



# Financial Overview

## Finance and Warrant Commission

### October 8, 2025

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Assistant Town Administrator/Finance Director

# Items for Discussion - Agenda

- Municipal Finance general information
- Current financial polices overview
- Financial roles for Select Board
- Financial roles for Finance and Warrant Commission
- Overview of annual budget process
  - Timeline
  - Revenue categories:
    - Taxes and Proposition 2 ½
    - State aid
    - Local receipts
    - Free cash
  - Expenditure categories:
    - Operating budget
    - Capital budget
    - Fixed costs
- Debt Overview

# General Information About Municipal Finance

- Responsibilities of a town's financial management
  - Municipal finance involves managing a variety of financial aspects, including budgeting, revenue collection, debt administration, and investment management
- Fiscal year is from July 1 – June 30
- Finances are overseen and regulated by the Department of Revenue, Division of Local Services
  - Approves tax rate and Town values
  - Required to report all revenue and expenditures annually
  - Regulates revenue and expense treatment
    - i.e., Meals Tax, type of accounts, Town Meeting vote requirements etc.
  - Authorizes use of debt
  - Certifies Free Cash
- Annual Audit
  - Outside audit firm on site spring and fall each year
  - Annual Comprehensive Financial Report (ACFR) produced each year
  - Audit Committee - 3 member committee, comprised of appointed residents
- Credit Rating
  - Current rating: Standard & Poor's: AAA
  - Updated when debt is issued

# Financial Policies

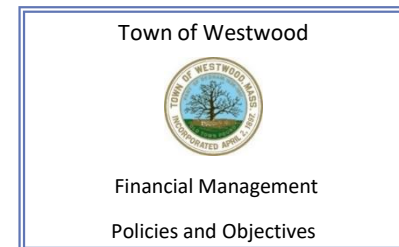
Financial policies provide written guidance for financial decision making, guiding the annual budget process, and setting strategic intent for long-term approaches to sound financial management

Categories of the Policies include:

- Reserves
- Capital planning
- Free cash
- Debt service
- Cash management
- Risk management
- Other Post Employment Benefits (OPEB)

Important to incorporate Policies into the budget process and to make them public

Policies and Policy Status Report (Scorecard) are included in annual budget documents



# Financial Role of the Select Board

## Leadership in Budget Development:

- Participate in budget development and presentation to the community
- Budget should reflect the community's priorities
- Monitor financial performance

## Establish Financial Policies

- Approve formal Financial Policies that guide the financial decision making of a community

## Debt Approval

- Approve and sign bonds when the community issues debt

## Proposition 2 ½

- A Proposition 2 ½ override or debt exemption can only be placed on the ballot by vote of the Select Board

## Allocation of Property Tax Between Commercial/Residential

- Select Board sets the tax shift, or classification of taxes among commercial and residential properties

# The Role of the Finance and Warrant Commission

The Finance and Warrant Commission has several roles, including:

- Reviewing the Town's financials
- Approving transfers
  - The commission approves transfers of any sum appropriated by the town from the reserve fund
- Reviewing the budget
  - The commission reviews the budget and makes recommendations to Town Meeting
- Holding public meeting on the budget
  - The finance and warrant commission shall conduct at least 1 public meetings on the proposed operating budget not less than 14 days prior to its submission at the annual town meeting
- Annual report for Town Meeting listing all articles
  - Consider all articles

