



Financial Update Select Board Meeting October 11, 2022

Pam Dukeman
Assistant Town Administrator/Finance Director

Financial Timeline

- During the Fall, there is significant activity on 3 fiscal years at the same time:
- **FY22 – Year End Close Out**
 - Free Cash certification – Completed in the fall with Department of Revenue (DOR)
 - Significant State reporting requirements – October.
 - Department of Revenue and Department of Education.
 - FY22 Audit – On Site Audit completed in fall, FY22 Financials (ACFR) by 12/31/2022.
 - Audit Committee meets with auditors – reports to Select Board.
- **FY23 - Completion of Current Year FY23 Budget Process**
 - Finalize FY23 Property Values – October/November
 - Finalize and get DOR approval for all FY23 values, including final FY23 new tax growth.
 - FY23 Tax Rate - November
 - Select Board hold classification hearing, this year it is November 7th.
 - Set shift factor for residential/commercial split.
 - Get FY23 tax rate approved by Department of Revenue.
 - Actual FY23 tax bills mailed January 1, 2023.
- **FY24 – Begin Budget Process**

Financial Timeline – FY24 Budget

FY24 Budget – Key Dates

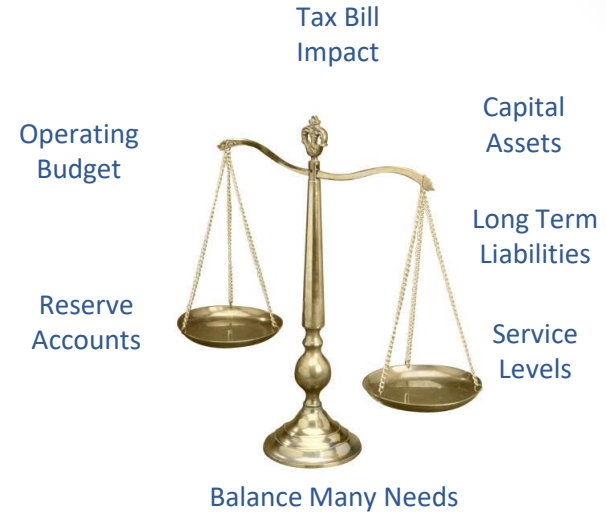
- May 1, 2023 – Annual Town Meeting, FY24 budget is voted.
- February 1, 2023 – By Charter, Select Board required to present FY24 budget recommendation.
- Fincom – From the Charter - “The Finance and Warrant Commission shall conduct 1 or more public meetings on the proposed operating budget at least 14 days prior to its submission at the Annual Town Meeting”
 - Budget presentation February Meeting
 - Public hearings beginning and end of March

Select Board Budget Development

- Fall through Jan 31
 - Review overall and detailed operating and capital budget requests.
 - Update on financial projections.
 - Review of expenditures and revenue
- February 1 - Issues FY24 budget recommendation.
 - Continue review of revenue, expenses and outside assessments
- May 1, 2023 – Annual Town Meeting – budget presented by Select Board and voted by Town Meeting.

Select Board – Schedule of Financial Review

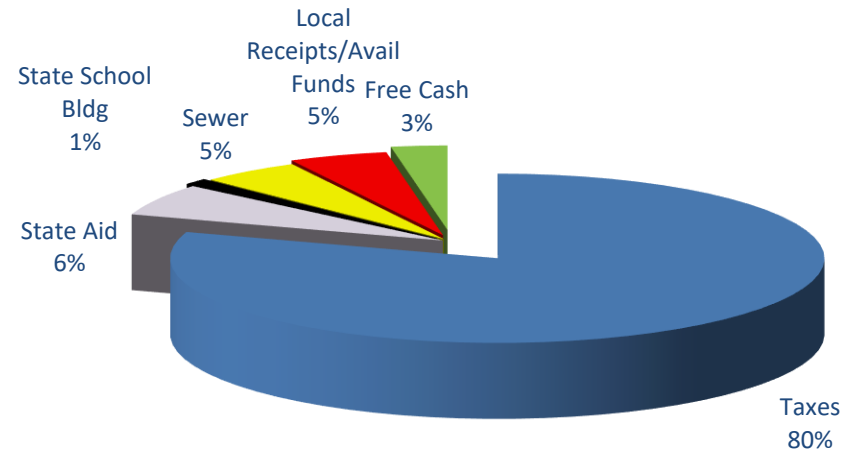
- Select Board – October 11
 - Review FY22 Year End Close
 - Review of Key Financial Items
 - Free Cash, Current Reserve Balances
 - FY23 State Aid
 - Meals/Hotels Tax Revenue
- November 7th Meeting
 - Tax Classification Hearing
 - Approve tax shift commercial/residential
 - Review residential bill
- Finance Director reviews this financial material with Fincom.
- Upcoming Select Board Meetings:
 - Select Board November and December Meetings
 - Preview FY24 budget
 - December and January Meetings
 - Continued Overall Budget Updates
 - Continue review of FY24 revenue and expense projections
 - Review of Capital Budget requests
 - Review of municipal operating budget
 - Review and preparation of FY24 proposed budget (Feb 1)
 - Present Budget to Fincom
 - February meeting



Structurally Sound Budgets

FY2023 Projected Budget Revenue

- The budgets as recommended by the Select Board and FinCom and approved by Town Meeting are well balanced.



- Town Meeting approves structurally sound budgets and prepares for a “Rainy Day”.
 - Structurally sound budgets, no one time subsidies.
 - Ongoing budgets funded by ongoing revenue sources.
 - Conservative revenue budgets – no inflation of revenue projections.
 - Meals/Hotels tax revenue to separate fund.
 - Purposefully building reserve accounts to target levels.
 - Finances are designed to maintain essential services during rainy day disruption.

FY22 Year End Review



Overall Summary

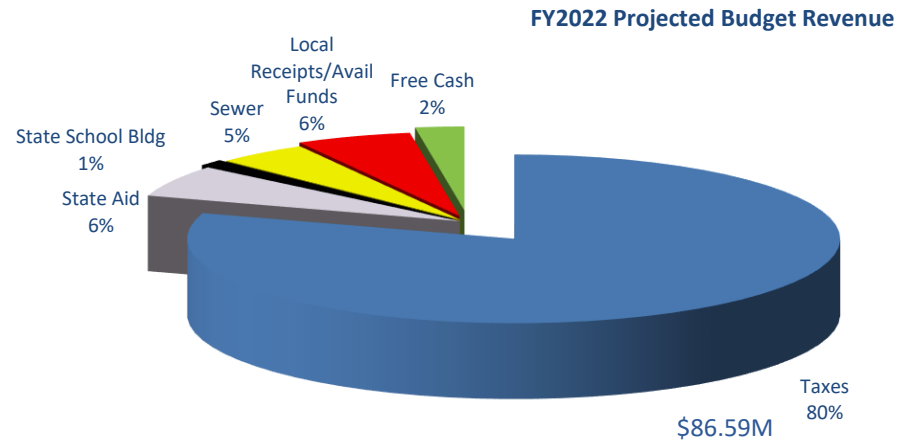
- FY22 Year End Review
 - Revenue – FY22 revenue closed out smoothly.
 - Real estate tax and motor vehicle revenue collections were right on target and collections remained strong.
 - While Hotels and Meals tax revenue had been down due to COVID impact, this revenue seems to have rebounded in FY22.
 - Expenditures - FY22 expenditures closed out smoothly.
 - Departments largely remained within budget funds.
 - Any overages were able to be covered either by Select Board transfers or Town Meeting Articles 1 and 2.
 - In summary, FY22 closed out in a smooth fashion with revenue and expenditure results on track with prior years.

