

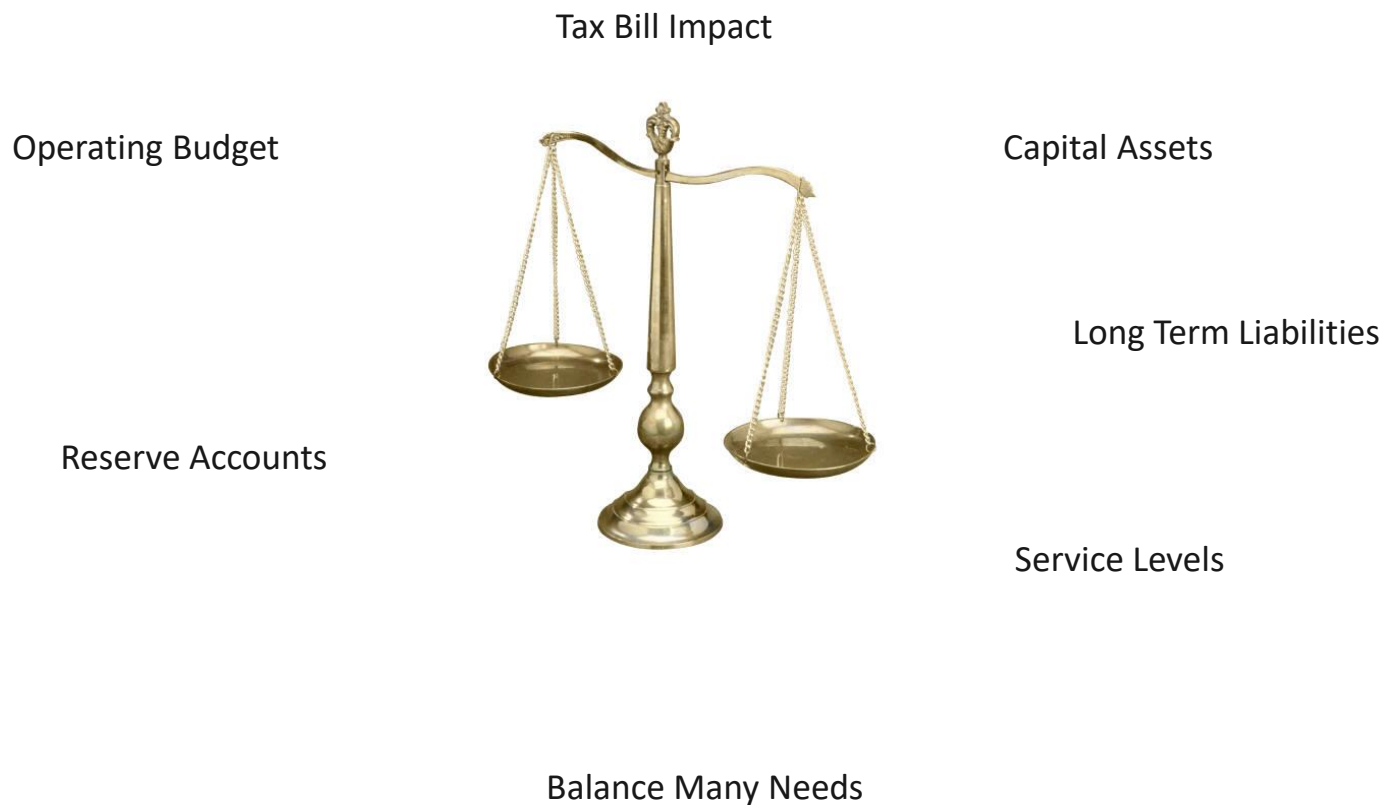
Town of Westwood  
Annual Town Meeting  
Financial Summary  
June 8, 2020





## The Financial Articles Address All Areas of Town Finance

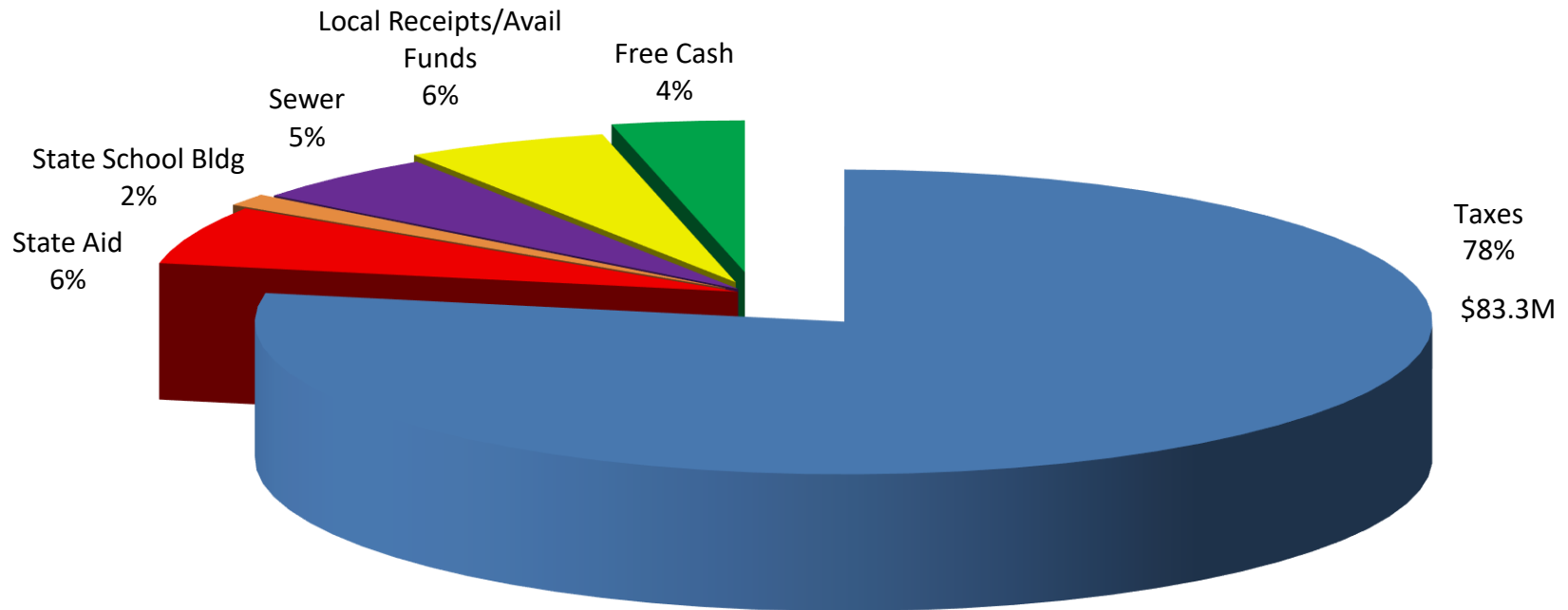
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## What Revenue Funds the Town Meeting Budget?