# How is the Select Board's Budget Developed?

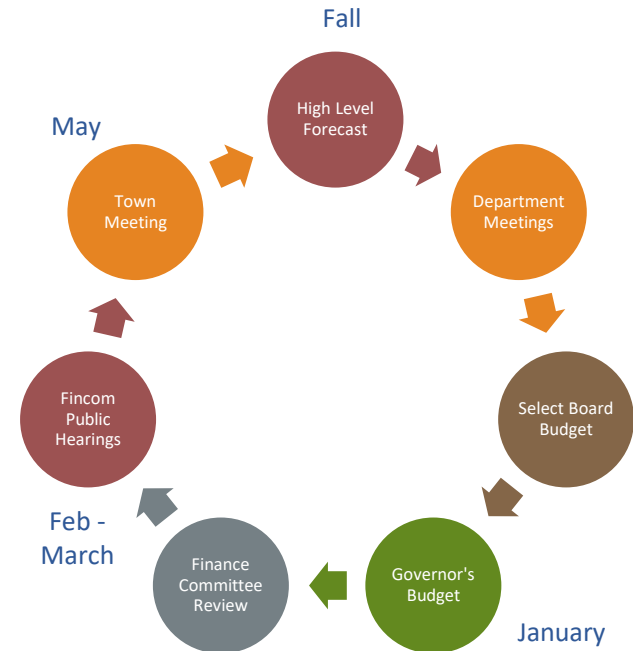
- The Town's budget is approved at Town Meeting
- The Annual Town Budget development process is continuous



# General Budget Timeline

## Fiscal Year Calendar

- July
  - Begin new fiscal year
  - Close books from prior year
- September
  - Begin high level discussion of upcoming year priorities
  - Review five-year financial forecast
- October – December
  - Audit of the prior year
  - State reporting requirements – DOR, DOE
  - Free cash certified
  - Set tax rate
  - Begin budget process:
    - Budget guidelines to departments
    - Budget meetings with departments
    - Operating budget development
- January – May
  - Budget hearings – Finance Commission and Select Board
  - Update of revenue and expense projections
  - State aid, health insurance, any outside assessments
  - Town Meeting approval



# FY27 Budget Timing

## Key Dates

May 4, 2026	Annual Town Meeting, FY26 budget is voted.
February 1, 2026	By charter, Select Board required to present FY26 budget recommendation.
March 24-25, 2026	Finance and Warrant Commission public hearings on the budget.

## Detail Timeline

Early Fall 2024	Presentation of prior year end close and update on financial information. Five Year Capital Book Issued.
Fall through Jan 31	Select Board review overall and detailed budget requests. Update on financial projections.
February 1	Select Board issues FY26 Budget recommendation
February 10, 2026	Overall budget, municipal and schools budget presentations to Fincom
March 24-25, 2026	Final public hearings in advance of Annual Town Meeting
May 4, 2026	Annual Town Meeting – budget presented and voted by Town Meeting.
Fall 2026	FY27 Property values finalized and approved by Department of Revenue FY27 Tax Rate approved by the Department of Revenue

# Available Budget and Finance Documents

## **Capital Book**

**Timing: Fall**

- Five year projection of capital needs for maintaining and upgrading school and municipal physical assets. Includes information on prior capital, assets and debt schedules.

## **Municipal Budget Detail**

**Timing: January**

- Summary of budget requests for Town wide Municipal departments

## **School Department Budget Detail**

**Timing: January**

- Summary of budget requests for School department

## **Overall Budget Summary**

**Timing: February 1**

- Contains overall budget recommendations by the Select Board , including revenue and expense projections. Also includes a summary from each detail book, Schools, Municipal and Capital

## **Town Meeting Warrant Book**

**Timing: April 1**

- Includes Operating Budget (Appendix D) and other financial articles to be voted by Town Meeting.
- Also includes substantial background financial information.

## **Annual Comprehensive Financial Report (ACFR)**

**Timing: December**

- Includes annual financial statements audited by outside firm. Also includes significant other supplemental financial information beyond basic financial reporting. Heavily used by ratings agencies.

