



# Financial Update Select Board November 13, 2023

Stephanie McManus  
Assistant Town Administrator/Finance Director

# Financial Policies - Highlights

- Structurally balanced budgets
- Quality financial reporting
- Annual audit by 3<sup>rd</sup> party plus Audit Committee review
- Ongoing operating expenses supported by ongoing recurring revenue sources, not one-time funding sources
- Annual appropriation to an operating reserve fund for unforeseen or extraordinary expenses throughout the year
- Maintain adequate working capital to provide for sufficient cash flow
  - Free Cash policy
- Reserve Funds - Stabilization, Capital and Meals/Hotel
- Nonexempt debt policy – not to exceed 8% of net general fund revenue
- Total general fund debt not to exceed 10-12% net general fund revenue
- Invest in capital assets by maintaining 3% of operating budget for base capital

# Free Cash

Certified Date	July 2023	July 2022	July 2021	July 2020	July 2019	July 2018
Amount	\$ 10,959,301	\$7,772,702	\$7,264,563	\$6,124,816	\$6,637,200	\$5,854,683
Planned Use:						
Fincom Reserve	\$ 405,000	\$405,000				
Stabilization	\$ 125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000
Capital	\$ 3,000,000	\$2,372,500	\$2,373,250	\$2,321,650	\$3,383,900	\$3,163,500
Articles	\$ 2,500,000	\$393,000	\$1,335,000	\$181,000	\$350,000	\$0
<b>Total Used</b>	<b>\$ 5,625,000</b>	<b>\$3,295,500</b>	<b>\$3,833,250</b>	<b>\$2,627,650</b>	<b>\$3,858,900</b>	<b>\$3,288,500</b>
<b>Unallocated</b>	<b>\$ 5,334,301</b>	<b>\$4,477,202</b>	<b>\$3,431,313</b>	<b>\$3,497,166</b>	<b>\$2,778,300</b>	<b>\$2,566,183</b>

- DOR Certified Free Cash as of July 1, 2023 is \$10,959,301
- Unallocated free cash target per financial policies is 4% of general fund operating budget net of debt service (FY24 \$100,012,818)
  - For FY24, that amount is approximately \$4M
  - This is an important component of the credit rating
- Additional free cash beyond target has been used for
  - Base school and municipal capital
  - Extra capital, snow and ice, one time needs
- Unallocated balance provides protection for the Town

# Reserves

- Adhering to financial policies, shall maintain reserve accounts at a minimum of 8% of general fund operating revenues, net of debt service
  - For FY24, the amount for net general fund operating revenues is \$104,976,705
    - Total target of 8% is \$8.4M
      - 4% in general fund
      - 4% in stabilization fund
- Stabilization Fund
  - Target amount in fund for FY24 is \$4.2M
  - Current balance \$3.9M
  - Provides temporary financing for unanticipated or unforeseen extraordinary needs of an emergency nature
  - A key component in the Town's AAA credit rating
- Capital Improvements Stabilization Fund
  - No current annual appropriation into account – last one time appropriation was FY18
  - Current balance \$1.5M
- Meals/Hotel Special Purpose Stabilization Fund
  - Main use to provide funding for Town-wide capital assets supplemental of the ongoing capital budget process
  - Current balance as of 9/30/2023 \$1.3M

# Tax Revenue

## FY23 Total Revenue Budget - \$113.6M

- Taxes are approximately 80% of revenue - most important component of financial stability
- Proposition 2 ½
  - Limits total property taxes a community can raise – can increase 2.5% plus new growth
    - Calculation not applied to individual tax bills
  - Town Meeting can approve a debt exclusion which allows for additional property taxes to be levied in an amount equal to the debt service payments associated with the project
- Overrides
  - A town may choose to override these limits with a Town Meeting vote
  - Two options:
    - General Override
      - Additional funds for any purpose
      - Permanently increases the levy limit
    - Debt Exemption
      - Pay for capital projects – annual debt service added to tax levy
      - Not permanent – taxes end when bond ends

# General Debt Overview

- Authorization
  - Town Meeting authorizes borrowing of any funds for a specific project
  - State law governs items allowed to be borrowed and term of borrowing (MGL ch. 44)
- Issuing Bonds
  - Official bond statement prepared
  - Town credit rating from rating service (Moody's)
  - Town Treasurer conducts a public bond sale (bids), Select Board approves the bond
  - At completion of sale, Town receives money and enters into a repayment schedule
  - Schedule of all current bonds issued – updated annually
- Debt Service Repayment
  - The debt service for the bonds, including principal and interest, is included in each year's operating budget
  - Current Repayment Schedule – updated annually
  - Only debt service scheduled to be repaid will be included in that year's budget
- Debt Management
  - Prudent use of debt financing as part of the Town's overall fiscal planning
  - Responsible positions on what purpose to borrow, when to scheduled debt-financed projects and how long for the repayment schedule

# General Debt Overview

- Options for borrowing - Short-term vs Long-term
  - Short-term debt classified as borrowing through the issue of notes in anticipation of either paying them off or permanently financing the debt
  - Long-term debt is permanent financing through municipal bonds
    - All debt (except sewer enterprise) is issued as general obligation debt. This means that the full faith and credit of the Town is pledged to the bondholder.
- Debt Service Budget
  - Repayment of debt service is through general fund revenues
  - Principal and interest payments included each year in annual operating budget
  - Includes both exempt and non-exempt debt
    - Exempt Debt
      - Debt exclusion – added to the level limit
      - Additional tax revenue raised to pay the debt service until the debt is retired
        - Exact amount of debt cost, net of state school reimbursement, is raised in taxes
        - When bond ends, exempt taxes end
    - Non-exempt Debt
      - Tax revenue funds set aside as part of the annual operating budget
      - Debt within Prop 2 1/2
      - Target new debt sold to replace old debt dropping off
- The Town has capacity limits which prevent us from using debt to finance all capital projects