FY2021 Projected Budget Revenue, \$106.8M, 4.2% increase



- Typical suburban community revenue chart
- Always a challenging financial model:
  - Main revenue source is restricted (Prop 2 ½)
  - Must balance tax bill impact



# Tax Levy Calculation per Proposition 2 1/2

| Tax Levy Calculation              | FY2017              | FY2018              | FY2019              | FY2020              | FY2021              |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Prior Year Levy Limit             | \$66,435,457        | \$70,367,740        | \$73,558,364        | \$76,623,854        | \$79,703,916        |
| Plus 2.5% Increase                | \$1,660,886         | \$1,759,194         | \$1,838,959         | \$1,915,596         | \$1,992,598         |
| Plus New Growth                   | \$1,099,667         | \$1,252,430         | \$950,531           | \$661,466           | \$450,000           |
| New Tax Levy - University Station | \$1,171,730         | \$179,000           | \$276,000           | \$503,000           | \$200,000           |
| General Overrides                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 |
| <b>Tax Levy Limit</b>             | <b>\$70,367,740</b> | <b>\$73,558,364</b> | <b>\$76,623,854</b> | <b>\$79,703,916</b> | <b>\$82,346,514</b> |
| <b>Exempt Debt</b>                | <b>\$1,642,706</b>  | <b>\$1,523,690</b>  | <b>\$1,429,505</b>  | <b>\$1,320,986</b>  | <b>\$1,217,416</b>  |
| <b>Levy Capacity</b>              | <b>\$72,010,446</b> | <b>\$75,082,054</b> | <b>\$78,053,359</b> | <b>\$81,024,902</b> | <b>\$83,563,930</b> |
| Actual Levy Assessed              | \$70,500,803        | \$74,005,710        | \$76,955,697        | \$80,224,068        | \$83,336,647        |
| Excess Levy(Taxes not raised )    | \$1,509,643         | \$1,076,344         | \$1,097,662         | \$800,834           | \$227,283           |

What we could tax

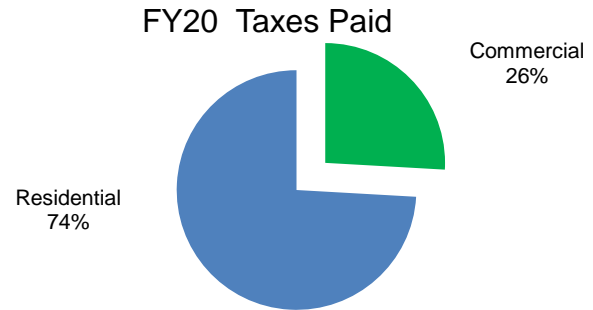
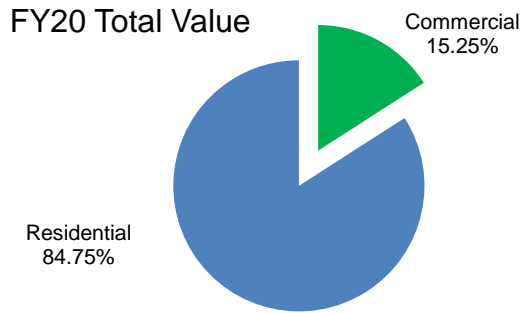
What we actually tax

Unused tax levy

- The Town has not taxed to maximum capacity
- No general override since 2007

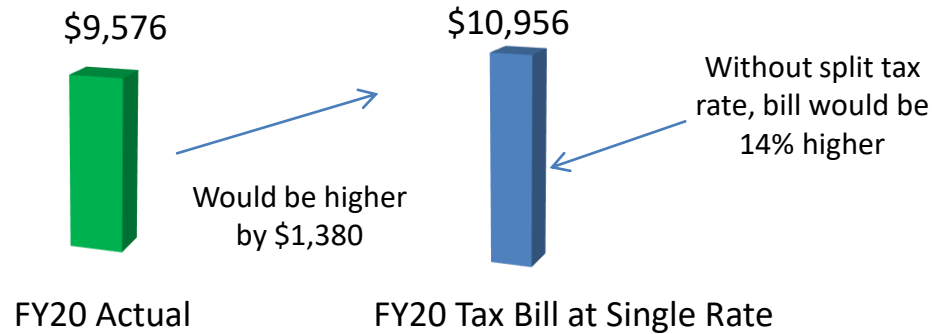


# Commercial Value is Important to Town Finances



Commercial is 15.25% of value, but pays 26% of taxes

- Significant Savings to Homeowners from Split Tax Rate



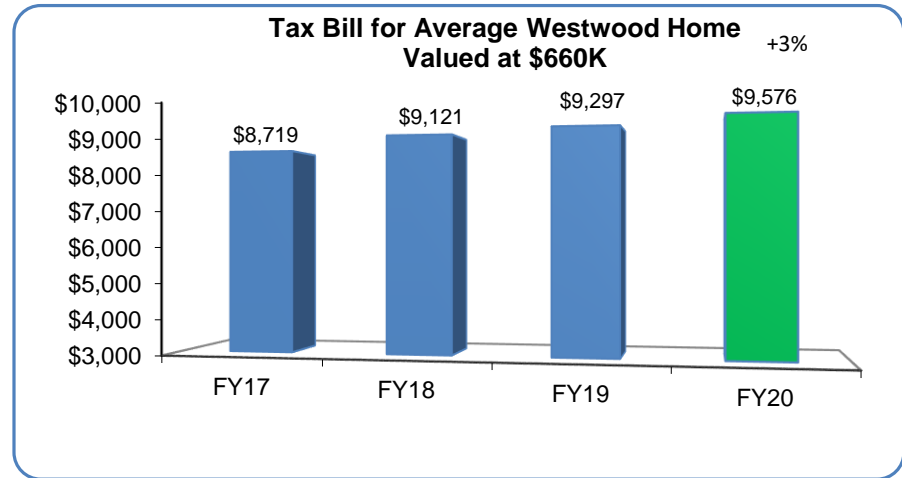
The split tax rate provides significant tax relief for homeowners.

In FY20 that relief is \$1,380.



## Proposition 2 ½ Controls Total Town Taxes, But Individual Bills May Vary

- Residential Tax Bill – Each Tax Bill is Based on the Change in Value
- FY20 – Total residential value increased by 5.6%
  - Average home: \$660K
    - FY20 Increase in value 4%
    - FY20 Increase in tax 3%
- However, individual homes may have different value changes.