All are posted on the Town website

# The Financial Articles Address All Areas of Town Finance

Operating  
Budget

Capital Assets



Reserve  
Accounts

Long Term  
Liabilities

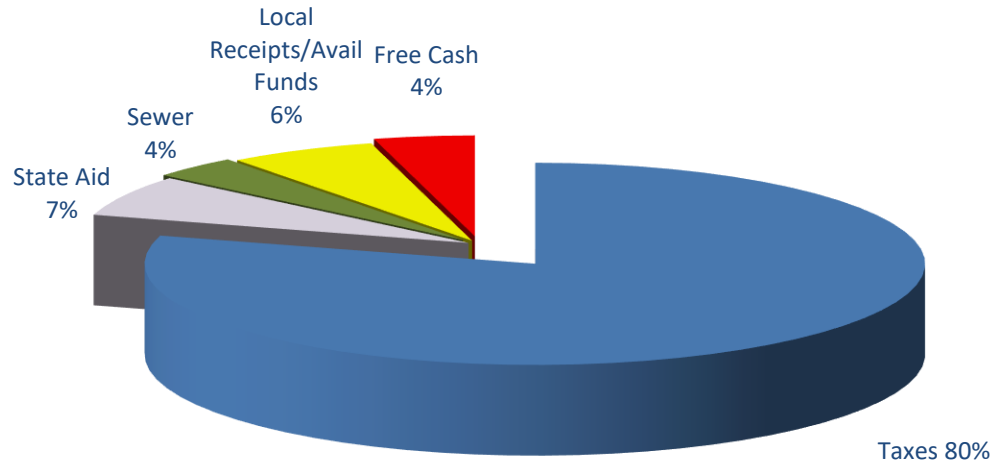
Service Levels

The goal is to provide a high level of service while balancing the impact on the taxpayers

# What Revenue Funds the Town Meeting Budget?

- Property taxes
- State aid
- Local receipts:
  - Motor vehicle excise tax
  - Fines
  - Local fees
- Free cash
- Other resources

FY2026 Projected Budget Revenue



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

# Main Revenue Source is Property Tax Revenue

In Massachusetts, tax revenue is governed by Proposition 2 ½.

## What is Proposition 2 ½?

- Limits the property taxes a community can charge.
- Total taxes can increase:
  - 2.5 %
  - New growth
- Proposition 2 1/2 overrides and debt exclusions
  - A town may choose to override these limits
  - Placed on the ballot by a vote of the Select Board
  - Must be passed by a majority of voters


There are Different types of Overrides:

## General Override

- Additional funds for any purpose
- Permanently increases levy limit

## Debt Exemption

- Pay for capital projects
- Annual debt service added to tax levy
- Not permanent, temporarily levy above levy limit - when bond ends, taxes end

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

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

Tax Levy Calculation	FY2022	FY2023	FY2024	FY2025	Budget FY2026	
Prior Year Levy Limit	\$83,076,625	\$86,718,329	\$90,010,426	\$93,226,730	\$96,489,130	
Plus 2.5% Increase	\$2,076,916	\$2,167,958	\$2,250,261	\$2,330,668	\$2,412,228	Plus 2.5%
Plus New Growth	\$1,356,788	\$1,017,139	\$725,557	\$931,732	\$550,000	Estimated New growth
New Tax Levy - University Station TIF	\$208,000	\$107,000	\$52,746	\$187,740		
General Overrides	\$0	\$0	\$0	\$0	\$0	General Override
<b>Tax Levy Limit</b>	<b>\$86,718,329</b>	<b>\$90,010,426</b>	<b>\$93,226,730</b>	<b>\$96,489,130</b>	<b>\$99,451,358</b>	
<b>Exempt Debt*</b>	<b>\$1,048,819</b>	<b>\$1,059,561</b>	<b>\$4,369,541</b>	<b>\$4,139,002</b>	<b>\$4,000,144</b>	Exempt Debt
<b>Levy Capacity</b>	<b>\$87,767,148</b>	<b>\$91,069,987</b>	<b>\$97,596,271</b>	<b>\$100,628,132</b>	<b>\$103,451,502</b>	What we could tax
Actual Levy Assessed	\$86,593,963	\$90,274,411	\$97,119,785	\$99,900,752	\$103,451,502	What we do tax
Excess Levy(Taxes not raised )	\$1,173,185	\$795,576	\$476,486	\$727,380	\$0	Unused Tax Levy
Increase in Actual Levy (including new growth)	3.7%	4.3%	7.6%	2.9%	3.6%	
<b>Increase in Levy without new growth</b>	<b>1.87%</b>	<b>2.95%</b>	<b>6.72%</b>	<b>1.90%</b>	<b>3.00%</b>	