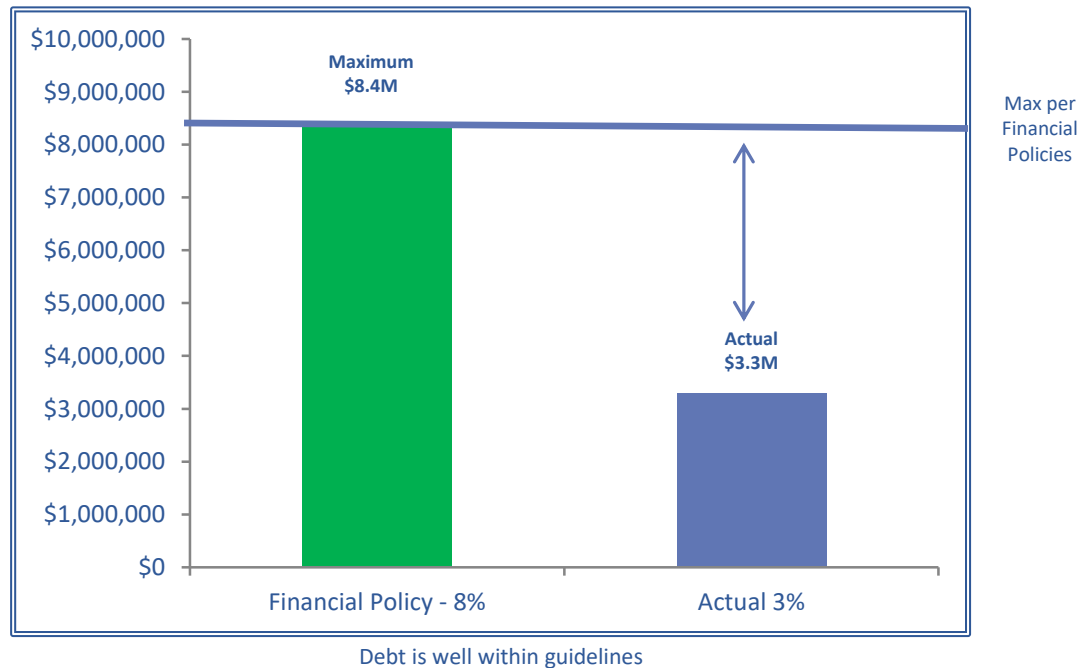
# Debt Capacity is Governed By:

- Legal Debt Limit – GL ch 44
  - Debt authorized for certain capital purposes cannot in total exceed 5% of the most recent Town equalized valuation (EQV), or exceed 10% of the EQV if approved by the Massachusetts Municipal Finance Oversight Board (MFOB)
    - The current EQV for Westwood is \$5.48B – 5% is \$274M
- Town Policies
  - Nonexempt debt should not exceed 8% of net general fund revenue
    - For FY24, 8% is \$8.4M
  - Total general fund debt should not exceed 10-12% of net general fund revenue
    - Need to balance total debt costs and tax implications with other services
    - For FY24, 12% is \$12.6M
- Budget
  - Increased debt service for non-exempt debt places stress on the operating budget
  - Non-exempt debt does not have a dedicated tax revenue debt service
  - Need to also provide appropriate funding for other Town services
- Impact on Taxpayers
  - Cumulative effect on tax bill of multiple exempt projects



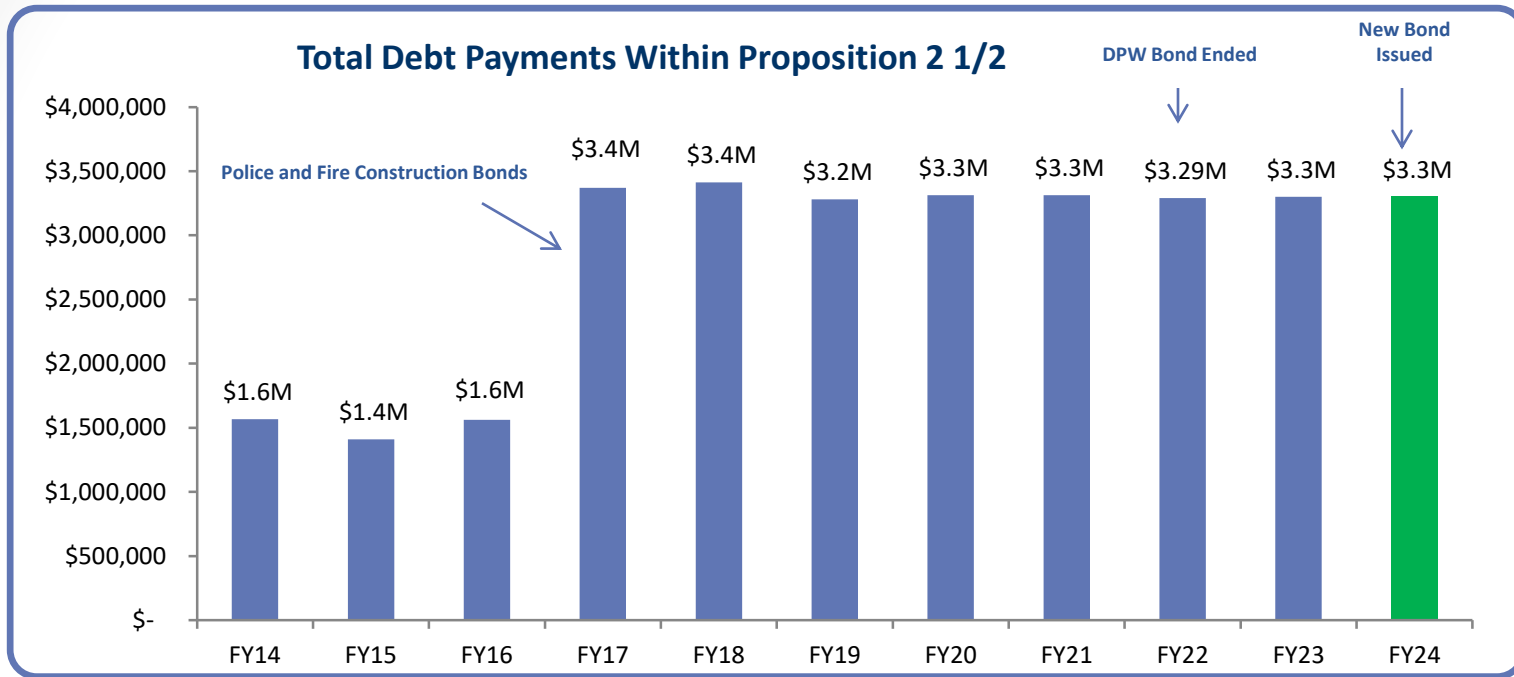
# Debt Management Within Prop 2 ½

- Financial Policies – annual non-exempt debt payments should not exceed 8% of net general fund revenue
  - Current debt level is well within guidelines
  - FY24 total debt payments within prop 2 ½ - \$3.3M
- Whenever possible, new debt payments are issued as prior debt rolls off
  - Keeps the debt budget at the approximate same level