FY22 Revenue – Consistent Collections

Final FY22 Budget Revenue - \$108.3M

- As taxes are approximately 80% of revenue, most important component to our financial stability.

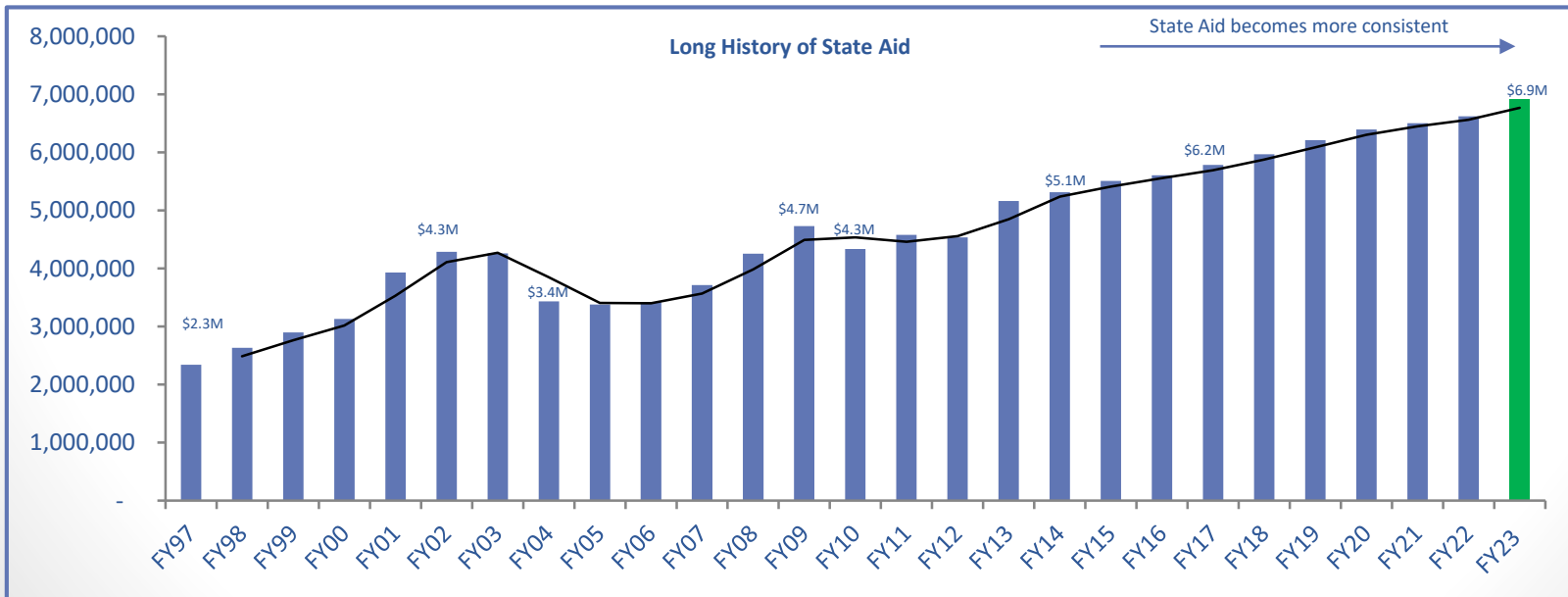
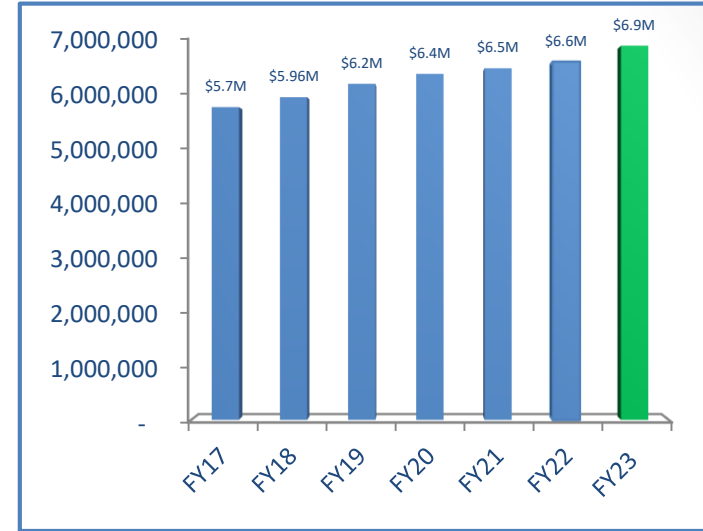
- Taxes - \$85.5M collected on time, 99%.
 - Tax collections remain strong, consistent year to year results.
 - Reliable source of revenue
 - Standard collection rate for suburban community with owner occupied housing stock



- As of June 30, 2022:
 - Tax title \$398K, cumulative all years
 - Prior years: FY21 \$727K, FY20 \$470K
 - FY22 balance came down with the resumption of legal proceedings post COVID.
 - Tax deferral \$544K, cumulative all years
 - Prior years: FY21 \$573K, FY20 \$524K
 - Excellent program for our senior residents to delay tax payments until home is sold.

State Aid Revenue – Consistent Revenue

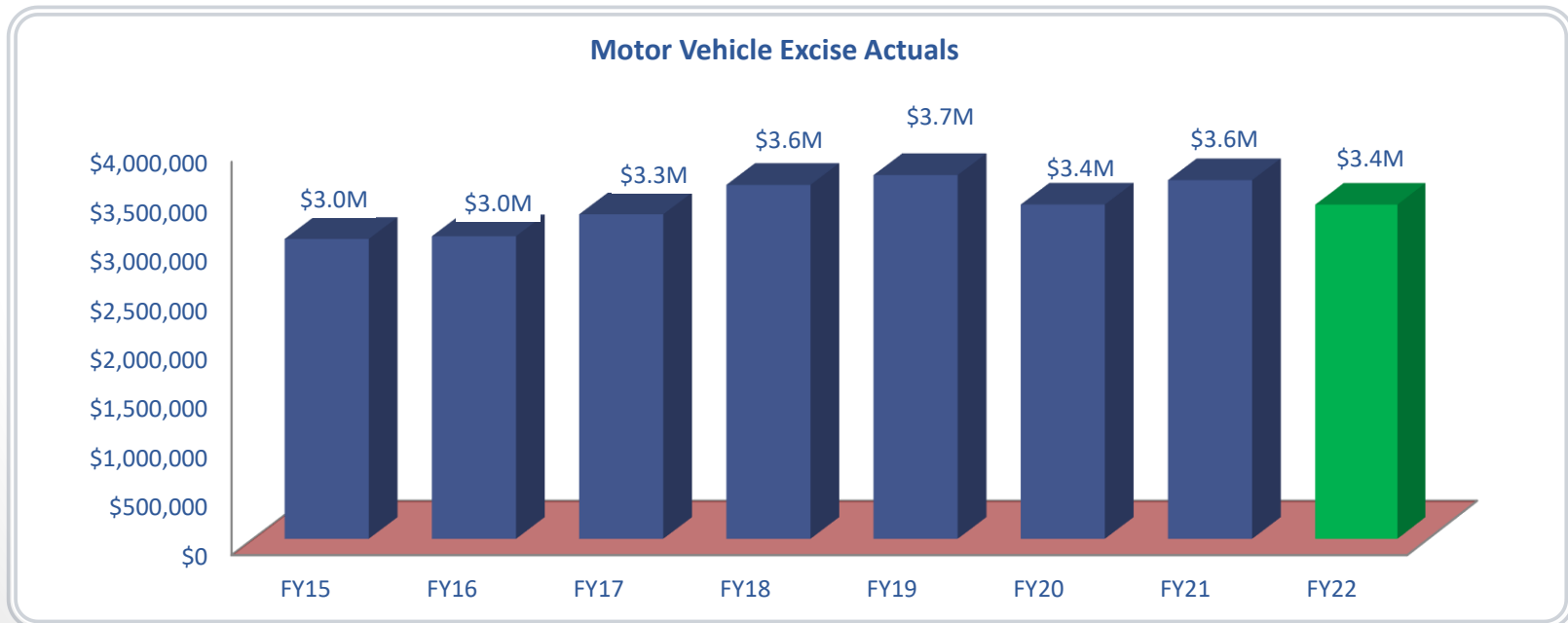
- FY22 State Aid - \$6.6M, majority is Chapter 70 at \$5.7M
- Approximately 6% of Total Revenue budget.
- State aid steady
 - No mid year cuts or disruptions for several years, even with COVID.
 - Full payments received
 - Paid monthly



