

*Financial Status Report  
Presented to Selectmen  
September 27, 2004*

Financial Department Accomplishments  
Prior Year (FY2004) Results  
Financial Policies – Target Status  
Current Year (FY2005) Update  
A Look at FY06

## Financial Department Accomplishments – FY04

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- Major Credit Review
  - Moody's – Aa1
  - Standard & Poor's – Aa+
  - Top 6% in State
- Successful \$42 Million Major Bond Sale – August, 2003
- Comprehensive Annual Financial Report Award
  - Seven awards received from Government Finance Officers Association (GFOA) for excellence in financial reporting.
  - Westwood one of few Massachusetts communities to receive awards.
- Timely Audit – Annual FY03 audit completed in timely manner – no major findings
- Outsourcing of Payroll – major enhancement to system and procedures
- Automation of Assessing Functions
- FY05 Budget
  - Many financial presentations.
  - Balanced budget presented to 2004 Annual Town Meeting within the limits of Proposition 2 ½ .
  - Maintained stabilization fund.
  - Continued enhancements to budget summary document.
- Long Range Financial Planning Subcommittee
  - Selectmen formed this Subcommittee to conduct analyses of the Town's finances covered five year period.
  - Produced *Five Year Capital Improvement Plan*.
- Updated Financial Policies
  - Produced updated documented financial policies.
  - Created document to monitor compliance with financial targets.
- Continued outstanding collection rates.

# FY04 Review

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## FY04 Audit

- On site audit completed in August, 2004.
- Early completion due to the quality systems and procedures in place in the financial departments.
- Received excellent feedback from audit firm.
- Financial statements to be completed in couple of weeks.

## Recap FY04 Budget

- Most difficult budget in a decade.
- 0% increase to school and municipal operating budgets.
- 20% reduction to state aid.
- Taxes strained due to debt for construction projects (13%).
- Achieved balanced budget within Proposition 2 ½ .
- Achieved balanced budget without major cuts to services.

	FY2003	FY2004	FY2004 \$ Change	FY2004 % Change
Municipal	\$12,127,081	\$12,127,081	\$0	0.0%
School	\$24,956,166	\$25,062,489	\$106,323	0.4%
Sewer Enterprise	\$3,613,847	\$3,763,130	\$149,283	4.1%
Debt Service (School & Municipal)	\$3,194,459	\$7,286,431	\$4,091,972	128.1%
Reserves/Benefits/Insurance	<u>\$4,497,240</u>	<u>\$5,045,017</u>	<u>\$547,777</u>	<u>12.2%</u>
<b>Total</b>	<b>\$48,388,793</b>	<b>\$53,284,148</b>	<b>\$4,895,355</b>	<b>10.1%</b>

# Specific FY04 Financial Results

## Revenue

- Revenue is tight, but meeting projections.
- By year end, state had restored 1% cut to School building reimbursement.
- Local receipts' surplus due to investment income, which will now decline.

	Final FY04 Budget	Comment
Taxes	\$43,112,383	99% of net taxes collected by June 30.
Free Cash	\$605,000	Actual amount always equals Town
Available Funds	<u>\$1,197,433</u>	Meeting voted appropriation.
<b>Total</b>	<b>\$44,914,816</b>	

	Final FY04 Budget	FY04 Actual	\$ Variance	% Variance
State Aid	\$3,434,659	\$3,457,741	\$23,082	0.7%
Local Receipts	\$3,520,759	\$3,921,416	\$400,657	11.4%
Sewer	\$3,858,130	\$3,926,494	\$68,364	1.8%
<b>Total</b>	<b>\$10,813,548</b>	<b>\$11,305,651</b>	<b>\$492,103</b>	<b>4.6%</b>

# Specific FY04 Financial Results

## Operating Budget

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- Reserve Fund turnback higher than prior year due to lower snow & ice expenditures in FY04.