- The debt service budget for non-exempt debt also needs to fit in ongoing capital equipment needs

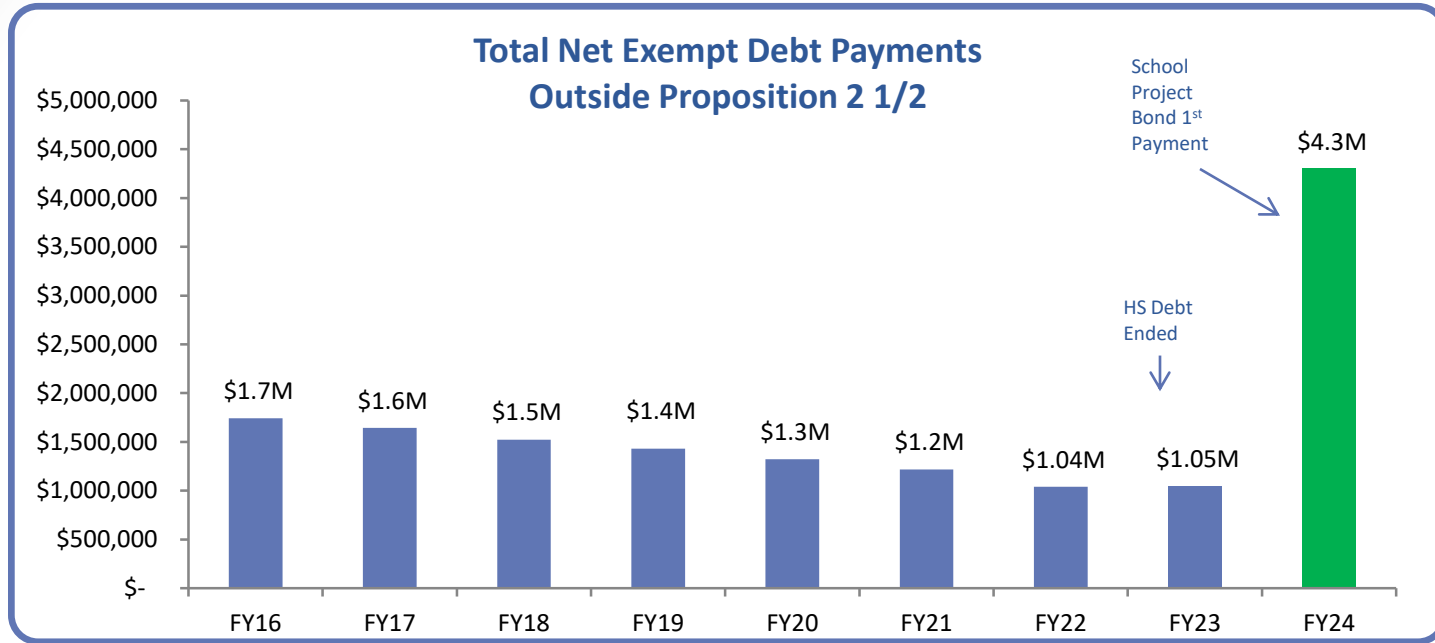
# Total Non Exempt Debt – Within Proposition 2 1/2



## Debt within Proposition 2 ½

- Debt drop off FY23:
  - \$4.6M, 10 year DPW bond for Roads and Equipment issued in 2012, was completed in 2022
  - Provided space to issue new \$4.65M road bond approved at 2020 Town Meeting within Proposition 2 ½ .

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



## Debt outside of Proposition 2 ½

- Principal and interest payments for projects approved outside Proposition 2 ½.
  - High School, Library Bonds and Elementary School Bonds
- FY22 Payments: High School \$485K, Library \$563K.
- High School bond ended in FY2023
  - Debt rollover helped with Elementary School Project – excess capacity absorbed some of the impact
- Library ends in FY2031
- Library refinanced in April 2021
  - Total savings \$759K - Will now raise \$759K less in taxes
  - Approximately \$75K per year savings for remaining life of bond