FY22 Local Receipts Revenue – Consistent Results

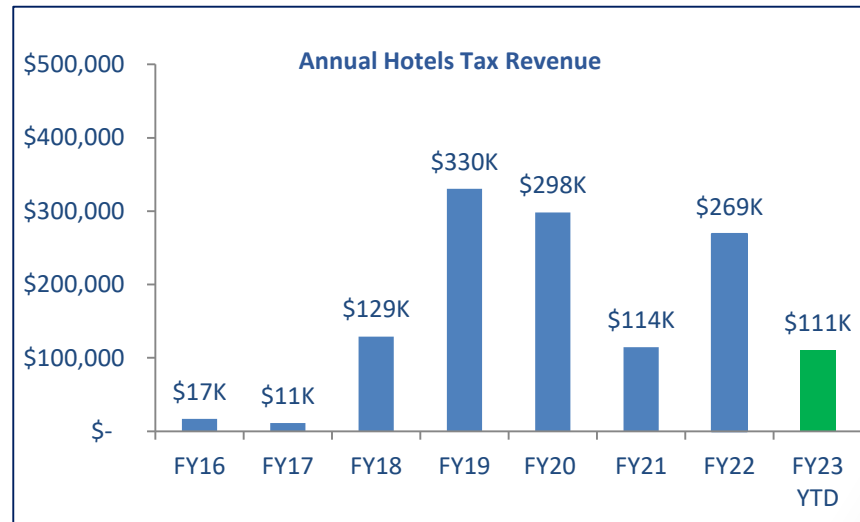
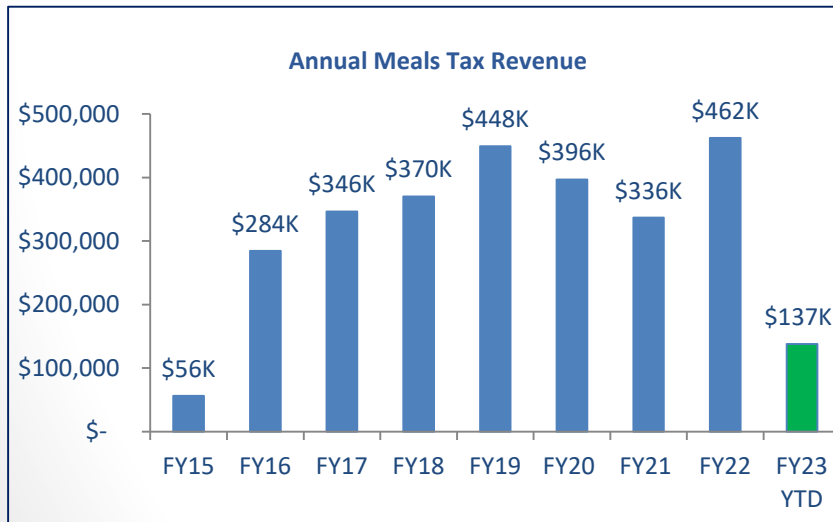
Local Receipts

- Total collections of \$5.8M, (prior year \$5.6M)
 - Exceeded budget by \$1.6M, (prior year \$1.4M)
 - Consistent collections
- Motor Vehicle Excise is largest category:
 - Motor vehicle - \$3.4M collections – slight decrease from \$3.6M in prior year.
 - Conservative budgeting provides cushion for economic downturn



FY22 Meals and Hotels Tax Revenue – Separate Account

- At the November 2017 Town Meeting, the residents approved establishing a special purpose fund to hold all Hotel and Meals Tax revenue until appropriated by future Town Meetings.
- Not General Fund revenue
- Funds have been used by Town Meeting for capital projects, not operating budgets.
- May 2022 Town Meeting appropriated \$650,000 in funds for Town Wide projects, including:
 - Recreation - School Street Playground Refurbishment \$60,000
 - Fire - Self Contained Breathing Apparatus System Upgrade \$215,000
 - DPW - Library Parking Lot \$75,000
 - Schools - Network Project \$300,000

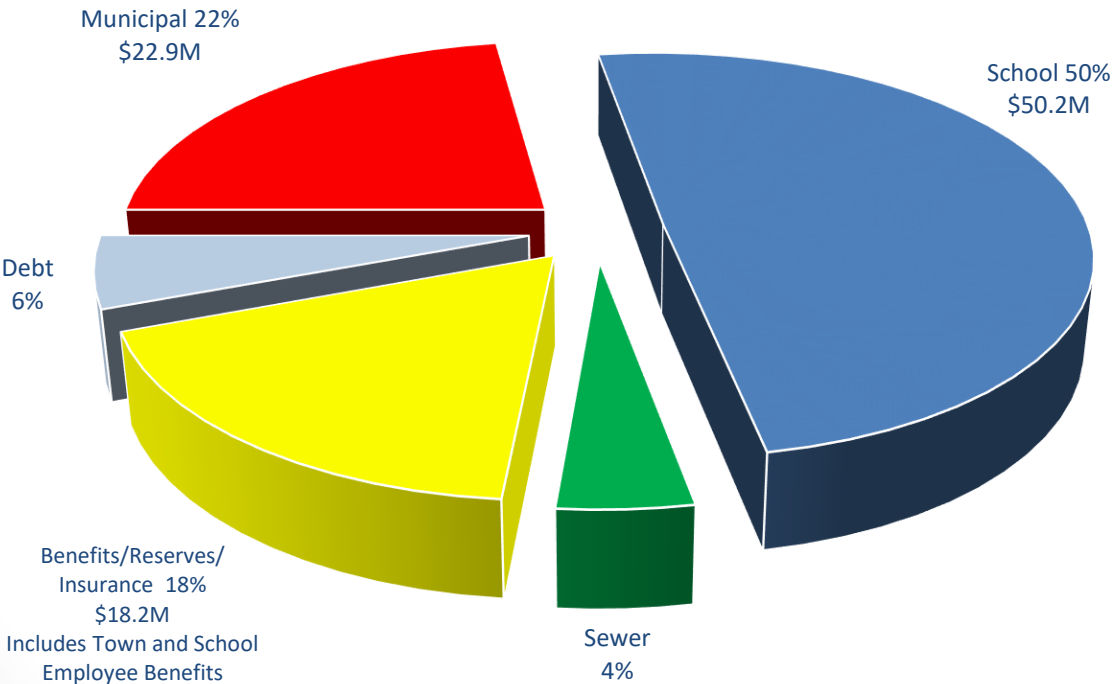


- Potential volatility is exactly why this revenue is not used for operating budgets.
- Disrupted during COVID – now returning to pre COVID levels
- Balance in account at 6/30/22 - \$1.263M