Sample of Westwood Homes

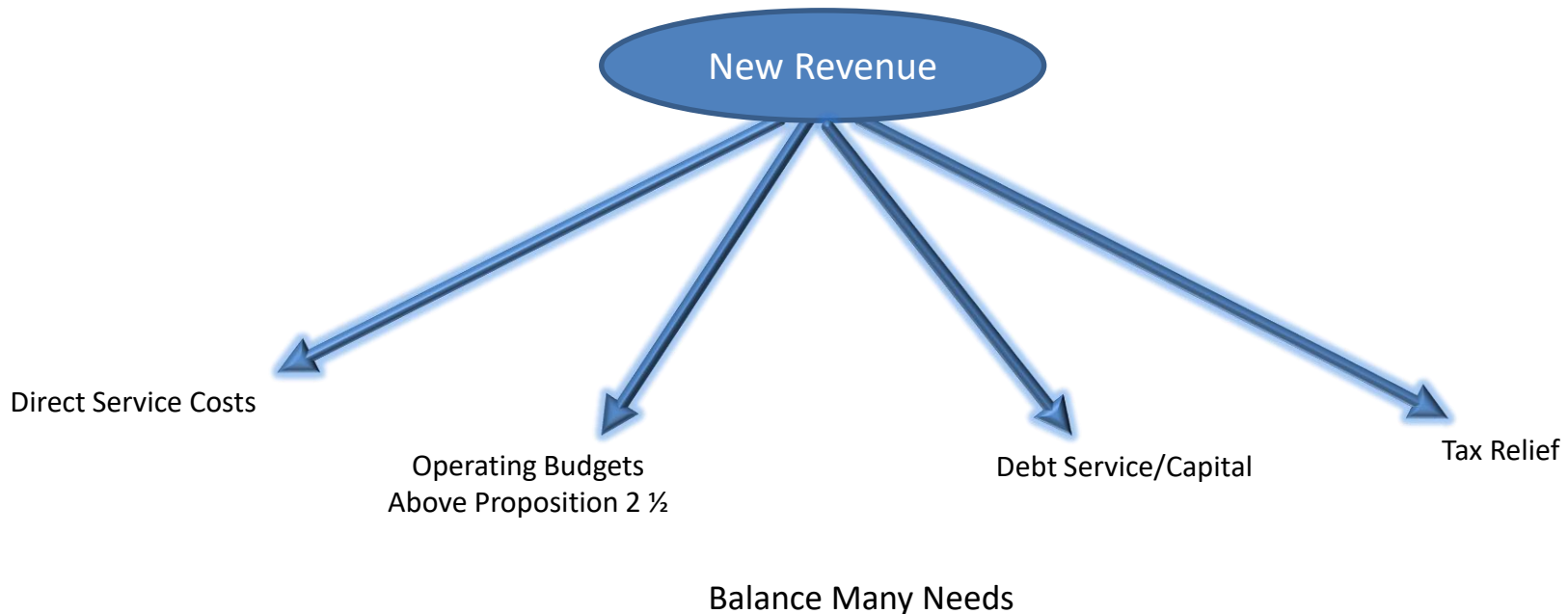
| Home Value  |             |          | Tax Bill |          |          |
|-------------|-------------|----------|----------|----------|----------|
| FY19        | FY20        | % Change | FY19     | FY20     | % Change |
| \$1,862,200 | \$1,966,850 | 5.6%     | \$27,281 | \$28,539 | 4.6%     |
| \$1,213,250 | \$1,275,100 | 5.1%     | \$17,774 | \$18,502 | 4.1%     |
| \$875,600   | \$909,450   | 3.9%     | \$12,828 | \$13,196 | 2.9%     |
| \$745,550   | \$768,700   | 3.1%     | \$10,922 | \$11,154 | 2.1%     |
| \$633,950   | \$674,250   | 6.4%     | \$9,287  | \$9,783  | 5.3%     |
| \$566,600   | \$588,950   | 3.9%     | \$8,301  | \$8,546  | 3.0%     |



## University Station Revenue Has Helped All Budget Areas

- University Station has provided important new commercial tax revenue:

| University Station New Growth Tax Revenue |             |             |           |           |           |             |
|---|-------------|-------------|-----------|-----------|-----------|-------------|
| FY15                                      | FY16        | FY17        | FY18      | FY19      | FY20      | Total       |
| \$565,000                                 | \$3,242,307 | \$1,171,730 | \$179,000 | \$276,000 | \$503,000 | \$5,937,037 |





# University Station Revenue Significantly Helps Multiple Budget Areas

## Support operating budgets

\$2.6M

- Schools \$1.9M
- Municipal \$ 700K

- Provides services without a Proposition 2 ½ override.

## Provide for increases in direct impact

\$1.9M

- Municipal – Public Safety \$1.7M
- Schools \$ 265K

- Hired additional fire and police staff without a Proposition 2 1/2 override

## Fund capital projects within Proposition 2 ½

- Capital fund contribution \$975K
  - Used for Flahive Field turf replacement
- Police Station \$800K
- Route 109 Road Bond \$92.5K