# Debt Service Schedule - Total Principal and Interest Payments

Outstanding as of 6.30.24	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31-53	Total FY24-FY53	
<b>Debt Outside of Proposition 2 1/2</b>											
HS Construct (Exempt)-Refi 3/12	0	1,807,650	0							\$0	
Library Construct (Exempt) 4.21	2,745,000	547,600	533,600	519,350	499,850	480,350	460,850	446,350	426,600	406,850	\$3,773,800
New Hanlon Sch Feas/Design (Exempt) 3.22	1,708,500	94,854	89,119	87,619	91,119	99,369	97,119	94,869	91,119	2,017,563	\$2,667,894
New Hanlon Construct (Exempt) 8.22	56,565,000	0	3,746,823	3,406,675	3,409,175	3,409,175	3,406,675	3,411,425	3,408,300	78,167,825	\$102,366,073
<b>Debt Within Proposition 2 1/2</b>											
High School Completion 8/08	0	135,330	0								\$0
Middle Sch Modulars 2009. Refi 4.21	655,000	181,250	174,500	167,750	156,000	149,500	143,000	136,500	0		\$927,250
DPW Roadway 12/12	0	0									\$0
School Roof 12/12	0	0									\$0
DPW Equipment 12/12	0	0									\$0
DPW Drainage 12/12	0	0									\$0
DPW Equipment 12/12	0	0									\$0
DPW Roads 5/14	0	31,275	30,675	0							\$30,675
DPW Drainage 5/14	0	62,550	61,350	0							\$61,350
DPW Equipment 5/14	0	52,125	51,125	0							\$51,125
Fire Station Design 8/15	510,000	62,369	60,244	58,119	55,994	54,400	53,338	52,169	50,894	278,482	\$663,640
Fire Station Construction 8/15	5,190,000	634,694	613,069	591,443	569,818	553,600	542,788	530,894	517,919	2,833,957	\$6,753,488
Street Lights LED upgrade 8/15	100,000	58,750	56,250	53,750	51,250	0					\$161,250
Cemetery Expansion 8.15	0										\$0
Deerfield Rd/Parking 8/16	400,000	232,000	224,000	216,000	208,000	0					\$648,000
Land Purchase 8/16	170,000	104,000	100,400	91,800	88,400	0					\$280,600
Police Design 8/16	720,000	57,694	56,294	54,894	53,494	52,094	50,694	49,994	49,294	623,751	\$990,508
Police Construction 8/16	9,350,000	718,781	701,781	684,781	667,781	650,781	633,781	625,281	616,781	8,461,750	\$13,042,718
Islington/Wentworth Hall 4.21	1,545,000	153,850	149,100	144,350	139,600	134,850	125,100	120,600	116,100	1,111,500	\$2,041,200
Road Improvement Bond 4.21	625,000	128,550	124,050	119,550	115,050	110,550	106,050	101,550	97,050	87,550	\$861,400
Road Improvement Bond 3.22	3,606,500	726,486	705,325	680,325	655,325	630,325	605,325	580,325	551,825	646,250	\$5,055,025
New Debt - Budget Adjustment		0	182,541	182,541	182,541	182,541	182,541	182,541	182,541	0	\$1,277,787
<b>Total General Fund Long Term Debt</b>	<b>83,890,000</b>	<b>5,789,808</b>	<b>7,660,245</b>	<b>7,058,947</b>	<b>6,943,397</b>	<b>6,507,535</b>	<b>6,407,261</b>	<b>6,332,498</b>	<b>6,108,423</b>	<b>94,635,478</b>	<b>141,653,783</b>
<b>Total Non - Exempt Long Term Debt</b>	<b>22,871,500</b>	<b>3,339,704</b>	<b>3,290,704</b>	<b>3,045,303</b>	<b>2,943,253</b>	<b>2,518,641</b>	<b>2,442,617</b>	<b>2,379,854</b>	<b>2,182,404</b>	<b>14,043,240</b>	<b>\$32,846,016</b>
<b>Non - Exempt BAN Payments</b>			<b>49,000</b>								<b>\$49,000</b>
<b>Total Non - Exempt Debt</b>		<b>3,339,704</b>	<b>3,339,704</b>	<b>3,045,303</b>	<b>2,943,253</b>	<b>2,518,641</b>	<b>2,442,617</b>	<b>2,379,854</b>	<b>2,182,404</b>	<b>14,043,240</b>	<b>\$32,895,016</b>
<b>Change in non- Exempt Debt</b>		<b>44,666</b>	<b>0</b>	<b>(294,401)</b>	<b>(102,050)</b>	<b>(424,612)</b>	<b>(76,024)</b>	<b>(62,763)</b>	<b>(197,450)</b>		
<b>Total Exempt Debt Payments</b>	<b>61,018,500</b>	<b>2,450,104</b>	<b>4,369,541</b>	<b>4,013,644</b>	<b>4,000,144</b>	<b>3,988,894</b>	<b>3,964,644</b>	<b>3,952,644</b>	<b>3,926,019</b>	<b>80,592,238</b>	<b>\$108,807,767</b>
<b>Exempt BAN Payments</b>		<b>29,111</b>	<b>0</b>								<b>\$0</b>
<b>Total Exempt Debt</b>		<b>2,479,215</b>	<b>4,369,541</b>	<b>4,013,644</b>	<b>4,000,144</b>	<b>3,988,894</b>	<b>3,964,644</b>	<b>3,952,644</b>	<b>3,926,019</b>	<b>80,592,238</b>	<b>\$108,807,767</b>
<b>Change in Gross Exempt Debt</b>		<b>24,922</b>	<b>1,890,326</b>	<b>(355,898)</b>	<b>(13,500)</b>	<b>(11,250)</b>	<b>(24,250)</b>	<b>(12,000)</b>	<b>(26,625)</b>		
<b>Total all short and long term debt payments</b>		<b>5,818,919</b>	<b>7,709,245</b>	<b>7,058,947</b>	<b>6,943,397</b>	<b>6,507,535</b>	<b>6,407,261</b>	<b>6,332,498</b>	<b>6,108,423</b>	<b>94,635,478</b>	<b>\$141,702,782.62</b>
<b>Net annual Exempt Debt</b>		<b>1,059,561</b>	<b>4,369,541</b>	<b>4,013,644</b>	<b>4,000,144</b>	<b>3,988,894</b>	<b>3,964,644</b>	<b>3,952,644</b>	<b>3,926,019</b>	<b>80,592,238</b>	<b>108,807,766.54</b>
<b>Change in total Exempt Debt</b>		<b>10,741</b>	<b>3,309,980</b>	<b>(355,898)</b>	<b>(13,500)</b>	<b>(11,250)</b>	<b>(24,250)</b>	<b>(12,000)</b>	<b>(26,625)</b>		