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

# Increases in Home Values Over Time Do Not Change Total Town Taxes

- Town Meeting approves budget and borrowing articles
- Home Values are used to determine how to distribute the approved amount
- Home Value does not impact the total dollar amount approved by Town Meeting

Town Meeting approves budget (A)

- The amount of money approved by Town Meeting vote is all that a Town can collect
  - Annual budget
  - Annual amount for debt payments

Home Values set each year (B)

- The home values and tax rate distribute the total approved taxes among individual properties.
  - Values change each year based on sales activity.
  - These amounts are certified by the Department of Revenue.

Tax Rate:  
Budget (A)/Total Value (B)

- The tax rate is based upon the total approved budget and total values.

The certified tax rate is multiplied by the value of your home to arrive at your individual tax bill each year.

Proposition 2 ½ controls total Town taxes, but individual bills may vary.

# Annual Revenue Source - State Aid

The State annually provides revenue to each community

Timing:

- The Governor's initial budget is released in January
- Final amounts are confirmed when State budget is finalized
- Once approved, State aid is distributed monthly to Towns

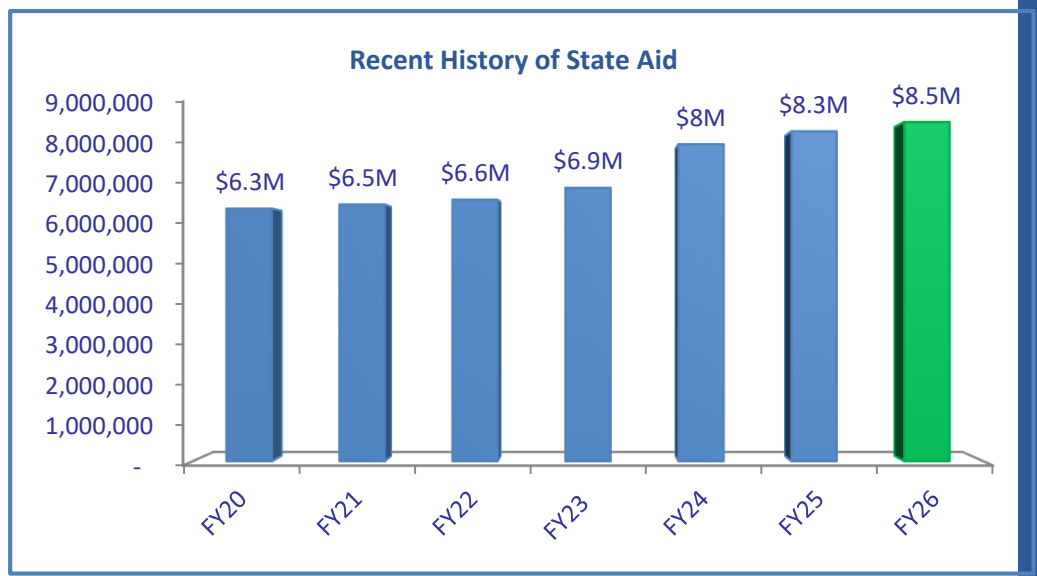
Revenue Categories:

- Chapter 70 education aid
- General municipal aid (lottery proceeds)
- Other (reimbursement programs, other Town specific items)

Assessment Categories:

Other specific charges not voted by Town Meeting but need to be provided for in the budget:

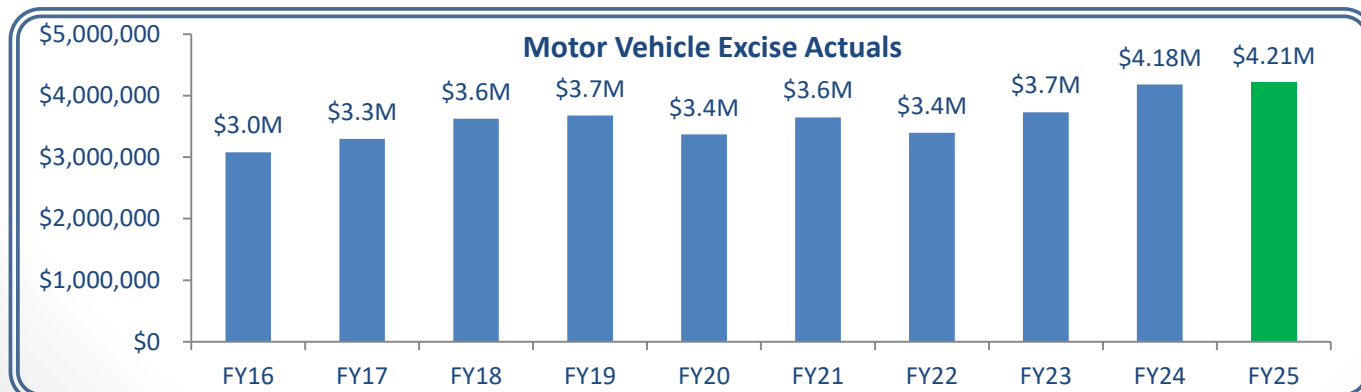
- County assessment
- MBTA charges
- School charges