## Apply revenue to subsidize tax bills for all residents

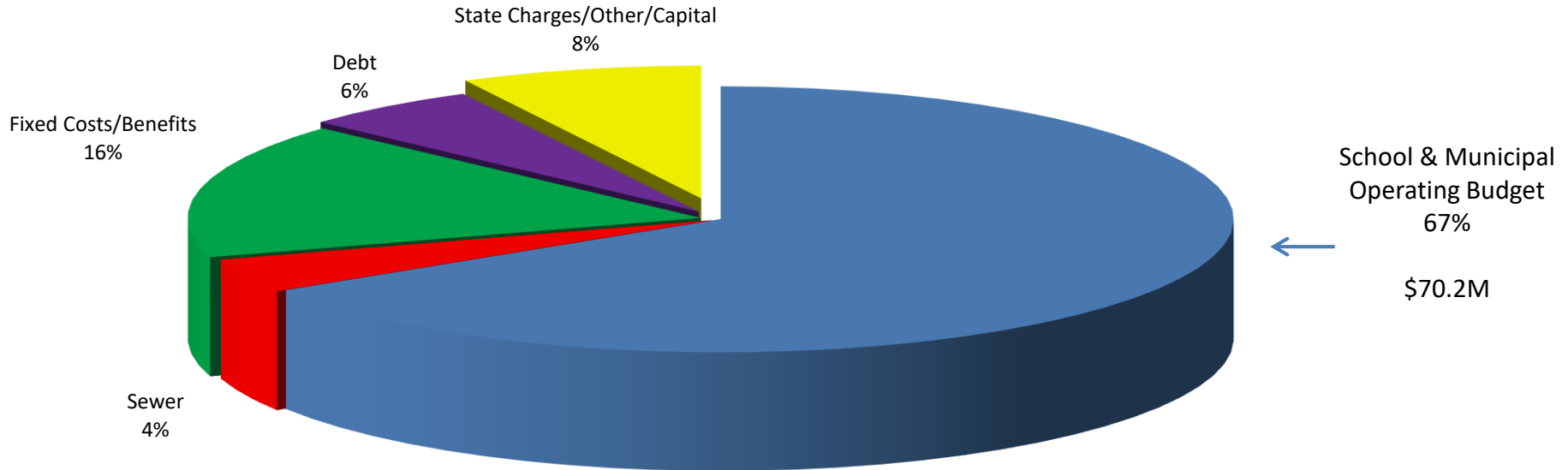
- Approximately \$500K per year





# FY21 Total Expenditures

FY2021 Expenditure Summary - \$106.8M, 4.2% increase



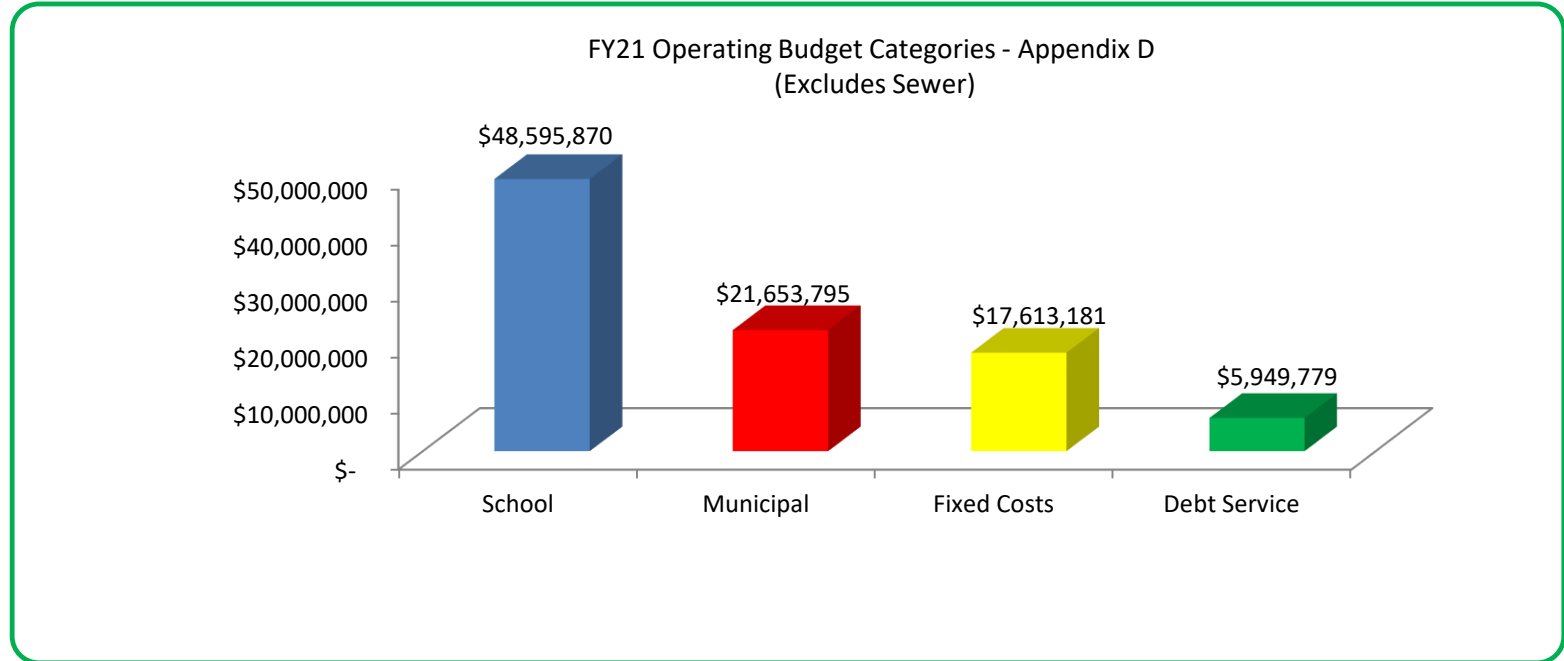
Largest area of expenditure is the operating budgets

## Operating Budgets

- Provide for core services to community
- Strive for operating budget stability for school and municipal budgets.
- Strive for sustainable budgets



## FY21 Operating Budget \$98.2M



- Approximate 3.8% increase over FY20

### Town Meeting Action:

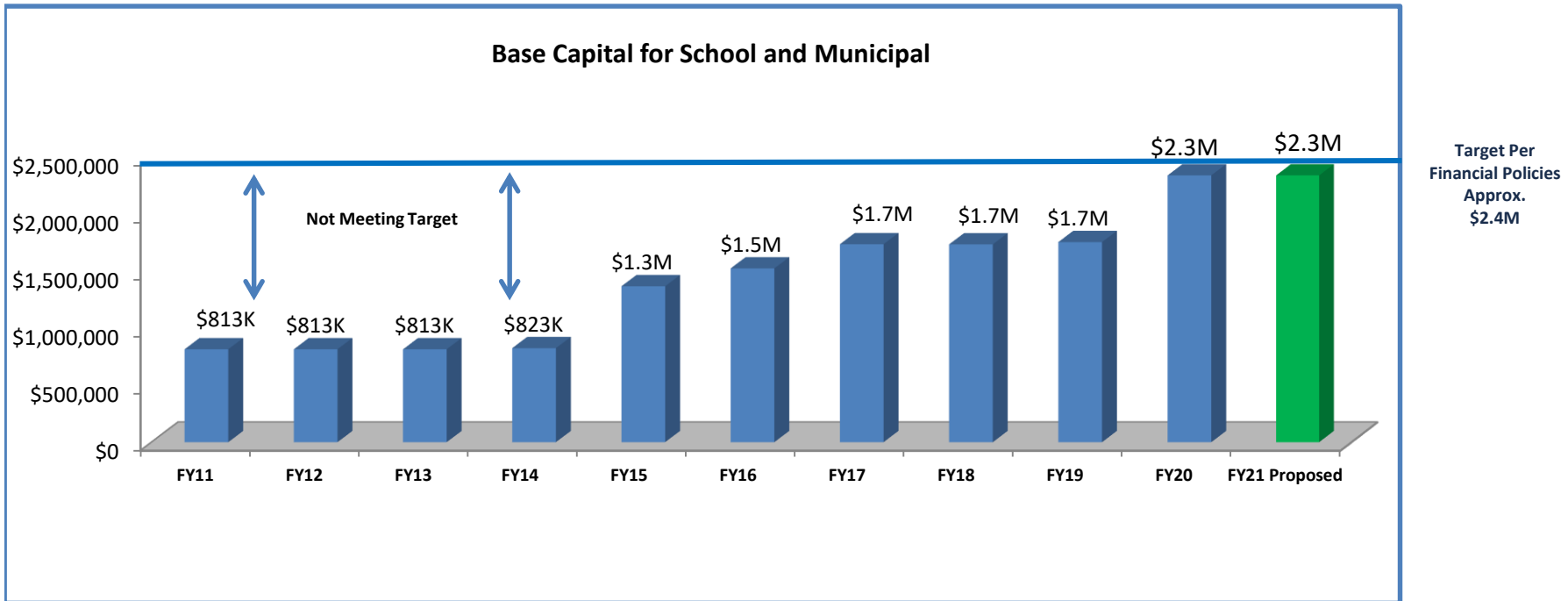
- Article 3 – FY21 operating budget \$98.2M
  - Moderator will ask you to turn to page 44 of report