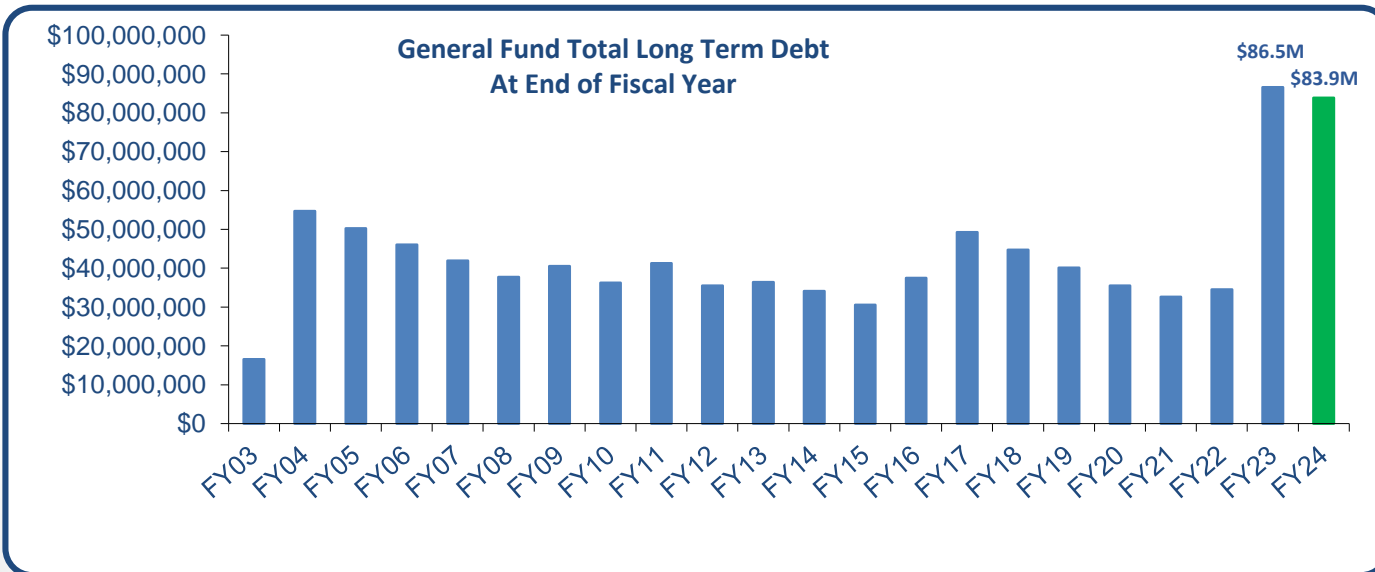
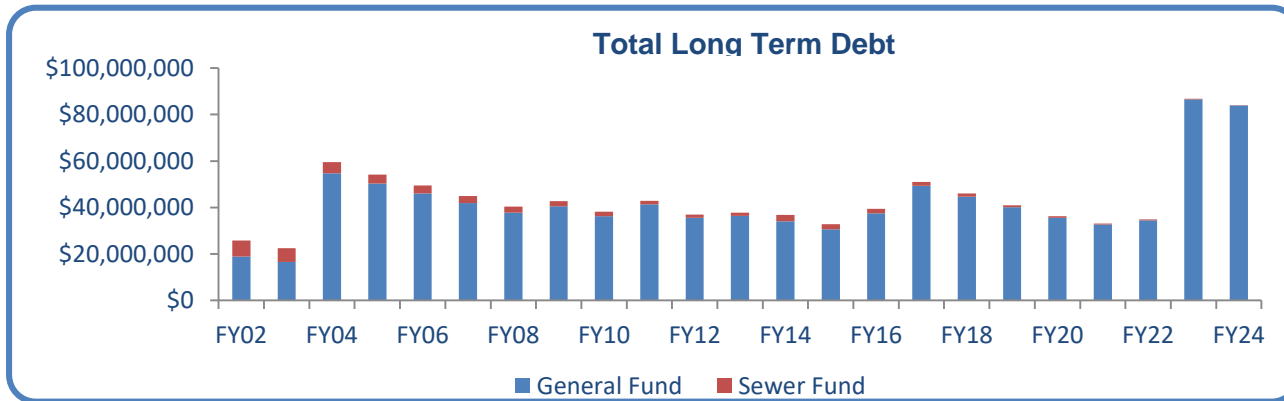
# Long Term Debt Outstanding

Description	Net Rate of Interest	Date Issued	Maturity Date	Amount Issued	Tot Outstanding 30-Jun-24
Outside of Prop 2 1/2 - Exempt					
High School (2003) Refinanced 3.12	1.63	3/2012	6/2023	\$39,262,300	\$0
New Library (2011) Refinanced 4.21	1.15	4/2021	2/2031	\$9,300,000	\$2,745,000
Hanlon/Deerfield School Feasibility/Design	2.27	4/2022	4/2052	\$1,773,500	\$1,708,500
Hanlon/Deerfield School Construction	3.77	8/2022	8/2052	\$56,575,000	\$56,565,000
Within Prop 2 1/2					
High School Completion	3.48	8/2008	2/2023	\$1,950,000	\$0
Thurston Modulares (2009) Refinanced 4.21	1.15	4/2021	2/2029	\$3,500,000	\$655,000
School Roof	1.43	12/2012	6/2022	\$935,000	\$0
DPW Roads/Equipment	1.43	12/2012	6/2022	\$3,700,000	\$0
DPW Roads/Equipment	1.62	5/2014	5/2024	\$1,400,000	\$0
Design Fire Station	2.66	9/2015	9/2035	\$850,000	\$510,000
Construct Fire Station	2.66	9/2015	9/2035	\$8,650,000	\$5,190,000
LED Lights Upgrade	2.66	9/2015	9/2025	\$500,000	\$100,000
Cemetery Expansion	2.66	9/2015	9/2020	\$450,000	\$0
Deerfield Rd/Parking Improvements	2.42	9/2016	3/2026	\$2,000,000	\$400,000
Land Purchase	2.42	9/2016	3/2026	\$890,000	\$170,000
Police Station Design	2.42	9/2016	3/2045	\$1,000,000	\$720,000
Police Station Construction	2.42	9/2016	3/2046	\$12,755,000	\$9,350,000
Islington/Wentworth Library	1.15	4/2021	2/2041	\$1,831,696	\$1,545,000
Road improvement	1.15	4/2021	2/2031	\$895,000	\$625,000
Road improvement	2.27	4/2022	4/2032	\$4,606,500	\$3,606,500
<b>Total General Fund</b>					<b>\$83,890,000</b>
Description	Rate of Interest	Date Issued	Maturity Date	Amount Issued	Outstanding 30-Jun-23
MWRA - no interest loan	0.00	9/2021	8/2031	\$125,000	\$100,000
Sewer Bond	1.62	5/2014	5/2024	\$1,570,000	\$0
<b>Total Sewer Fund</b>					<b>\$100,000</b>

