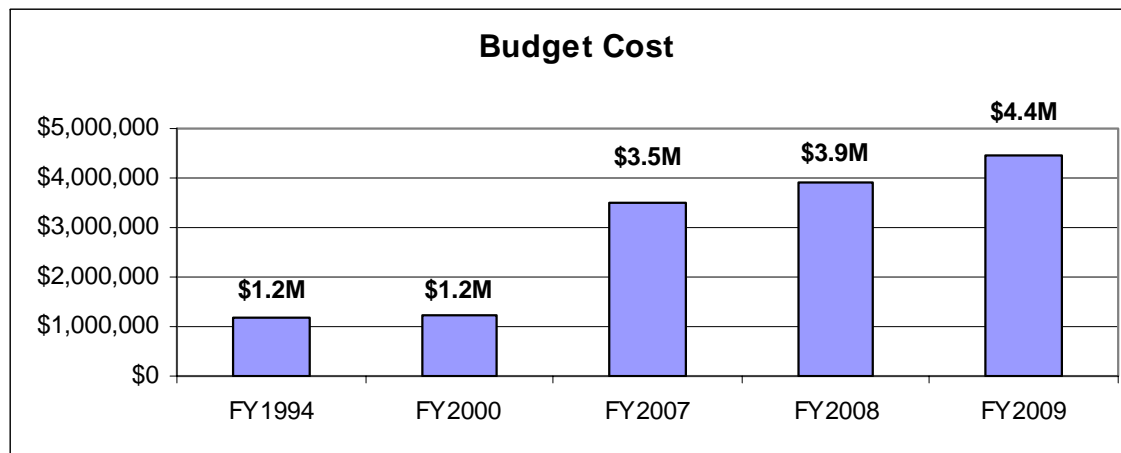
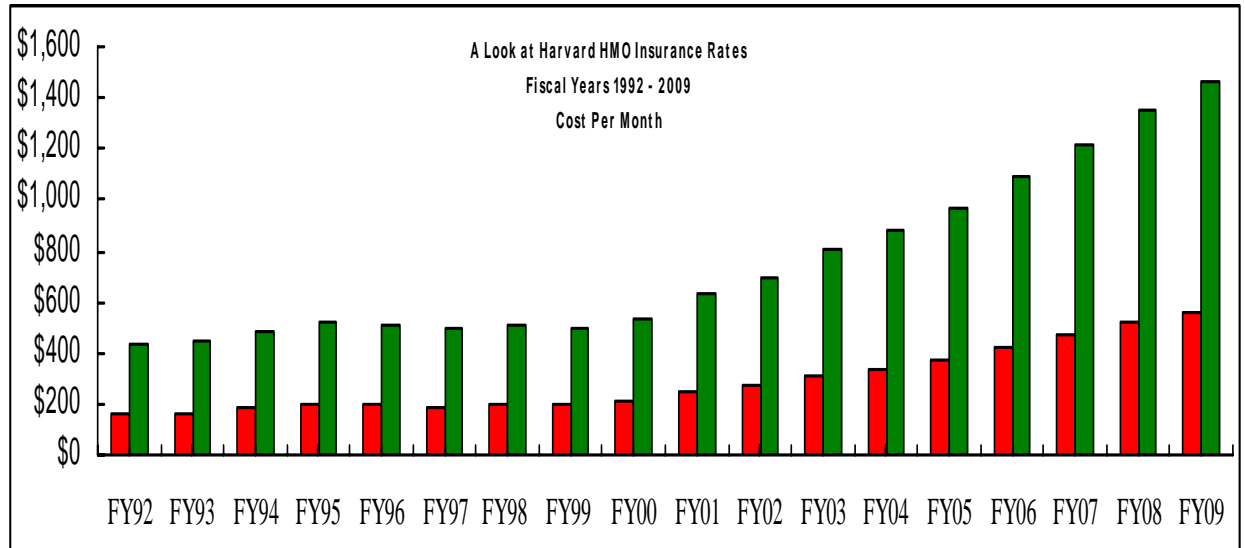
Health Insurance – For all School and Municipal Employees and Retirees

Health Insurance

- Rising rates.
- Increasing number of retirees covered.