	<b>FY04 Final Budget</b>	<b>FY04 Expended as of 6/30/2004</b>	<b>Encumbrance</b>	<b>Amount of Turnback</b>	<b>Turnback as % of Budget</b>
Municipal Budgets	\$12,320,781	\$12,106,109	\$34,749	\$179,923	1.5%
School Budgets	\$24,900,479	\$23,712,741	\$950,695	\$237,043	1.0%
Sewer	\$3,765,290	\$3,666,794	\$72,500	\$25,996	1.0%
Reserve Fund - Original Budget \$400,000	\$112,167	\$0	\$0	\$112,167	N/A
Benefits/Insurance	\$4,756,017	\$4,751,066	\$0	\$4,951	0.0%
Debt	\$7,286,430	\$7,286,430	\$0	\$0	0.0%
<b>Total</b>	<b>\$53,141,164</b>	<b>\$51,523,140</b>	<b>\$1,057,944</b>	<b>\$560,080</b>	<b>1.1%</b>

# Specific FY04 Financial Results

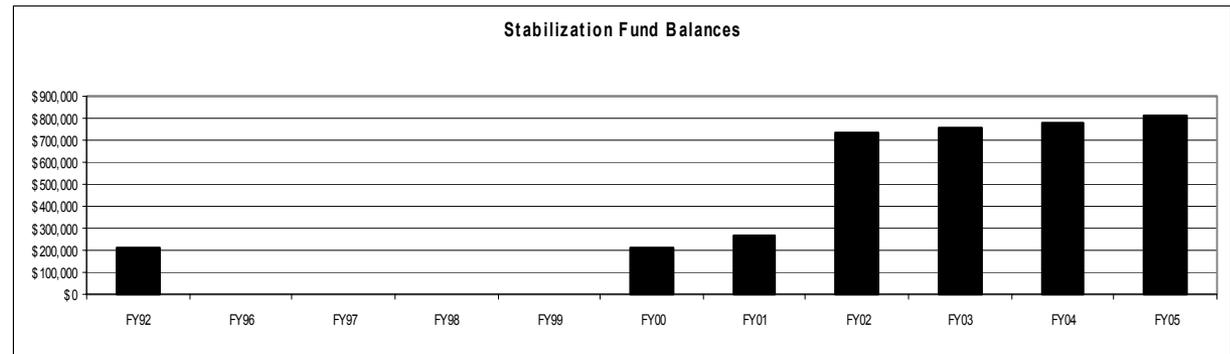
## Receivables

- Outstanding collection rates.
- Fair, professional, appropriately aggressive collection policies.
- Excellent monthly monitoring reporting procedures in place.

Receivable	Total Billed in FY04	Total Balances Outstanding 6/30/04 For All Years
Taxes	\$43 Million	\$163,000
Motor Vehicle	\$2.3 Million	\$154,380
Sewer User Fees	\$3.4 Million	\$208,000
Tax Title	\$145,000	\$97,671

## Stabilization Fund

- Balance on June 30 - \$782,141.
- Appropriated \$25,000 in FY05.
- Current balance - \$807,923.



## Free Cash

- Certified balance 7/1/03 - \$1,498,110.
- Expected balance as of 7/1/04 - \$1 million.

## Financial Policies Status Update

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

## Financial Policies Status Update (Cont'd)

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

# Debt

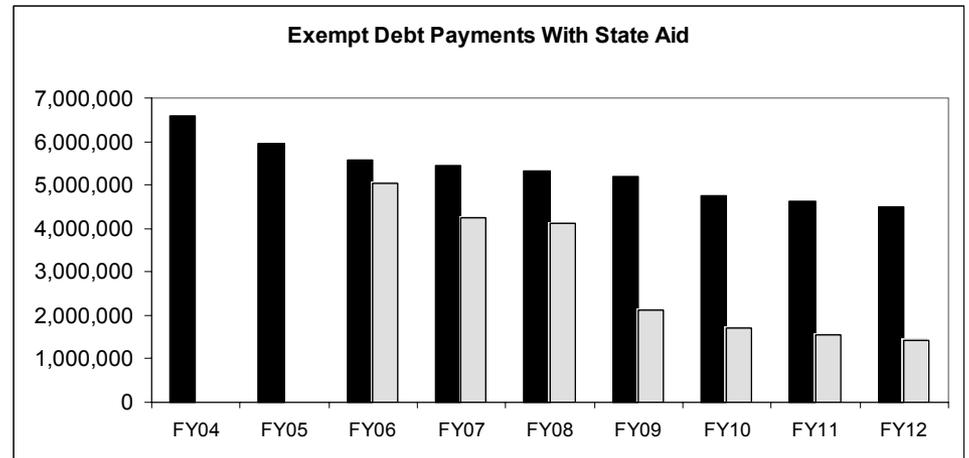
	<b>Outstanding 6/30/03</b>	<b>Additions FY04</b>	<b>Payments FY04</b>	<b>Balance Outstanding 6/30/04</b>		<b>Balance 6/30/05</b>
General Fund Debt	\$16,595,000	\$42,103,000	\$4,028,000	\$54,670,000		\$50,255,000
Sewer Debt	\$5,805,810	\$0	\$982,228	\$4,823,582		\$3,880,585