FY22 Town Meeting Operating Budget - \$101.6M

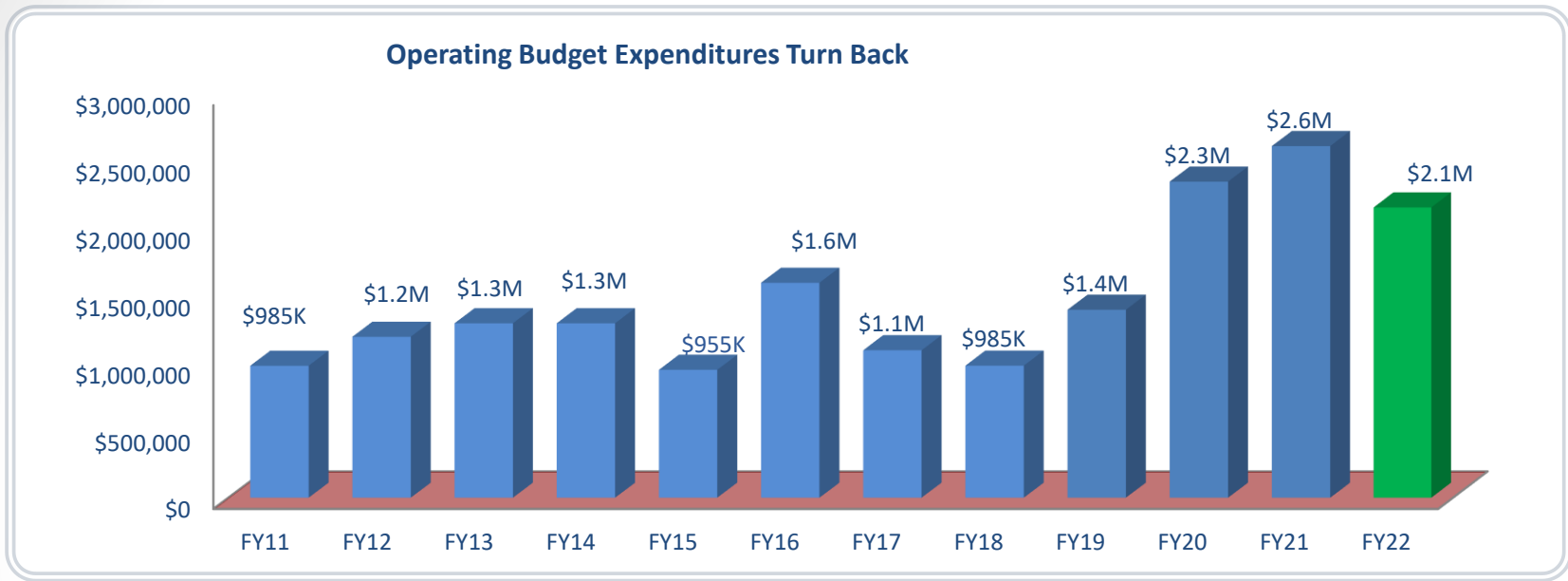
- FY22 consistent year.
 - Less COVID impact than FY21.
- FY22 closed out on track and financially smooth.
 - Departments worked hard to remain within budget.
 - Transfers/Supplements where needed.

FY22 Operating Budget Categories



Final FY22 Expenditures – Positive Results

Not all budget is used each year



FY22 Final General Fund Operating Budget - \$97.2M

- Overall expenditures turn back - \$2.1M, approximately 2.2% of budget
 - Comparison turn back
 - FY21 \$2.6M, or 2.8%
 - FY20 \$2.3M or 2.6%
 - FY19 \$1.4M or 1.6%

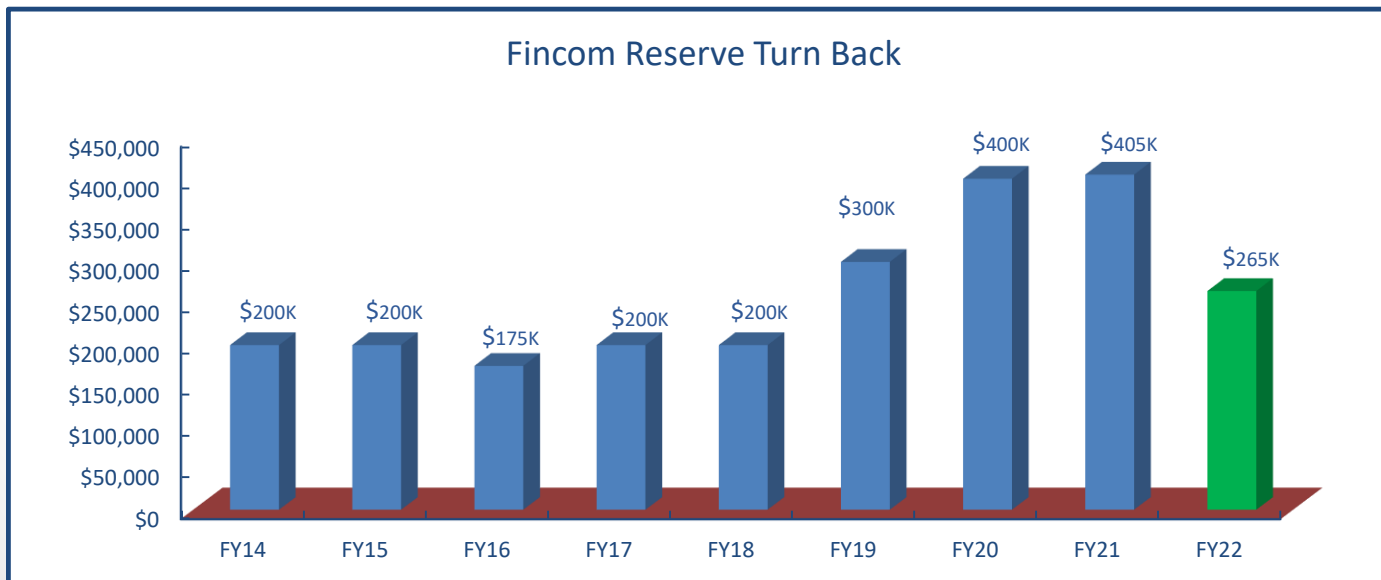
Final FY22 Expenditures – Turn Back Details

- Operating Budget Turnback – Approx \$2.1M or 2.2% of budget
 - Consistent Results.