**Total General Fund and Sewer Debt Outstanding      \$83,990,000**

# Long Term Debt Outstanding

Total Long Term Debt Issued and Outstanding	FY18	FY19	FY20	FY21	FY22	FY23	FY24
<b>General Fund</b>	44,710,000	40,120,000	35,545,000	32,655,000	34,510,000	86,550,000	83,890,000
<b>Sewer Fund</b>	1,274,700	868,600	666,800	465,000	435,000	267,500	100,000
<b>Total</b>	45,984,700	40,988,600	36,211,800	33,120,000	34,945,000	86,817,500	83,990,000



# Long Term Debt Authorized, Unissued

<b>Debt Authorized, Not Yet Issued Long Term</b>		
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
Cemetery Expansion Construction	ATM 2023	\$1,500,000
Fire Ladder Truck	ATM 2023	\$1,850,000
Total		\$28,193,591

Short term debt outstanding: \$1,225,000 one year BAN issued 5/2/2023 for three design projects

# Debt Capacity

- Additional bonding capacity happens when:
  - Prior bond issuances are paid and debt “rolls off”
  - Or the yearly natural decline in debt service payments
- New payments can then be issued to fill in for anticipated drop
- Upcoming drops within current budget (estimated numbers):

	FY25	FY26	FY27	FY28	FY29	FY30
Non-exempt	\$294k*	\$102k	\$424k	\$76k	\$62k	\$197k
Exempt	\$355k**	\$13k	\$11k	\$24k	\$12k	\$26k
Total	\$649k	\$115k	\$435k	\$100k	\$74k	\$223k

\*full amount to be used for debt approved at 5/22 and 5/23 ATM

\*\*full amount to be used for remaining Hanlon construction debt authorized but not yet issued

- Next significant drop for Exempt Debt is the New Library in 2031
- Next significant drop for Non-exempt Debt is Road Bond in 2032 and the Islington Fire Station in 2035
  - A new Road Bond will utilize the new capacity as the old Road Bond rolls off

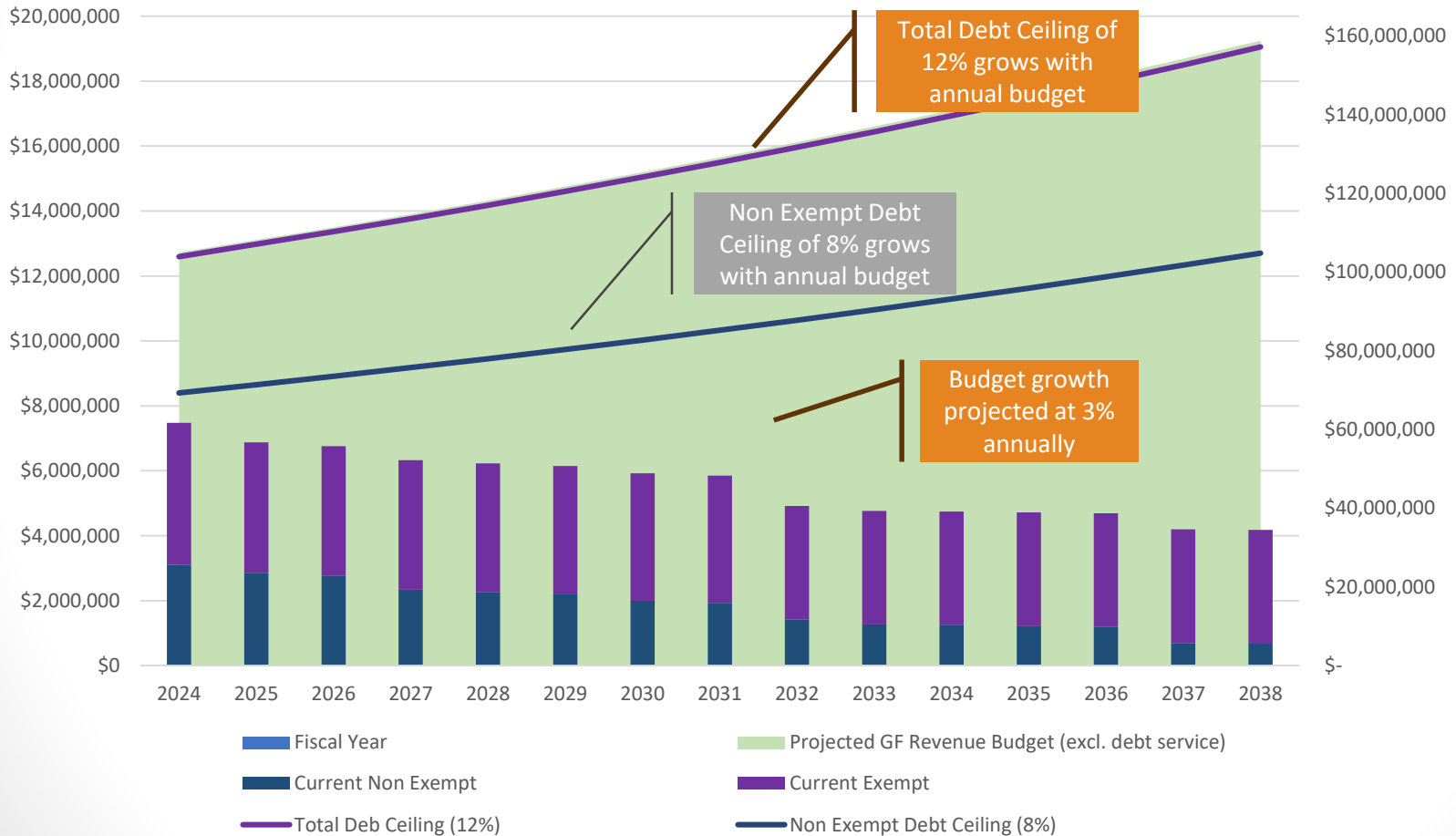
## What Could This Fund?