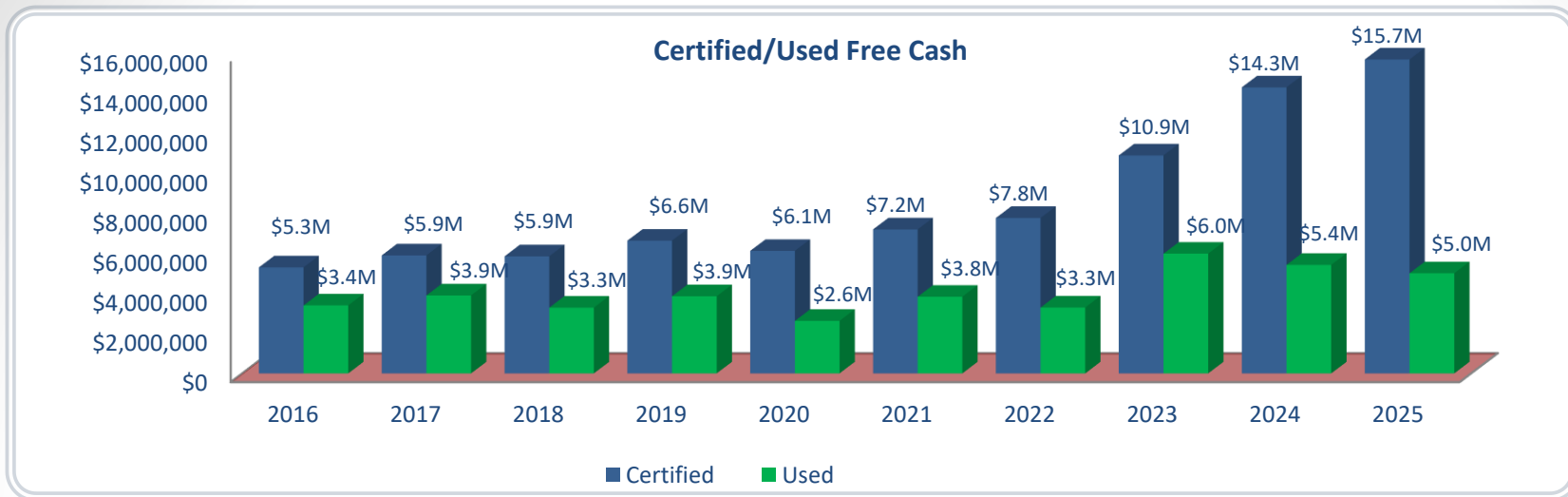
# Local Receipts Revenue

## Local Receipts are locally generated revenues other than property taxes

- Key Categories
  - Motor vehicle excise taxes, departmental fees/permits/licenses (building permits), user charges, investment income
- Currently makes up 4% of general fund revenue
- Motor Vehicle Excise is largest category
  - Conservative budgeting provides cushion for fluctuations in motor vehicle sales activity
- More volatile revenue source
  - Because local receipts come from economic activity and usage they tend to be more volatile than property tax revenue.
- Budgeting for local receipts
  - Estimates often must be made well ahead of actual receipts
  - Prudent to use conservative growth assumptions for local receipts
- Factors into Free Cash certification



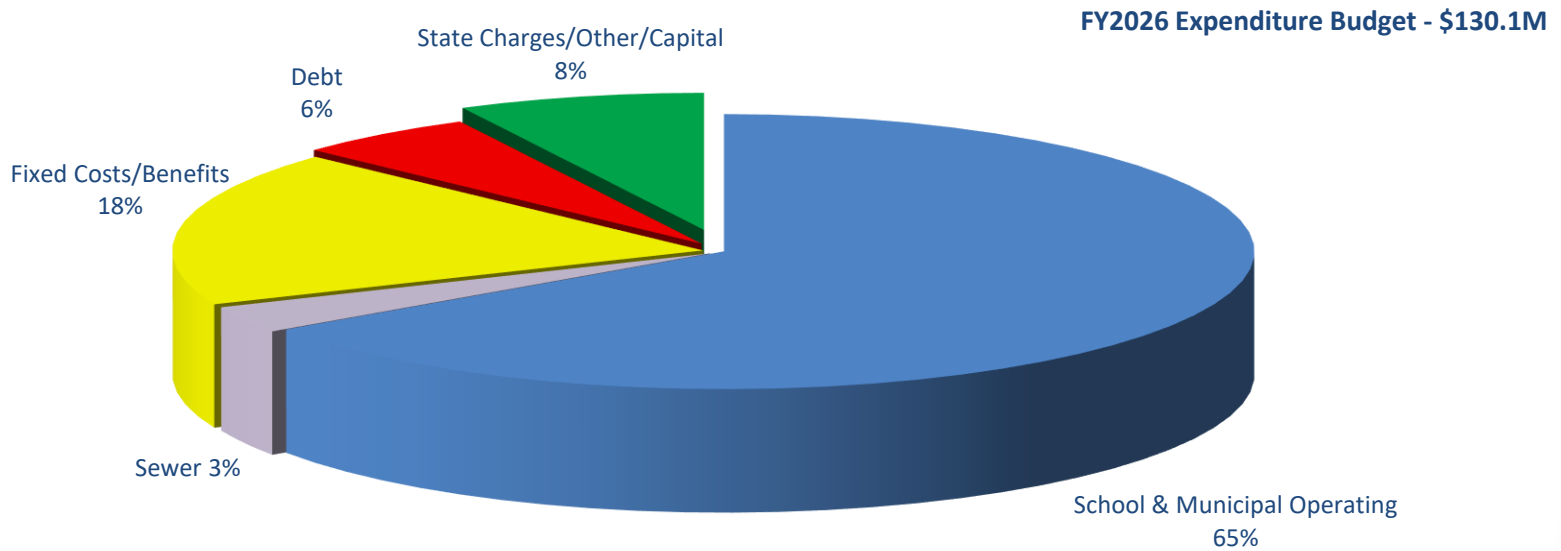
# Free Cash



- Free cash is a Massachusetts specific term
- Essentially retained earnings
  - Available funds left from the prior year
  - Actual revenue higher than budgeted
  - Expenditures not used
- Department of Revenue certifies free cash amount for each community every year
  - Certification done after Town Accountant submits balance sheet
  - Typically occurs in the Fall
  - Once certified, may be appropriated by Town Meeting vote
- Free cash should not be used for operating budget, but applied to one-time need:
  - Capital
  - Specific Town Meeting articles
  - Snow and ice
- Update from Select Board meeting on 9/29/2025: DOR Certified Free Cash as of July 1, 2025 is \$15,697,444