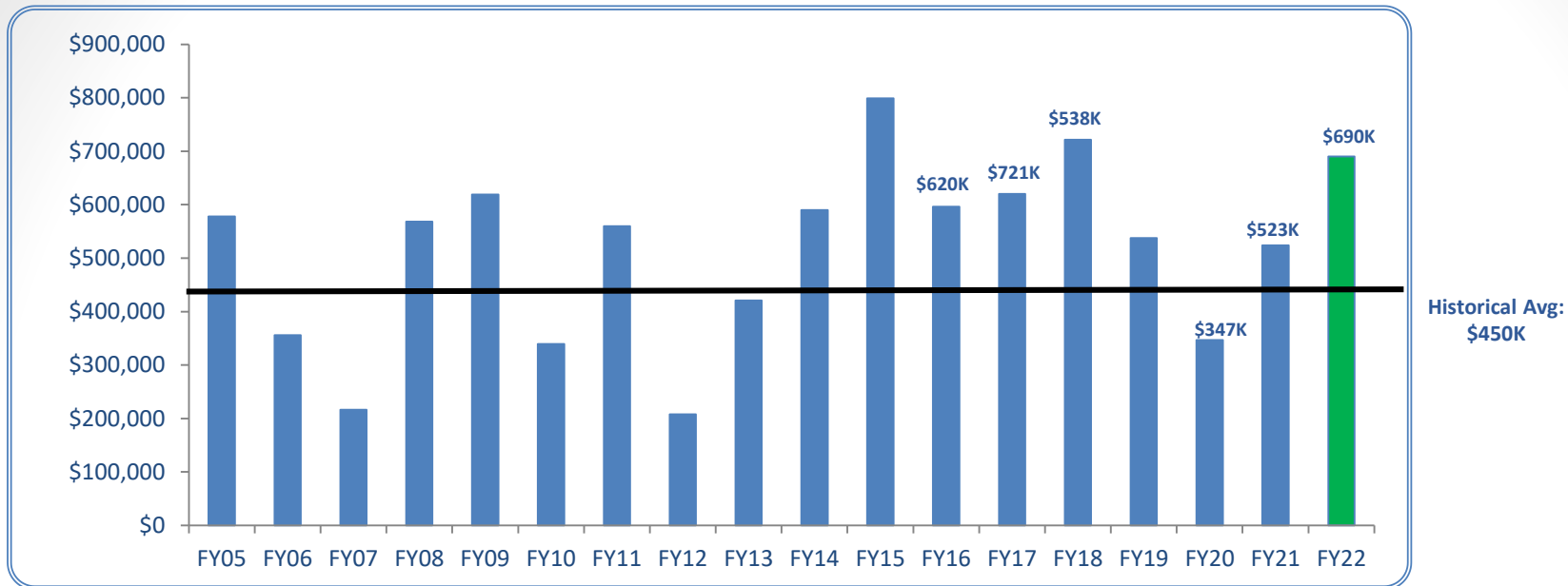
- Turn back detail

- Benefits/Fixed Costs \$1.2M.
 - Comparable to \$1.37M in FY21.
 - Appropriate margin for such a large and fluctuating budget.
- Municipal - \$310K, (1.35%)
 - Compared to FY21 2.4%
- Fincom Reserves budget \$265K turned back.
 - Used \$140K at Town Meeting for Snow & Ice.

Turn Back	FY22	FY21
Municipal	\$310K	\$519K
School	\$5K	\$30K
Debt	\$13K	\$1K
Benefits	\$1.2M	\$1.37M
Reserves	\$428K	\$570K
Shared Costs	\$165K	\$37.6K
Snow & Ice	<u>\$0</u>	<u>\$76K</u>
Total	\$2.1M	\$2.6M



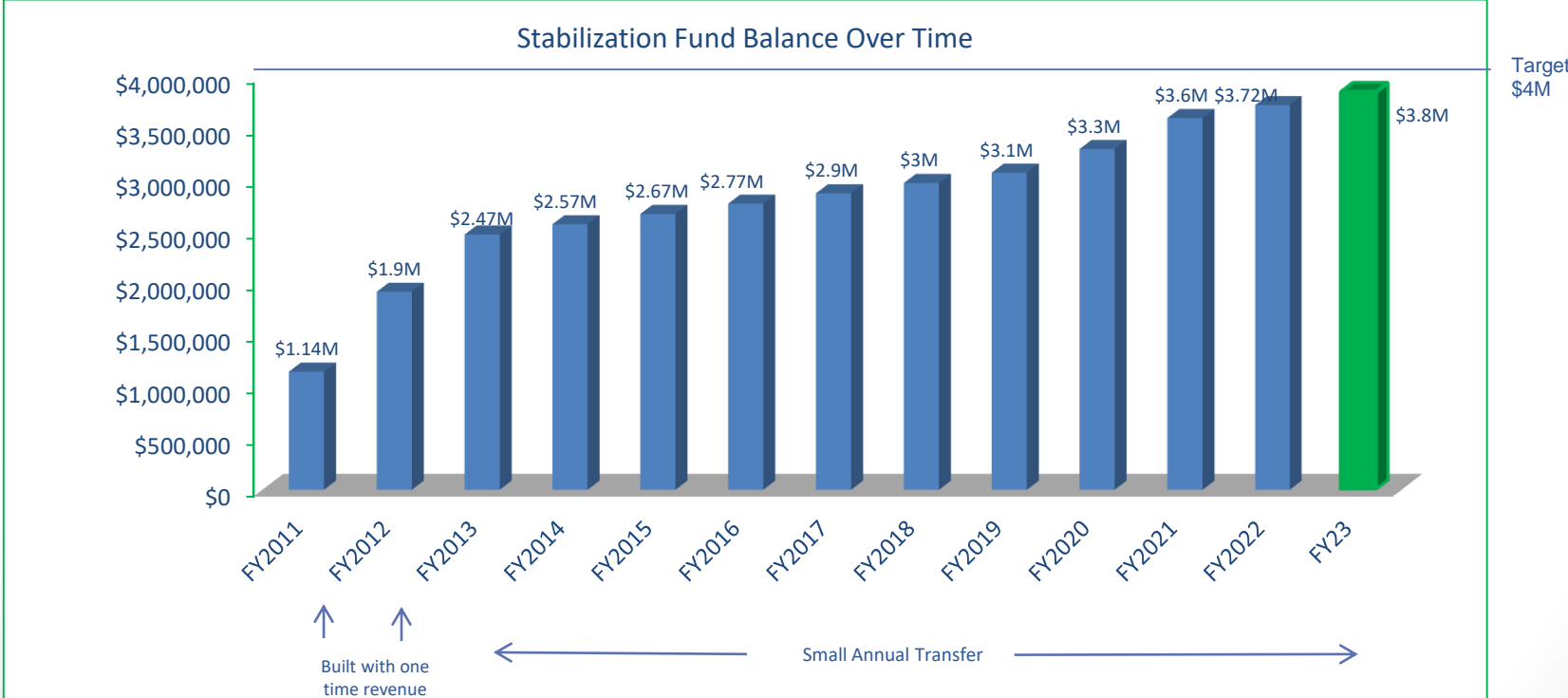
FY22 Snow and Ice Update



- Snow & Ice is the only budget that is legally allowed to be overspent.
 - Requires Town Administrator approval to overspend during the year.
 - Required to cover full cost or raise deficit on tax recap.
- In FY19 increased budget to \$450K (historical \$250K).
 - This increased budget has been very helpful in covering costs and easing strain on reserves.
- Total FY22 expenditures approximately \$690K.
 - Supplement of \$240K was added at Town Meeting to original budget of \$450K.