### Expecting State reimbursement on:

- Downey School \$560,869 per year for 10 years.
- Martha Jones School \$645,696 per year for 10 years.
- High School \$1,859,412 per year for 20 years.

### Debt authorized but not yet issued:

High School Project – 2/02	\$5,033,340
Eminent Domain Land – 5/01	\$300,000
Purchase of Islington Community Church – 5/04	\$600,000
Sewer Construction – 5/04	\$750,000



# Taxes

	<b>FY02</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>
Average Residential Home Value	\$334,339	\$468,075	\$468,075	\$468,075
Tax Bill	\$4,637	\$5,359	\$6,066	\$6,216
Average Tax Bill Increase	3.74%	15.57%	13.2%	2.5%

- Tax increase has been high due to debt for construction projects and general override in FY03.
- FY05 – maximum tax increase will be 2.5% - lowest in 7 years.
  - Lowest tax increase in 7 years.
  - Will be lower if Downey School State money received in FY05.
- Assuming receipt of State school money, future tax increases would be:
  - FY06 0%
  - FY07 2%
  - FY08 - 2%

State School money helps tax burden, but does not impact available funds for operating budget.

<b>State Average Tax Bill Hi-Lo Ranking Town of Westwood</b>	
<b>Fiscal Year</b>	<b>State Ranking</b>
FY04	14
FY03	21
FY02	31
FY01	27

# Reminder on FY05 Budget

## FY05 Budget Challenges

- Limited new revenue.
- Tax bills had significantly increased over 2 year period for asset improvement.
- Fixed cost increases, benefits, pensions.
- Followed year of 0% operating budget growth.
- High School project ongoing.
- State School Building funds on the horizon.

## FY05 Budget Results

- Small increase to School and Municipal operating budgets.
- Budget set within the limits of Proposition 2 ½.
- Maintained balance in Stabilization Fund.
- Utilized some one-time revenue to balance budget.

	FY2004	FY2005	FY2005 \$ Change	FY2005 % Change
Municipal	\$12,127,081	\$12,540,894	\$413,813	3.4%
School	\$25,062,489	\$26,237,002	\$1,174,513	4.7%
Sewer Enterprise	\$3,763,130	\$3,815,092	\$51,962	1.4%
Debt Service	\$7,286,431	\$6,722,777	-\$563,654	-7.7%
(School & Municipal)			\$0	
Reserves/Benefits/Insurance	<u>\$5,045,017</u>	<u>\$5,767,904</u>	<u>\$722,887</u>	<u>14.3%</u>
<b>Total</b>	<b>\$53,284,148</b>	<b>\$55,083,669</b>	<b>\$1,799,521</b>	<b>3.4%</b>

## FY05 Budget Updates

- Additional School circuit breaker State funding.
- Small amount additional State aid (\$62,000).
- Blue Hills assessment - \$34,185 higher than budget.
- MWRA assessment - \$28,000 less than budget.

# A Look at FY06

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## Budget Challenges will Continue

### Issues to be considered:

- Replacement of one-time revenue sources used in FY05.
- Fixed cost increases continuing to assume most of limited revenue growth.
- State aid stabilized, but limited new money.
- Appropriate budget increases for School and Municipal operating budgets.
- Goal to increase capital budget funding.
- Goal to increase reserve accounts.
- Impact of State School Building Assistance money on taxes.