# What are the Main Expenditure Categories?

- Operating budget
- Capital budget
- Fixed costs/reserves
- Debt



Largest area of expenditure is the operating budgets

# Components of the Operating Budget

The Operating Budget is the summary budget for all functions Town and School wide, including:

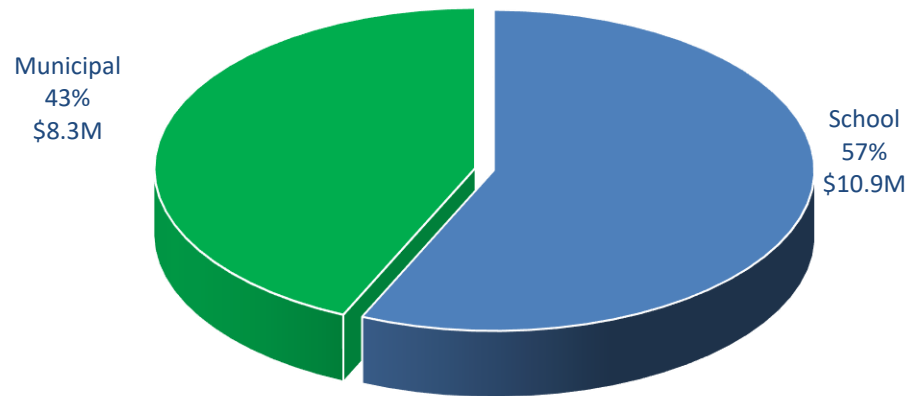
- Municipal Budget
- Schools Budget
- Fixed Costs
- Debt
- Sewer Enterprise

## Operating Budgets

- Provide for core services to community
- Annual one-year cost for Town services
- The largest portion is salary
- Strive for operating budget stability for school and municipal budgets