FY22 Stabilization Fund – Close to Target

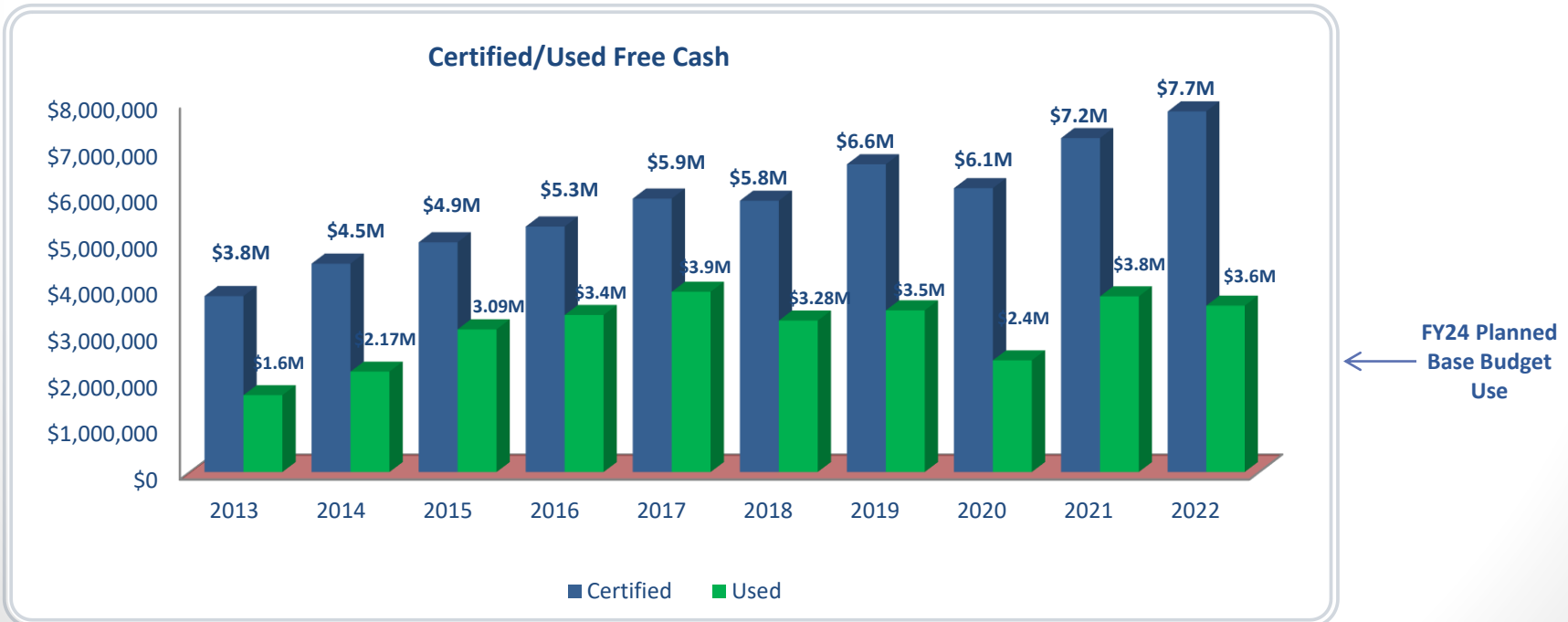
- The Stabilization Fund is the Town’s main reserve account.
- Protects the Town against emergencies.
- Very important for credit rating (AAA).
- Did not need to use during COVID:
 - Outside COVID funding
 - No cuts to State Aid



- Town Meeting has transferred \$125K per year from Free Cash
 - Consider increase to \$150K

Free Cash - Strong Position

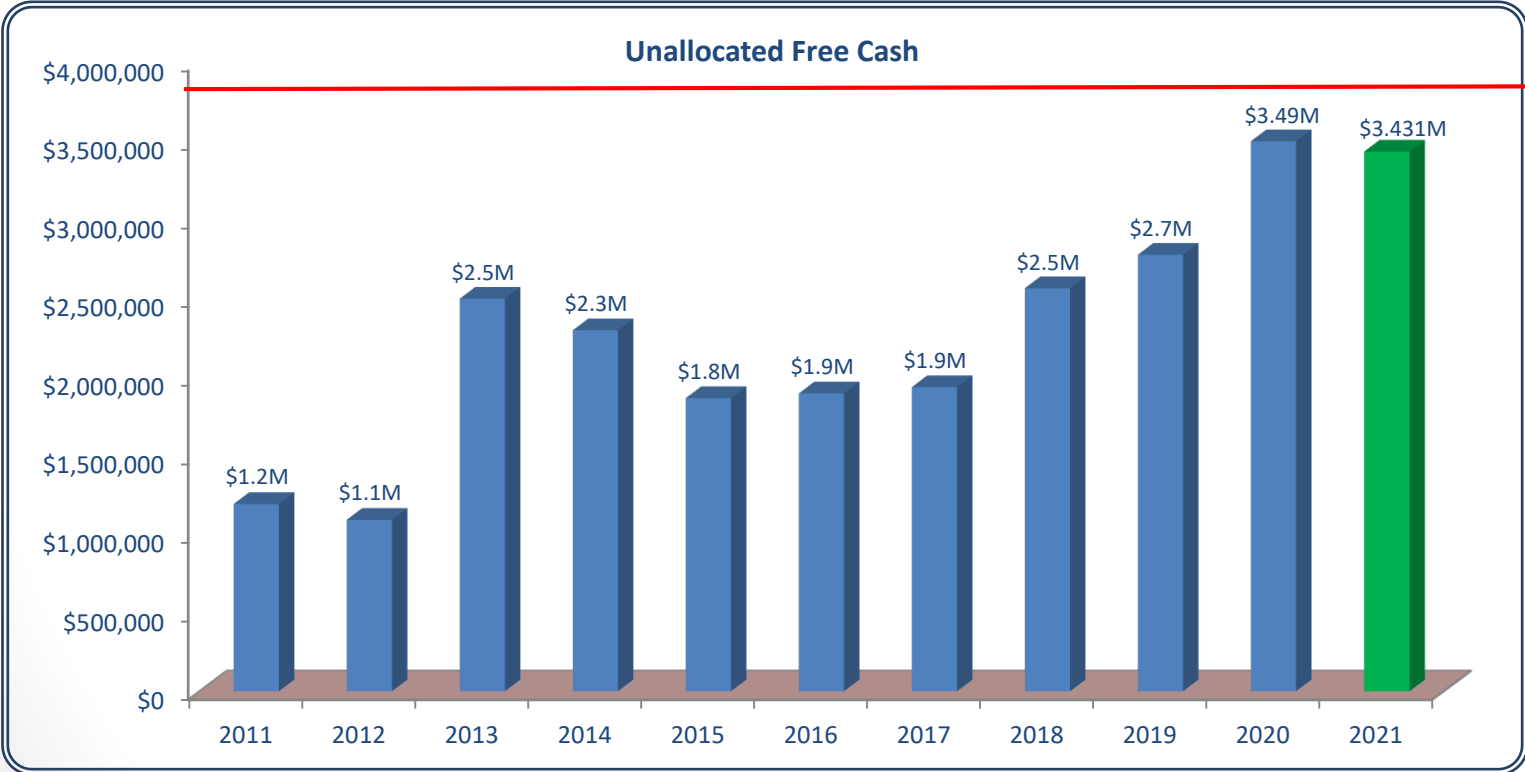
- DOR Certified Free Cash as of July 1, 2022 is \$7,772,702, in line with prior years.
- Disciplined use of free cash balance.
 - Not applied to operating budgets. Not using full allowance.
 - In line with Financial Policy, available amount used for capital needs, not operating budget.
 - Good FY22 budget to actual results, strong management of COVID impact.
- FY23 current budget was funded by \$3,833,250 of free cash :
 - \$2,373,250 for school and municipal capital
 - \$125,000 for Stabilization
 - \$1,335,000 for Town Meeting Articles - Snow & Ice (\$335K), Aid to the Elderly (\$300K), and purchase of American Legion property (\$700K)



- Financial policy target approximately \$3.7M unallocated

Unallocated Free Cash – Can Meet Financial Goal

- Unallocated free cash target – approximately \$3.7M.
- This is an important component of the credit rating.
- Base use: \$125K Stabilization, \$2.3M capital.
- Additional amounts can be used toward extra capital, snow and ice, one time needs.
- Unallocated balance provides protection for the Town.



Target
\$3.7M

- Additional free cash beyond target has been used for: additional school and municipal capital.

Financial Forecasting

- Financial Forecast – a look ahead at revenue and expenses.
- We update the forecast annually and presented at the start of the budget cycle to provide the framework for that year's budget.