# Capital Budget - Important reinvestment in buildings, equipment and assets

## Base Capital Budget Articles – School and Municipal

- Important to maintain Town and School assets – buildings, infrastructure, and equipment.



FY21 continues improvement in ongoing capital funding.

- Could not meet policy target for many years during difficult economic budget cycles.
- The Town has made steady progress in increasing the ongoing capital budget.



## Capital Budget – Additional Capital Article Beyond the Base

- Since FY17, the Town Meeting has approved an “additional” capital budget article beyond the main base articles.
- Effort to fund:
  - Capital that has been deferred by years of not meeting financial goal
  - Larger items that do not easily fit within base capital budget articles:

### Prior Years

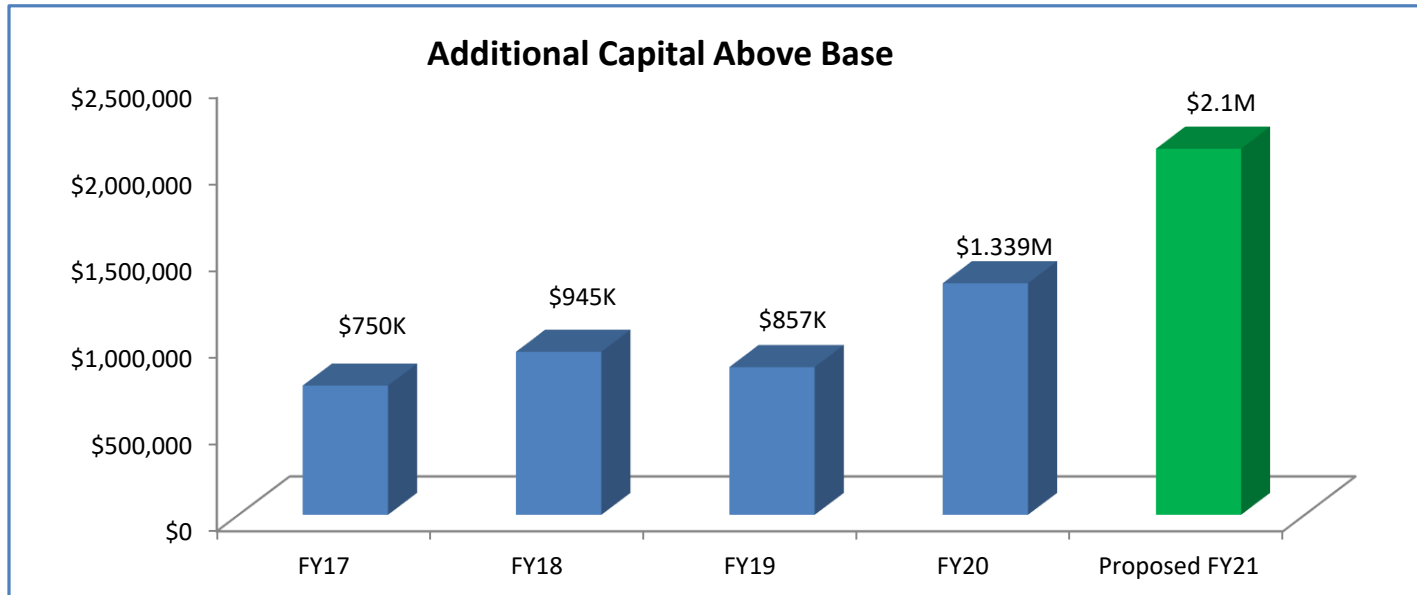
- School IT network
- High School Tennis Court Lighting
- Pool Renovations

### FY20

- Thurston HVAC Project
- COA HVAC Project
- Field Design Projects

### FY21

- School HVAC
- School/Town Security Projects
- Field/Pool Projects



Addresses important capital needs with available funding, such as free cash and meals/hotels tax.



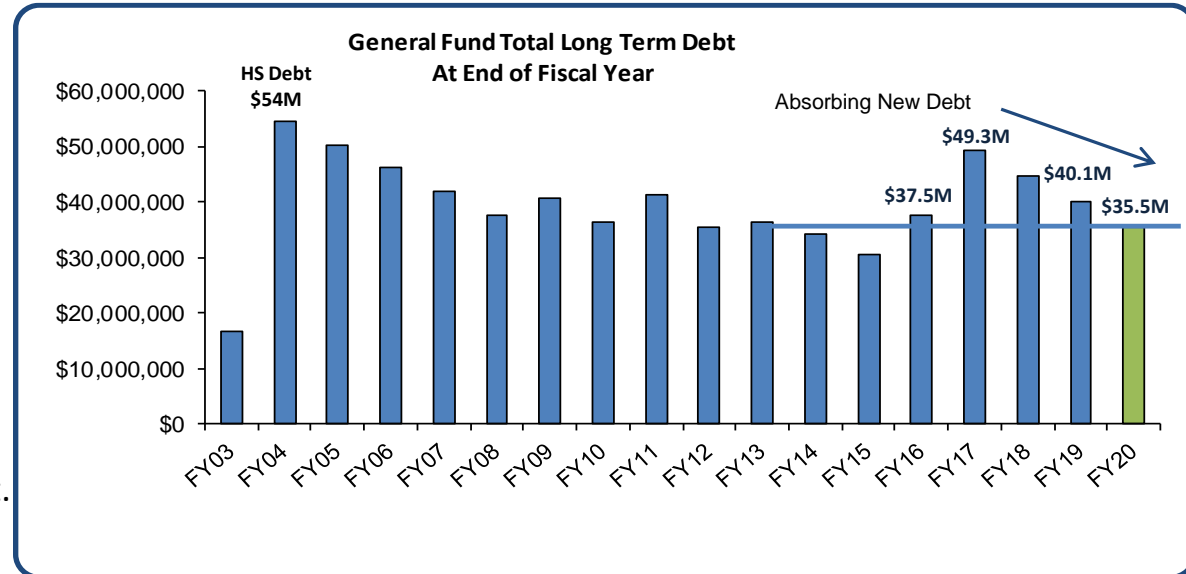
# Town Debt – Appropriate Balances and Favorable Borrowing Climate