# Fixed Costs – Significant Piece of Annual Budget

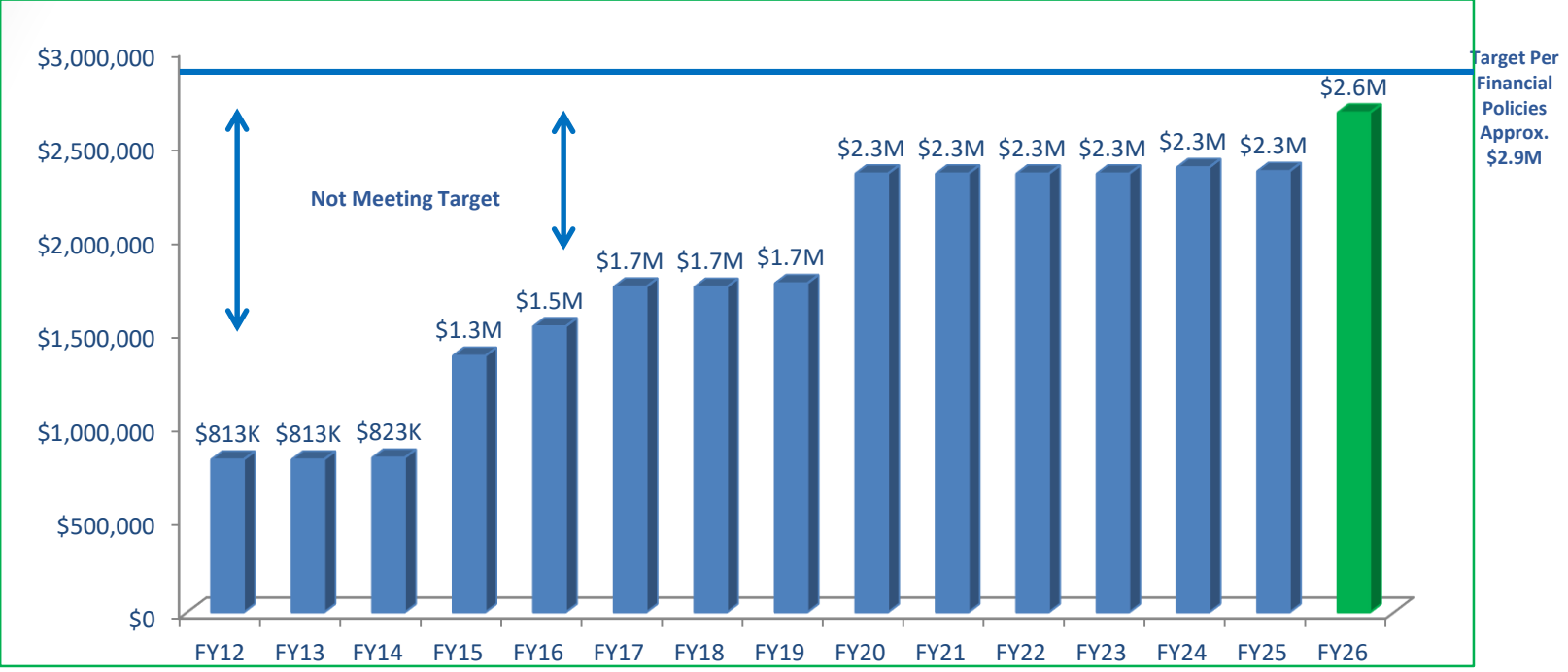
- The fixed costs budget provides for all employee benefit accounts, shared fixed costs, and insurance/reserve accounts.
- The employee benefits/cost accounts include:
  - Pension
  - Health insurance
  - Unemployment
  - Workers' Compensation
  - Other payroll taxes



Fixed Costs approximately 20% of total budget.

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

### Base Capital for School and Municipal



- Important to maintain Town and School assets-buildings, infrastructure, and equipment
- Public safety departments need updated and safe equipment
- Need ongoing reinvestment
- Avoiding capital leads to bigger problems

# How Does a Town Borrow Money?

## General Debt Overview

- Authorization:
  - Town Meeting authorizes the borrowing of money for a specific project with a 2/3 vote
  - State law governs:
    - What you can borrow for (i.e., prohibits borrowing for operating expenses, prior deficits, etc.) and,
    - Length of term of borrowing
  - If debt exemption project, also requires majority approval at ballot
- Issuing Bonds:
  - Town credit rating from rating agency
    - Standard & Poor's
    - High rating helps the Town issue debt at the lowest possible interest rate and save money for residents
  - Town Treasurer conducts a public bond sale, Select Board approves the bond.
    - Sale may be for multiple projects
    - May do short term first, before issuing long term (BAN)
  - At completion of sale, Town receives money and enters into a repayment schedule.
- Debt Service Payments:
  - Principal and interest payments included each year in budget

# 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
        - Temporarily levy above Town's levy 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

# Resources Available Through the DOR

- Department of Revenue (DOR) has excellent data:
  - Westwood Specific
  - Comparisons
  - Historical trends

[https://Division of Local Services | Mass.gov](https://DivisionofLocalServices|Mass.gov)
- Department of Revenue Training and Resource Center:
- [https://Municipal Finance Training and Resource Center | Mass.gov](https://MunicipalFinanceTrainingandResourceCenter|Mass.gov)
  - Training Videos:
    - <https://www.youtube.com/c/MassachusettsDivisionofLocalServices/playlists>
      - New Officials
      - Municipal Finance Webinars
      - Property Tax Classification
      - A Deeper Dive into Municipal Debt
- MMA – Link for DOR (Division of Local Services) = Issue dedicated to new local officials:  
<https://www.mma.org/dls-publishes-issue-dedicated-to-new-local-officials/>