Town of Westwood - Financial Forecast

FY2022 to FY2026

Assumptions:
Listed Below

	FY2020 Per Recap	FY2021 Per Recap	FY2022 Per Recap	FY2023 Projected	FY2024 Projected	FY2025 Projected	FY2026 Projected
Appropriations							
Operating Budget -School	\$46,773,283	\$48,595,870	\$50,261,446	\$52,020,567	\$53,581,184	\$55,188,620	\$56,844,278
Operating Budget -Municipal	\$22,387,890	\$23,273,245	\$24,080,215	\$25,071,123	\$25,823,257	\$26,597,954	\$27,395,893
Benefits /Reserves/Comprehensive Ins	\$15,075,020	\$15,993,731	\$16,807,550	\$17,914,106	\$18,941,354	\$20,070,302	\$21,270,192
Sewer -Operating	\$4,334,975	\$4,435,242	\$4,421,757	\$4,506,346	\$4,695,254	\$4,737,761	\$4,948,175
Debt Service	\$6,056,779	\$5,949,779	\$5,749,331	\$5,650,292	\$3,828,162	\$3,593,511	\$3,496,961
Total Operating Budget (Appendix D)	\$94,627,947	\$98,247,867	\$101,320,299	\$105,162,434	\$106,869,211	\$110,188,148	\$113,955,499
Capital -Municipal/School	\$2,339,000	\$2,321,400	\$2,321,650	\$2,373,250	\$2,373,250	\$2,373,250	\$2,373,250
Capital -Sewer	\$1,050,000	\$765,000	\$70,000	\$700,000	\$700,000	\$700,000	\$700,000
Appropriation into Stabilization fund	\$125,000	\$125,000	\$125,000	\$125,000	\$150,000	\$175,000	\$200,000
Appropriation into Capital							
Stabilization fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Appropriation to OPEB Trust	\$1,440,000	\$1,465,000	\$1,490,000	\$1,515,000	\$1,540,000	\$1,565,000	\$1,590,000
Misc Warrant Arts/Pr yr Art/Other							
Capital	\$1,506,500	\$1,571,220	\$1,743,500	\$982,000	\$33,600	\$35,280	\$37,044
Total Town Meeting Appropriations	\$101,088,447	\$104,495,487	\$107,070,449	\$110,857,684	\$111,666,061	\$115,036,678	\$118,855,793
Other Amounts to be Raised (not Voted at Town Meeting)							
State Charges/Offsets/Overlay/Snow	\$1,415,687	\$1,265,755	\$1,296,439	\$1,394,845	\$1,436,690	\$1,479,791	\$1,524,185
Total Appropriations	\$102,504,134	\$105,761,242	\$108,366,888	\$112,252,529	\$113,102,751	\$116,516,469	\$120,379,977
Financial Resources							
Total Property Taxes	\$80,224,068	\$83,468,800	\$86,593,963	\$90,188,163	\$92,655,794	\$95,408,849	\$98,216,480
State Aid	\$6,395,080	\$6,523,982	\$6,622,672	\$6,917,131	\$7,122,049	\$7,333,115	\$7,550,512
State School Building Assistance	\$1,401,276	\$1,401,276	\$1,401,276	\$1,401,276	\$0	\$0	\$0
Sewer Revenue	\$5,790,177	\$5,614,461	\$4,919,452	\$5,639,677	\$5,828,585	\$5,871,092	\$6,081,506
Local Receipts	\$4,195,857	\$4,195,857	\$4,195,857	\$4,195,857	\$4,195,857	\$4,195,857	\$4,195,857
Free cash for Capital/Stabilization	\$2,464,000	\$2,446,400	\$2,446,650	\$2,498,250	\$2,523,250	\$2,548,250	\$2,573,250
Available Funds - Ongoing	\$527,176	\$539,246	\$443,518	\$430,173	\$430,173	\$429,075	\$428,075
Free cash for Misc Artls, Additl Capital	\$824,500	\$1,412,500	\$181,000	\$300,000	\$0	\$0	\$0
Available Funds - Prior yr/Misc Articles	\$682,000	\$158,720	\$1,562,500	\$682,000	\$33,600	\$35,280	\$37,044
Total Revenues	\$102,504,134	\$105,761,242	\$108,366,888	\$112,252,527	\$112,789,308	\$115,820,518	\$119,082,724
Total Revenue less appropriations	\$0	\$0	\$0	(\$2)	(\$313,443)	(\$695,951)	(\$1,297,253)
Excess Tax Levy	\$800,833	\$825,240	\$1,173,185	\$200,000	\$0	\$0	\$0

Assumptions, Tied to individual sheet tabs:

Operating Budget Growth - School	1.03	Current Debt Service -Per current schedules - new school debt will be exempt	
Each 1% - approx \$520K		Health Ins Budget Annual Growth	1.06
Operating Budget Growth - Municipal	1.03	OPEB Appropriation -Current plus \$25k/yr increase	\$25,000
Each 1% - approx \$250K		Pension Assessment Annual Growth	1.07
		State Aid Annual Growth	1.03

← **Assumptions**

Proposition 2 ½ is Simply a Calculation of the *Maximum Tax*

FY23 Budget

Tax Levy Calculation	FY2019	FY2020	FY2021	FY2022	Budget FY2023	
Prior Year Levy Limit	\$73,558,364	\$76,623,854	\$79,703,916	\$83,076,625	\$86,718,329	
Plus 2.5% Increase	\$1,838,959	\$1,915,596	\$1,992,598	\$2,076,916	\$2,167,958	Plus 2.5%
Plus New Growth	\$1,226,531	\$1,164,466	\$1,380,111	\$1,564,788	\$550,000	Estimated New growth
General Overrides	\$0	\$0	\$0	\$0	\$0	General Override
Tax Levy Limit	\$76,623,854	\$79,703,916	\$83,076,625	\$86,718,329	\$89,436,287	
Exempt Debt	\$1,429,505	\$1,320,986	\$1,217,416	\$1,048,819	\$1,059,561	Exempt Debt
Levy Capacity	\$78,053,359	\$81,024,902	\$84,294,041	\$87,767,148	\$90,495,848	What we could tax
Actual Levy Assessed	\$76,955,697	\$80,224,068	\$83,468,800	\$86,593,963	\$90,335,810	What we do tax
Excess Levy(Taxes not raised)	\$1,097,662	\$800,834	\$825,241	\$1,173,185	\$160,038	Unused Tax Levy



Proposition 2 ½ controls the total taxes a Town can raise.
It does not apply to an individual tax bill.

- New growth is an estimate throughout the budget cycle.

Current Debt Status

Favorable Borrowing Climate

- Very strong credit ratings.
 - Standard & Poor's AAA.
 - Moody's AA1
- Excellent interest rate environment.
- Portion of recent bond sales replaced debt dropping off

Recent Bond Sales

- Bond sold March 2021
 - \$7.715M, 8-20 year term, 1.148%
 - Also, completed refinance of older bonds, savings of \$1.12M achieved
 - \$4.45M BAN sale, 1 year term, .249%
- Bond sold August, 2016:
 - \$16.64M, 10-30 year term, 2.4%.