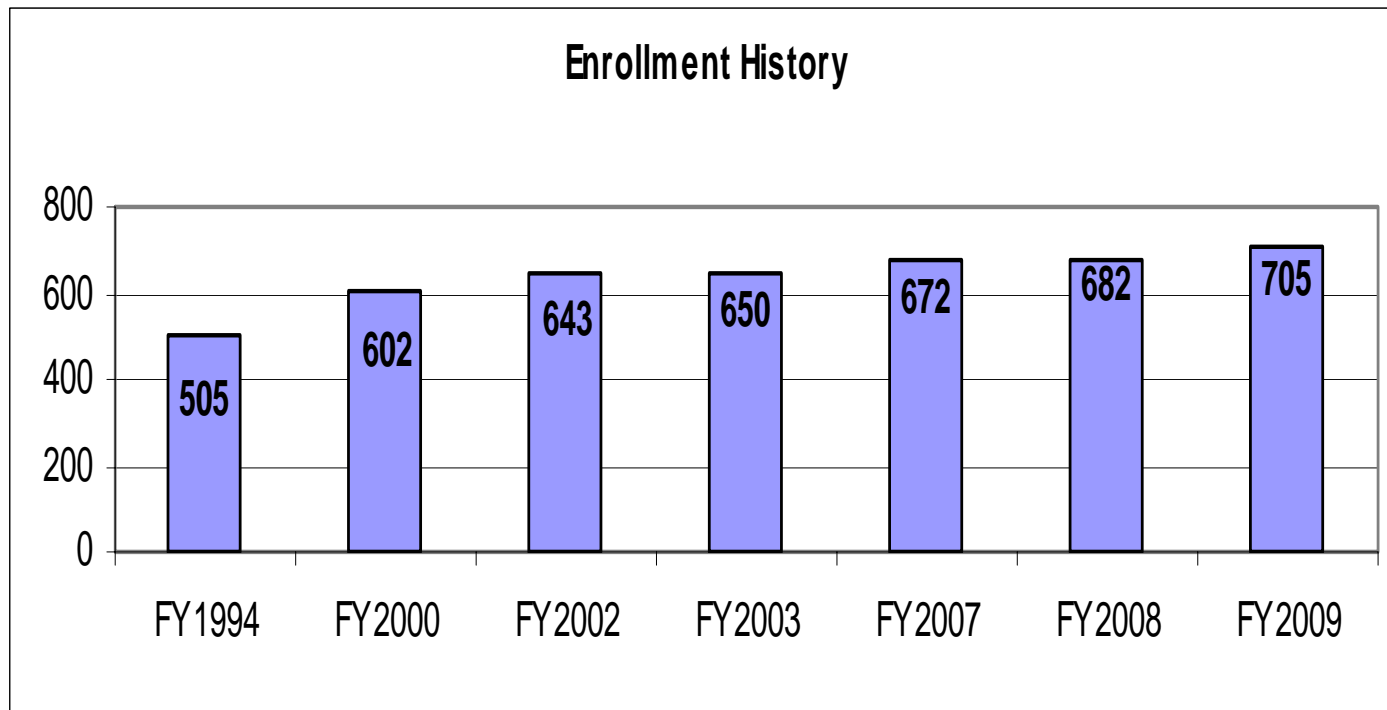
Steps Taken to Control Costs

- Employees contribute 40% of HMO/50% of PPO premium cost; and
- Town benefits from joint purchasing group.



Health Insurance – Enrollment Continues to Grow

- Total enrollment continues to grow.
 - Retirees covered as well as current employees.
 - FY08/FY09 added new teachers due to override.
- Increasing number of retirees covered.