- Each \$100k of capacity due to a drop off or increased debt budget could support approx:
  - \$1.5M Bond
    - Assumptions: 5% interest rate, 30 year term, level debt service



# Current Debt Service vs. Total Debt Ceiling

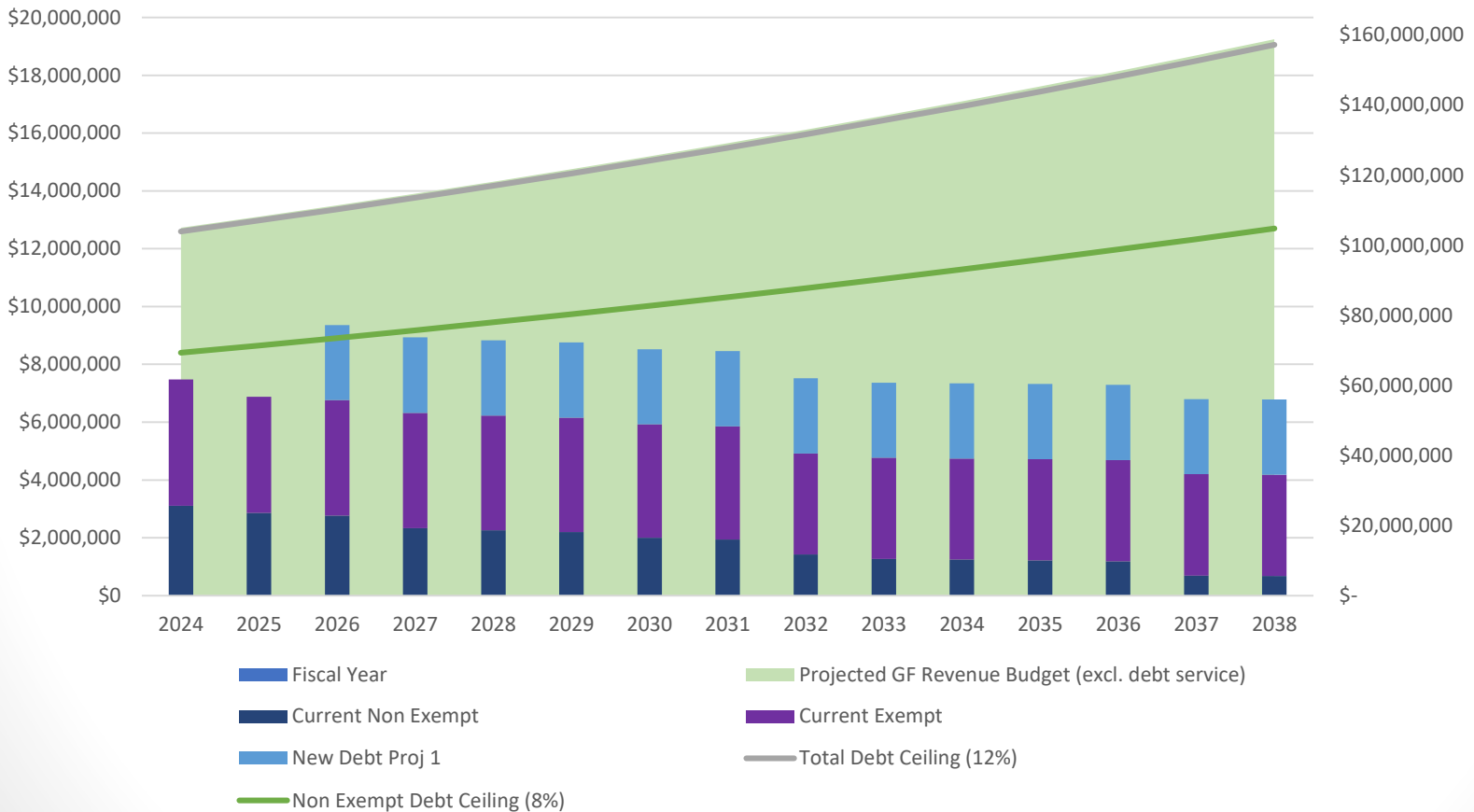
**Westwood Projected Debt Service vs. Debt Ceiling**  
(per Financial Policies)



# Projected Debt Service vs. Debt Ceiling

- Includes Example Project 1
- \$40M cost, payments starting FY2026

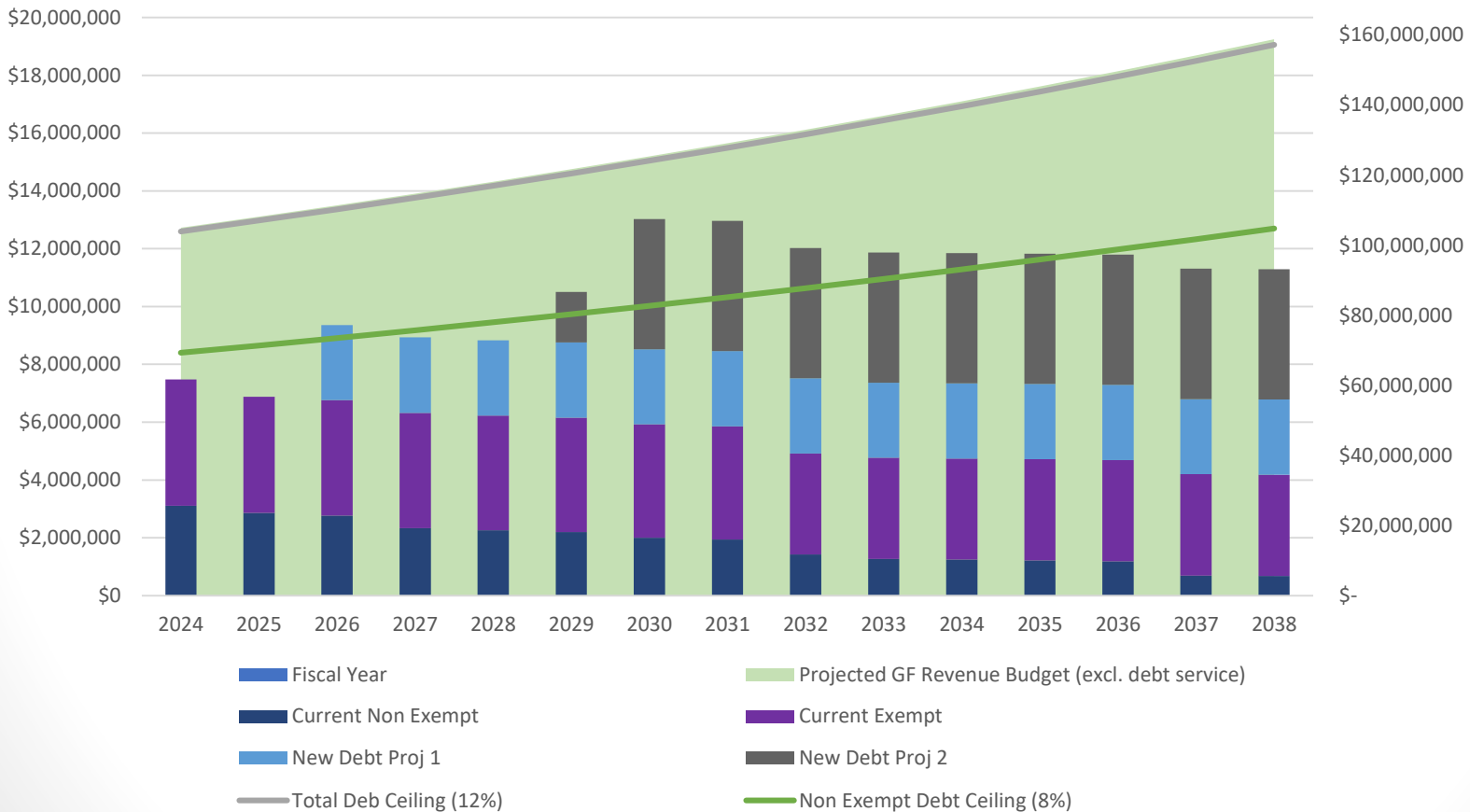
**Westwood Projected Debt Service vs. Debt Ceiling**  
(per Financial Policies)