## Current Debt Outstanding

- Total Current Debt Outstanding \$35.5M

## Favorable Borrowing Climate

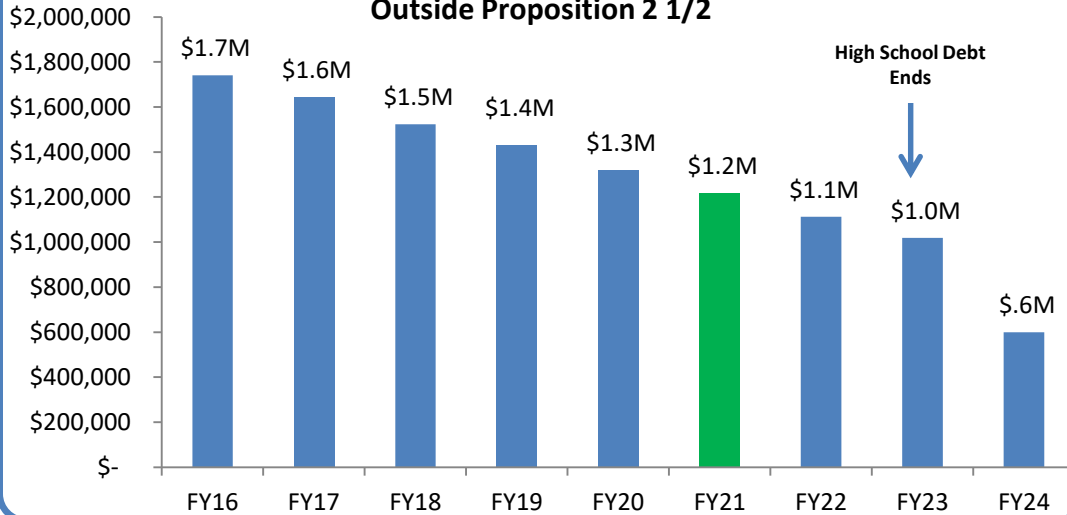
- Very strong credit ratings.
  - Standard & Poor's AAA.
  - Moody's Aa1
- Remains great interest rate environment.
  - Last Long Term Bond sold 2016
  - \$16.64M, 2.4% rate
  - Short Term Note issued 6/2020
  - \$3.1M, 1.04%





# Utilize Rollover of Debt to Fund Future Projects

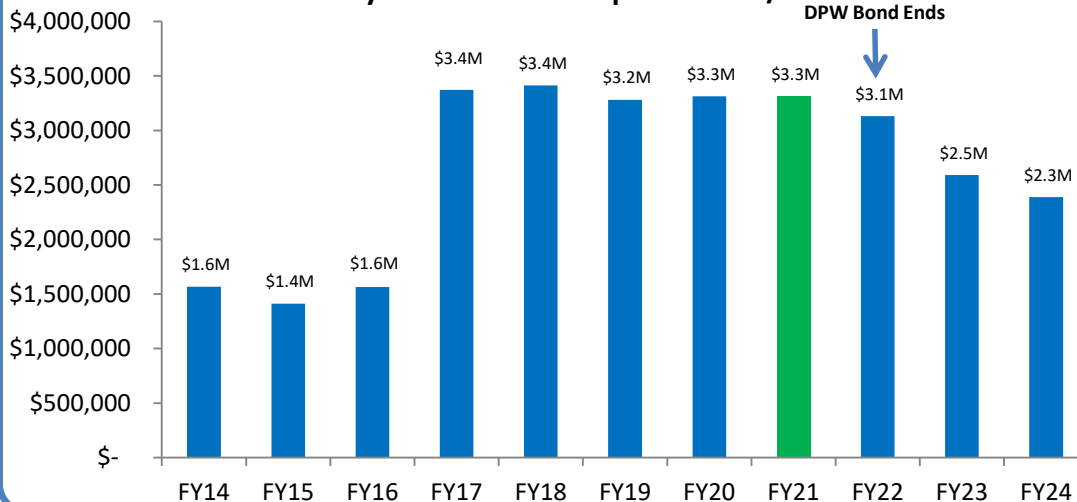
### Total Net Exempt Debt Payments Outside Proposition 2 1/2



### Debt Outside Proposition 2 ½

- High School and Library Bonds
- High School bond ends FY2023.
  - Debt rollover will help with Elementary School Project

### Total Debt Payments Within Proposition 2 1/2



### Debt Within Proposition 2 ½

- \$4.6M, 10 year DPW Bond, issued in 2012, is completed in FY2022:
  - Provides space to issue new road bond within Proposition 2 ½



## Financial Impact of COVID-19 Pandemic - Current Year FY20

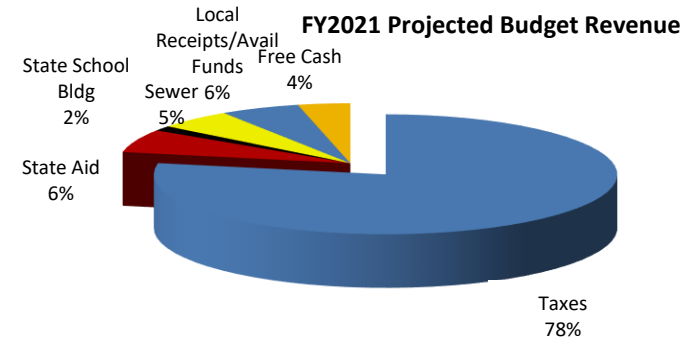
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- Some additional costs incurred by School and Municipal Departments
  - Public Safety staffing
  - Purchase of Personal Protective Equipment (PPE)
  - Technology costs to set up remote Town and School operations
  - Additional facility cleaning costs
  - School costs due to impacted revenue programs
  
- There will be State/Federal funding available to help pay for some of these costs.



## Financial Impact of COVID-19 Pandemic - Budget Year FY21 - Summary

- The FY21 budget as approved by the Select Board and FinCom can remain in place.