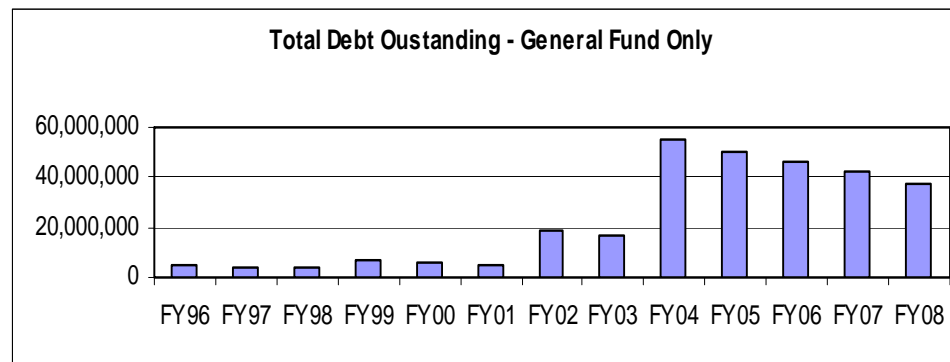
Long Term General Fund Debt

Long Term General Fund Debt Outstanding as of June 30, 2009

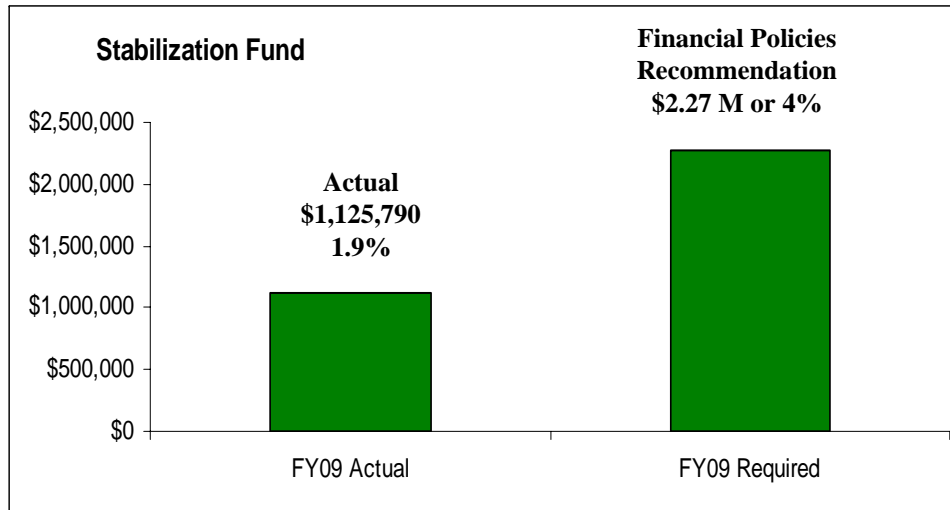
| Description | Rate of Interest | Date Issued | Maturity Date | Amount Issued | Total Outstanding 30-Jun-09 |
|------------------------------|------------------|-------------|---------------|---------------|-----------------------------|
| General Fund | | | | | |
| Middle School/Gym | 3.79 | 12/98 | 12/2008 | \$2,923,000 | \$0 |
| Land Acquisition | 3.79 | 12/98 | 12/2008 | \$400,000 | \$0 |
| Senior Center | 3.79 | 12/98 | 12/2008 | \$239,000 | \$0 |
| School Fields | 3.79 | 12/98 | 12/2008 | \$189,000 | \$0 |
| Middle School/Gym Completion | 3.79 | 12/98 | 12/2008 | \$225,000 | \$0 |
| Martha Jones Construction | 4.04 | 3/21/02 | 3/21/2012 | \$7,200,000 | \$2,160,000 |
| Downey Construction | 4.04 | 3/21/02 | 3/21/2012 | \$6,300,000 | \$1,890,000 |
| Land Acquisition | 4.04 | 3/21/02 | 3/21/2012 | \$1,300,000 | \$390,000 |
| Land Acquisition | 4.04 | 3/21/02 | 3/21/2012 | \$300,000 | \$90,000 |
| High School Project | 4.25 | 8/01/03 | 06/01/2023 | \$39,262,300 | \$27,650,000 |
| Municipal DPW Building | 4.25 | 8/01/03 | 06/81/2014 | \$2,600,000 | \$1,300,000 |
| Public Building | 4.25 | 8/01/03 | 06/08/2014 | \$240,700 | \$115,000 |
| Land Acquisition | 3.19 | 8/01/08 | 02/01/2015 | \$210,000 | \$180,000 |
| High Street Reconstruction | 3.40 | 8/01/08 | 02/01/2017 | \$1,000,000 | \$885,000 |
| High Street Lights | 3.39 | 8/01/08 | 02/01/2017 | \$195,000 | \$170,000 |
| High Street Fields | 3.84 | 8/01/08 | 02/01/2018 | \$475,000 | \$425,000 |
| High School Completion | 3.48 | 8/01/08 | 02/01/2023 | \$1,950,000 | \$1,820,000 |
| Total General Fund | | | | | \$37,075,000 |

General Fund Debt Authorized – Not Yet Issued Long Term

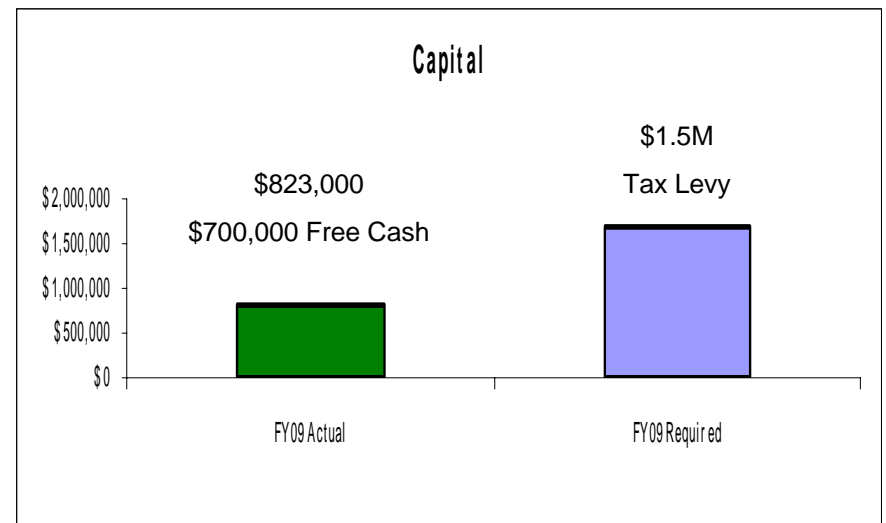
Middle School Modular Project – ATM 5/08 - \$4,500,000