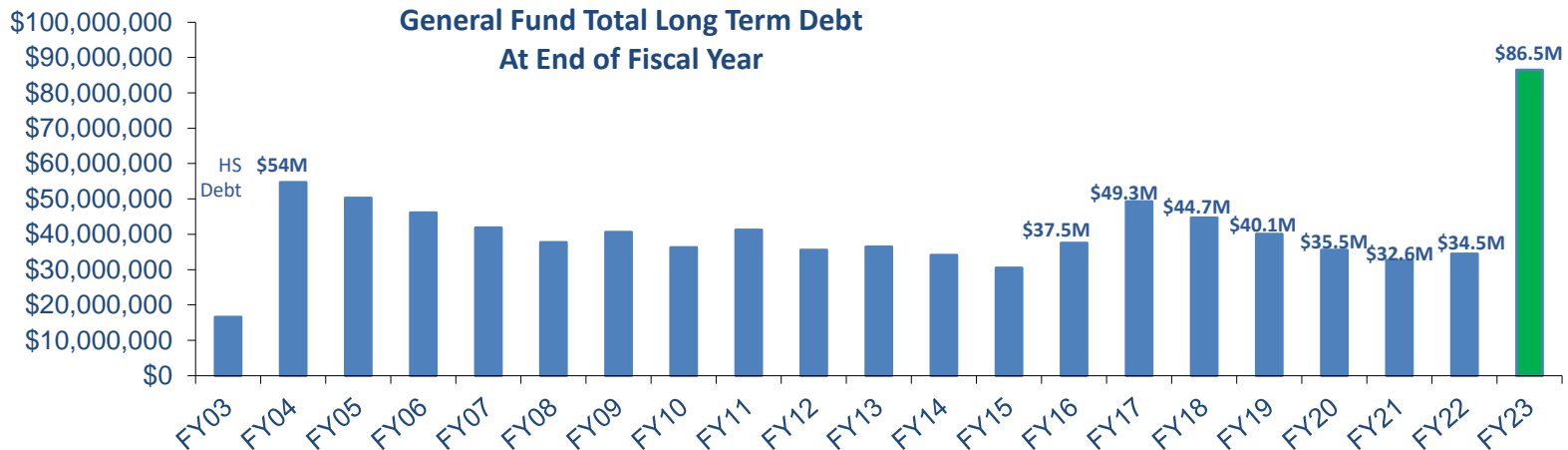
Recent Bond Sales

- Long Term Bond sold March 2022
 - \$7.1M, terms 10-30 years
 - Net interest rate 2.27%
- \$4M BAN sale, term of 4 months, .88%
- Long Term Bond sold July 2022
 - \$56.5M, 30 year term
 - Net interest rate 3.7%

Current Debt Status

Town Debt – Utilized Favorable Borrowing Climate

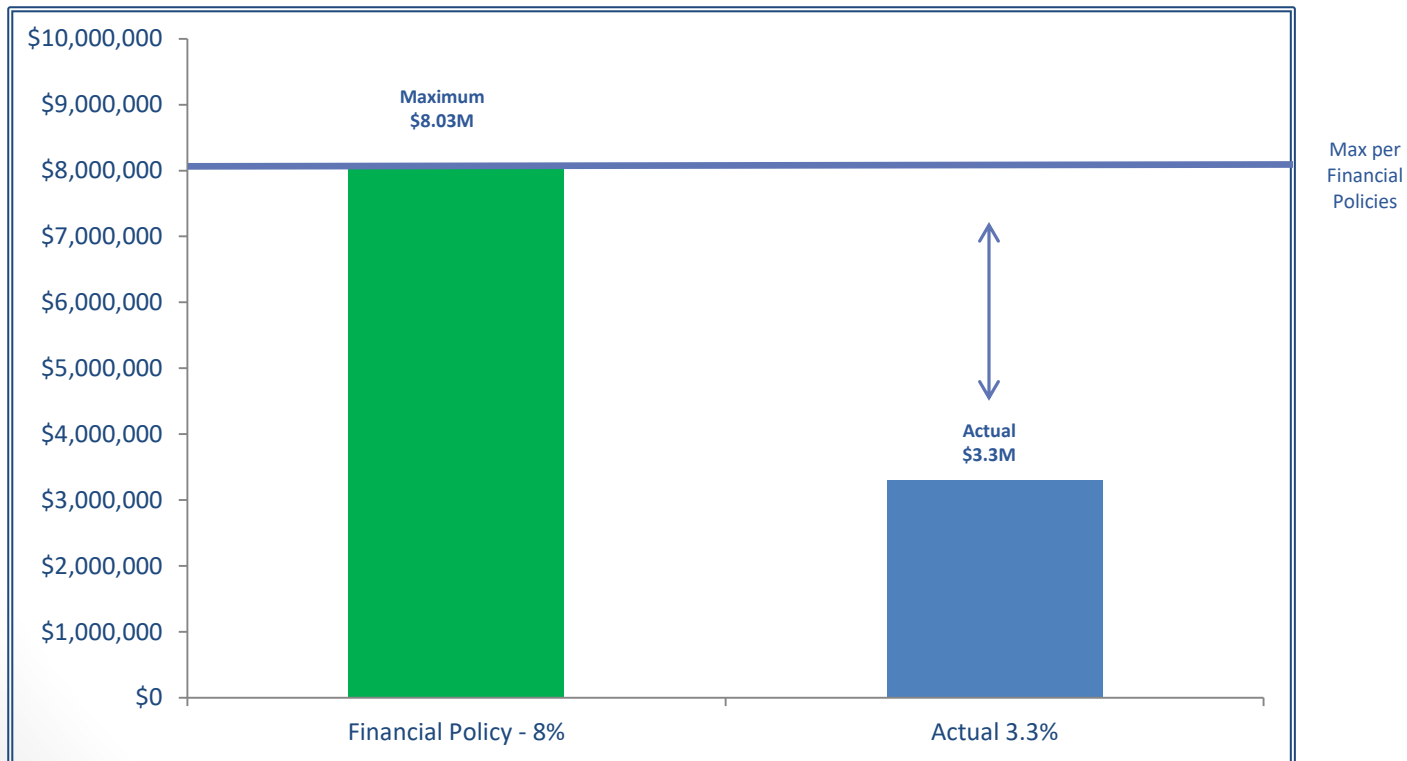
Debt Authorized, Not Yet Issued		
Hanlon/Deerfield New School Remaining Authorization balances:		
School MSBA Initial Phase	ATM 2018	\$ 202,889
Hanlon School “Bridge” Funding	ATM 2021	\$ 30,316
Construction	STM 2021	\$24,610,386
Total New Hanlon School – Borrowing expected to be reduced by future MSBA reimbursement (\$16.4M)		\$24,843,591
Conant Road Culvert Design	ATM 2022	\$ 200,000
Sewer I/II – MWRA	ATM 2022	\$ 125,000
DPW/Fire Capital Equipment	ATM 2022	\$ 900 000
Total		\$ 26,068,591



Current Debt Status

Debt Level – Well Within Guidelines

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



Debt is well within guidelines

Next Steps in Budget Cycle

November 7, 2022 – Tax Classification Hearing

- Determine Commercial/Residential Tax shift.
- Get tax rate approved by the DOR.

November through February Select Board Meetings:

- Continue update and review of FY24 revenue projections.
 - Local Revenue Sources.
 - FY24 State Budget.
 - Tax Levy calculation including FY23 new growth.
- Continue to review capital budget articles with Select Board
 - Ongoing Annual Capital.
 - Timing of larger projects being considered.
- Review FY24 municipal budget requests
 - Base budget.
 - Any Requested new positions/programs.
- FY24 State aid
 - Governor’s budget typically at end of January.
 - Preview at MMA meeting in January.
 - With new governor, five week extension.
- BOS proposed budget document February 1, 2023
 - Municipal Budget Document.
 - Overall Budget Summary.
 - Capital Budget Articles.
- Present proposed FY24 budget to Fincom February 2023.