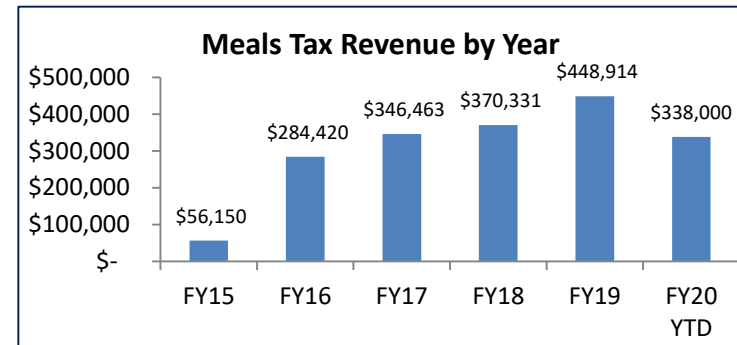
- Town Meeting has been preparing for a “Rainy Day” for 10 years
  - Structurally sound budgets, no one time subsidies
  - Conservative revenue budgets – we don’t inflate revenue projections
  - Purposefully building reserve accounts
  - Finances are designed to maintain essential services during rainy day disruption.
  - The FY21 budget can be approved and bridge to FY22
- FY22 budget will be adjusted as necessary based on:
  - Change in service delivery
  - Length of pandemic
  - Continuation of economic impact





## Financial Impact of COVID-19 Pandemic - Budget Year FY21 – Detail

- Revenue Items
  - Meals/Hotels Tax will be impacted
    - Town meeting set up separate revenue fund
    - Not used for operating budget
  - Local Receipts
    - FY21 Budget very conservative estimate
      - Level funded at \$4.2M, actual FY19 receipts \$5.9M
      - Budget built to absorb potential reduction to motor vehicle excise
    - State Aid - likely to be reduced, not finalized until late Summer/ early Fall.
      - Any reduction to be replaced by use of Stabilization reserve
        - 10% approx. \$660K
        - 20% approx. \$1.2M
  - Reserves
    - Stabilization Fund \$3.4M
    - Free cash unallocated \$2.7M
      - Conservative use of Free Cash
  - Additional State/Federal funding for FY21
    - CARES Act Funding – still to be determined.
  - Fall Town Meeting
    - Adjust to actual State Aid





The upcoming Town Meeting will only consider the Financial Articles 1-13

## Articles 1 and 2 – FY20 Budget Supplemental

- Clean up current year FY20 Budget, using transfers from available funds.
- Article 1: Not needed this year
- Article 2: \$444,000 – transfer from available funds

Article 3: FY21 Operating Budget, \$98.2M





## Articles 4-9 Capital Budget Articles

### Continued Efforts to Reinvest in Capital Assets and Equipment.

#### Base School and Municipal

- Article 4: Municipal Capital \$1,304,400
- Article 5: School Capital \$1,017,000
  - Similar levels to current year
  - All funded by Free Cash
- Article 6: Sewer Capital \$765,000
  - Funded by Sewer Retained Earnings
- Article 7: Ambulance Capital \$64,720
  - Funded by Ambulance Receipts
- Article 8: Additional Capital – Town & School Projects \$1,062,500
  - All funded by Free Cash
- Article 9: Additional Capital – Town-Wide Recreation Projects \$1,050,000
  - Fields \$775K
  - Pool \$275K
  - Funded by Meals/Hotels Tax Revenue
  - Article not recommended by FinCom



## Article 10- Equipment Borrowing

| Item                                    | Amount                 | Funding Source |
|---|------------------------|----------------|
| DPW - 1 Heavy Duty Dump Truck with Plow | \$325,000              | Bond           |
|   | Total <u>\$325,000</u> |                |

- To be approved as a borrowing article
- This will be funded by a short term bond within the budget

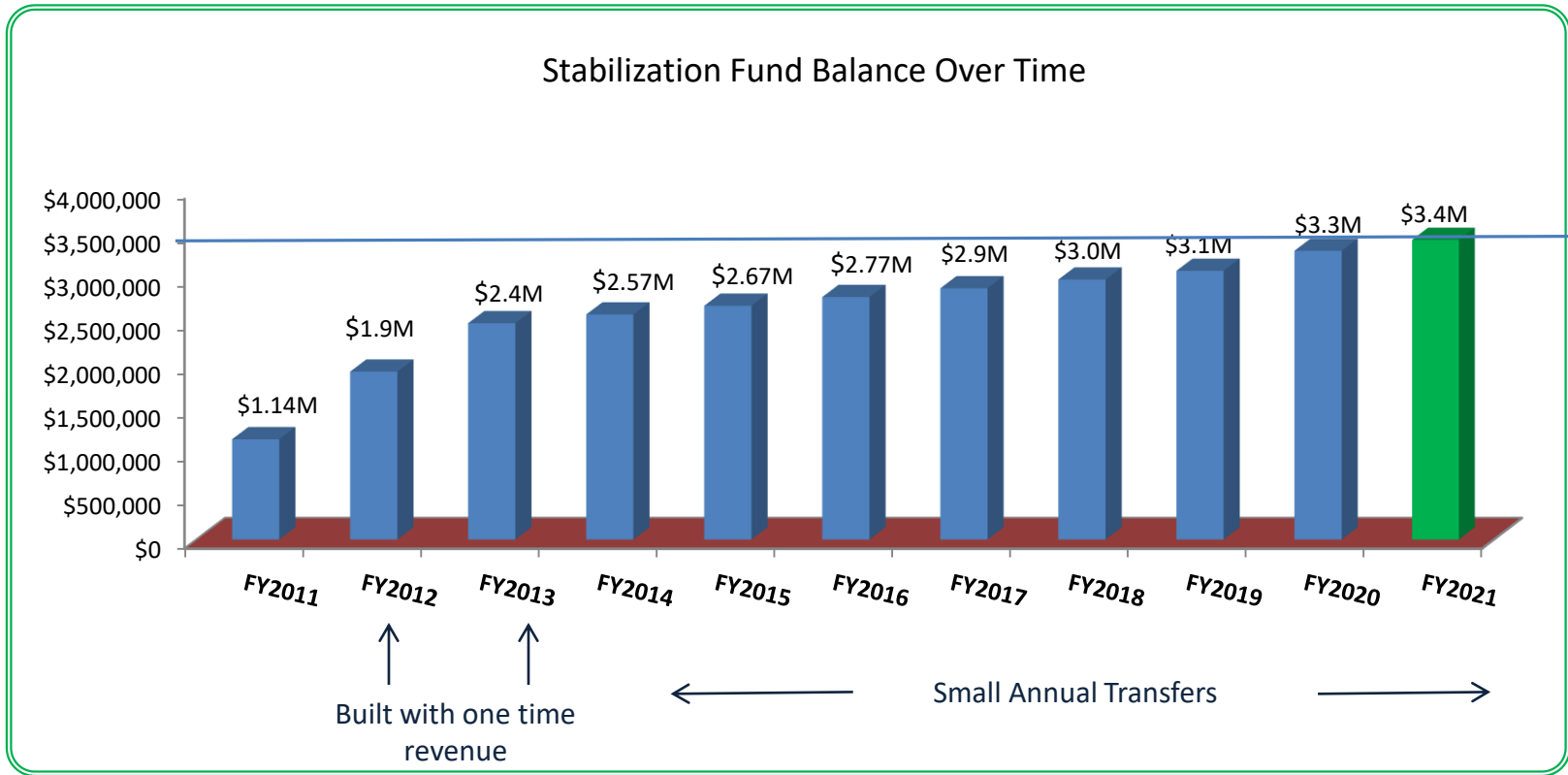
### Town Meeting Action:

- Article 10 – Bond Authorization of \$325,000 for Heavy Duty Dump truck with Plow



# Article 11 Stabilization Fund – Maintain Target Level

- Main savings account.
- Important component of credit rating.

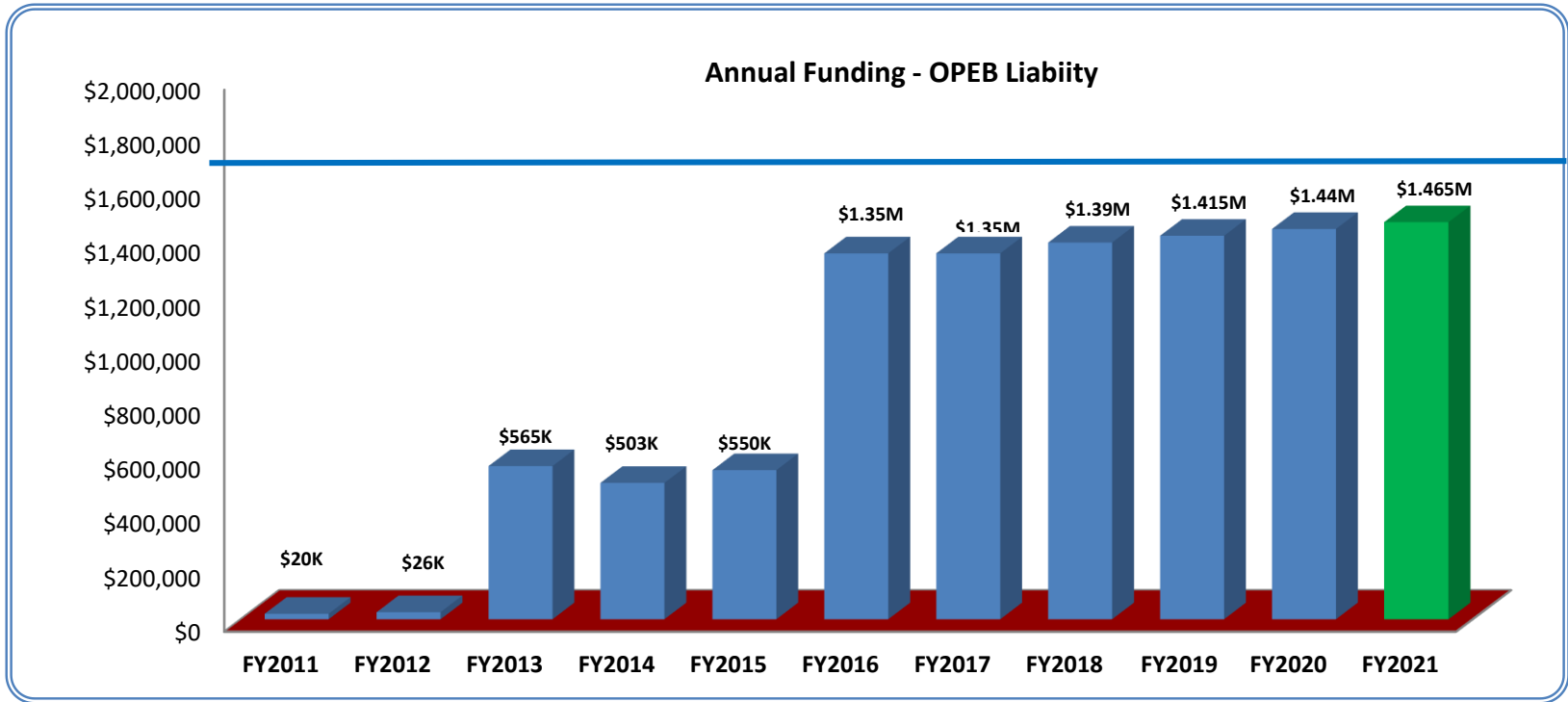


## Town Meeting Action:

- Article 11 – Transfer \$125K from Free Cash to Stabilization Fund



# Article 12 OPEB Funding – Maintain Progress on Liability



Target

↑  
Change in health care plan

↑  
Change in health care plan

**Significant progress on both revenue funding and expense control**

Town Meeting Action:

- Article 12 will appropriate \$1.465M from tax revenue to OPEB liability trust



## Article 13- Road Improvement Bond – \$4,650,000

| Item  | Amount             | Funding Source |
|---|--------------------|----------------|
| Route 109 Improvements  | \$2,550,000        | Bond           |
| Crosswalk/Safety Improvements – Town Wide   | \$500,000          | Bond           |
| Paving/Sidewalk Enhancements/Winter/Clapboardtree Intersection/ Pavement Preservation | \$1,600,000        | Bond           |
|   | <u>Total</u>       |                |
|   | <u>\$4,650,000</u> |                |

- Sidewalks include:
  - High Rock/Hartford – Hartford from Route 109 to Wessex,
  - Pond – from Clapboardtree to Pond Plain,
  - East Street from MBTA Bridge to Smith Drive
  - Does not include Gay Street sidewalks
- To be approved as a borrowing article
- Debt service will replace roll off of existing DPW road bond
- This will be funded by a 10 year bond within the budget



# Thank You For Your Interest in the Town's Finances

## Additional financial information is available:

- Supplemental Financial Information Section of Town Meeting Book
- Town Website: [www.townhall.westwood.ma.us](http://www.townhall.westwood.ma.us).
  - FY21 Overall Budget Summary book.
  - Municipal and School Budget detail books.
  - Annual financial statements.
  - Credit ratings.
  - Bond sale official statements.
  - OPEB liability reports.
  - Financial policies and current status