Areas to Address – Reserves and Capital – Not Meeting Targets



- ❑ Must improve or credit rating could be downgraded.
- ❑ Financial Policies target new tax revenue.
- ❑ FY09 – additional \$450,000 capital – Westwood Station funds.





Town's Excellent Credit Rating – July, 2008

- Moody's – Aa1
- Standard & Poor's – AAA

Highest and 2nd Highest Ratings Obtainable

- Top 5% of Massachusetts communities.
- High credit rating reduces costs to borrow money.

“Narrow reserve levels expected to stabilize....Moody's expects the town's narrowed financial position to stabilize and notes that new revenue from the Westwood Station development have the potential to augment reserves beginning in fiscal 2009.”

“Future rating actions will incorporate on Westwood's ability to comply with its financial policies and maintain adequate reserves.”



FY10 Budget Issues

- FY10 will continue to be a difficult budget.
 - Structural deficit continues.
 - FY09 budget balanced – without cuts or override, ONLY because of initial Westwood Station funds - \$1.75M.
 - Continuation of fixed cost growth.
 - Concern with FY10 revenue:
 - Westwood Station Guaranteed Payment.
 - State Aid.
 - Reduction of one-time revenue - \$356,720 used in FY09.

Five Year Forecast - Baseline With 3% Increase to School/Municipal Operating Budgets

Assumptions:

- Tax revenue calculated per levy limit. New growth assumption of \$300,000 per year.
- State aid level funded at FY08 level.
- Debt – per current schedules – and new debt issued, payments start FY09.
- Capital level funded at FY08 level.
- Health insurance increase – 12%.
- Operating budget increase for all school and municipal budgets FY09-FY13 – 3%.
- FY08 budget problems addressed (free cash).

| | FY2008 | FY2009 Projected | FY2010 Projected | FY2011 Projected | FY2012 Projected | FY2013 Projected |
|----------------------------------|--------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Expenditures | \$60,766,140 | \$63,108,312 | \$64,841,236 | \$67,129,541 | \$69,571,648 | \$70,643,904 |
| Total Revenues | \$61,122,860 | \$62,252,117 | \$62,944,625 | \$64,335,038 | \$65,761,891 | \$65,856,388 |
| Total Revenues Less Expenditures | \$356,720 | (\$856,195) | (\$1,896,611) | (\$2,794,503) | (\$3,809,756) | (\$4,787,516) |

There would be insufficient revenue in each of the years to fund increases in the school and municipal operating budgets at this level.

These forecasts, prepared for the FY09 budget, show the magnitude of the structural budget problem.



Five Year Forecast - Baseline With 6% Increase to School/Municipal Operating Budgets

Assumptions:

- Tax revenue calculated per levy limit. New growth assumption of \$300,000 per year.
- State aid level funded at FY08 level.
- Debt – per current schedules – and new debt issued, payments start FY09.
- Capital level funded at FY08 level.
- Health insurance increase – 12%.
- Operating budget increase for all school and municipal budgets FY09-FY13 – 6%.
- FY08 budget problems addressed (free cash).
- Apply Additional FY08 Ch 70 - \$356,720 - to FY09 budget

| | FY2008 | FY2009 Projected | FY2010 Projected | FY2011 Projected | FY2012 Projected | FY2013 Projected |
|--|--------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Expenditures | \$60,766,140 | \$64,451,781 | \$67,649,086 | \$71,530,148 | \$75,705,396 | \$78,657,764 |
| Total Revenues | \$61,122,860 | \$62,252,117 | \$62,944,625 | \$64,335,038 | \$65,761,891 | \$65,856,388 |
| Total Revenues Less Expenditures | \$356,720 | (\$2,199,664) | (\$4,704,461) | (\$7,195,110) | (\$9,943,505) | (\$12,801,376) |

There would be insufficient revenue in each of the years to fund increases in the school and municipal operating budgets at this level.

These forecasts, prepared for the FY09 budget, show the magnitude of the structural budget problem.