# Projected Debt Service vs. Debt Ceiling

- Includes Example Project 2
- \$70M cost, payments starting FY2029

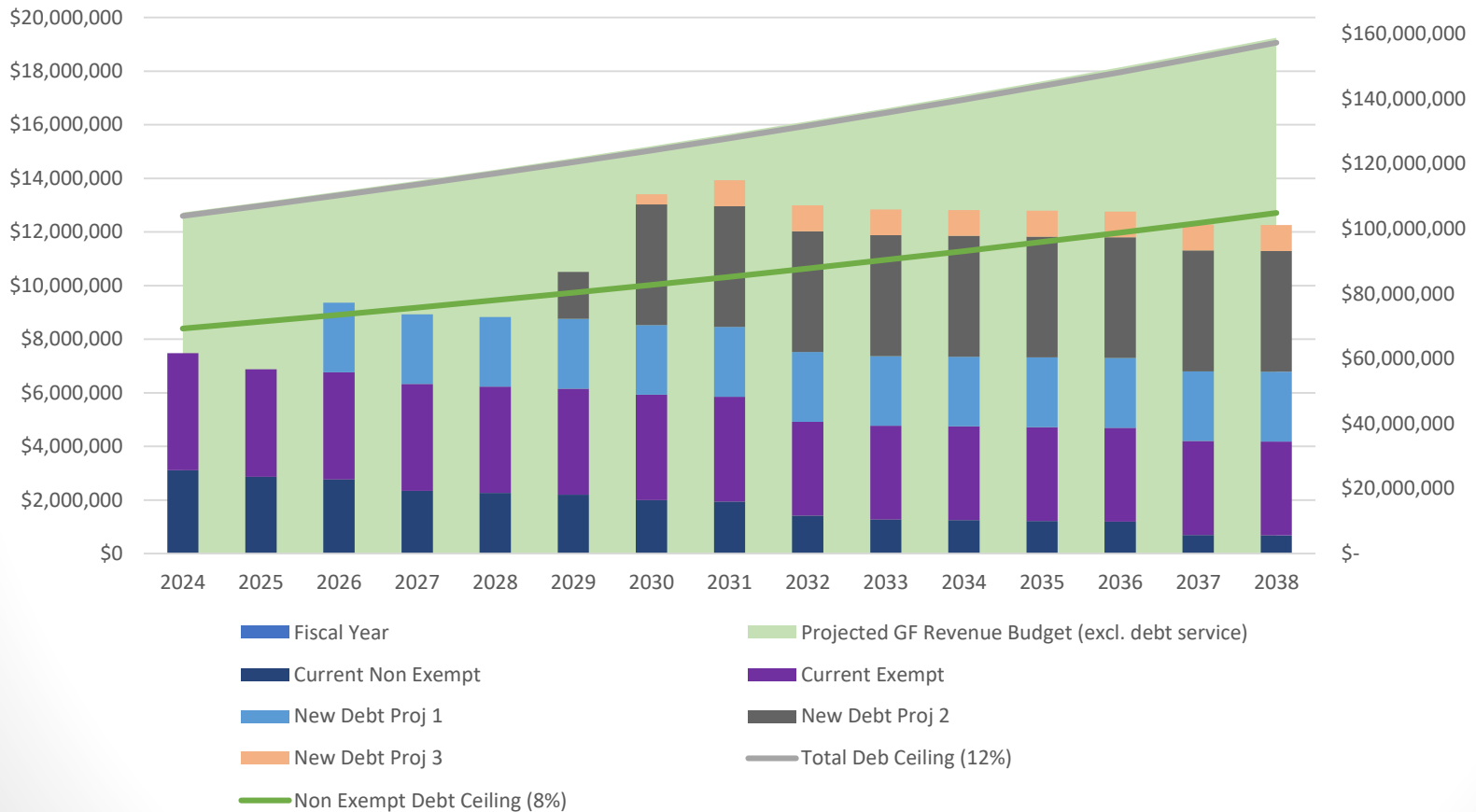
**Westwood Projected Debt Service vs. Debt Ceiling**  
(per Financial Policies)



# Projected Debt Service vs. Debt Ceiling

- Includes Example Project 3
- \$15M cost, payments starting FY2030

**Westwood Projected Debt Service vs. Debt Ceiling**  
*(per Financial Policies)*



# Projected Debt Service vs. Debt Ceiling

- Includes Example Project 4
- \$12M cost, payments starting FY2032

**Westwood Projected Debt Service vs. Debt Ceiling**  
*(per Financial Policies)*

