

Financial Indicator Analysis



Financial Summit

December 7, 2020

Weston Board of Selectmen

Weston Finance Committee

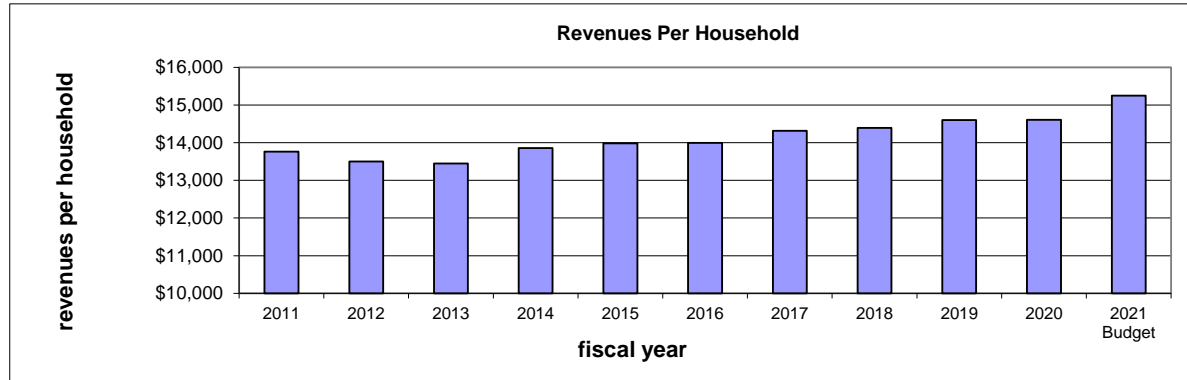
Weston School Committee

Executive Summary

Financial Indicator	Indicator Description	Dec. 2020 Financial Summit
1 Revenue per Household	A decrease in net operating revenues per household (constant dollars) is considered a warning indicator.	Favorable
2 Intergovernmental Revenue - State Aid	Reductions in State Aid, as a percentage of operating revenues, is considered a warning indicator particularly if the Town does not have adequate reserves to offset reductions.	Uncertain
3 Revenues Related to Economic Growth	Decreasing economic growth revenues, as a percentage of net operating revenues, is considered a warning indicator.	Unfavorable
4 Property Tax Revenues	A decline in property tax revenues (constant dollars) is considered a warning indicator.	Favorable
5 Uncollected Property Taxes	Uncollected property taxes (as a percent of the property tax levy) of 5-8 percent is considered a warning indicator.	Favorable
6 Expenditures per Household	Increasing net operating expenditures per household, in constant dollars, may be considered a warning indicator.	Marginal/Stable
7 Salaries and Wages	Increasing personnel costs as a percentage of total spending is considered a warning indicator.	Marginal/Stable
8 Employee Benefits	Increasing benefit costs as a percentage of wages and salaries is considered a warning indicator.	Marginal/Stable
9 Unfunded Liabilities (Sick/Vacation Accrual)	Increasing unfunded liabilities per municipal employee is considered a warning indicator.	Marginal/Stable
10 Pension Liability	An unfunded pension liability or increase in the unfunded liability is considered a warning indicator.	Marginal/Stable
11 Pension Benefits	Increasing annual benefits paid as a percentage of pension assets is considered a warning indicator.	Marginal/Stable
12 Other Post Employment Benefits (OPEB)	An unfunded liability for post employment benefits or increase in the unfunded liability is considered a warning indicator.	Marginal/Stable
13 Debt Service	Debt service exceeding 15% of operating revenues is considered a warning indicator by the credit rating organizations.	Marginal/Stable
14 Long-Term Debt	Overall debt exceeding 10 percent of assessed valuation is considered a warning indicator by the credit rating organizations.	Favorable
15 Reserves	Declining reserves as a percentage of operating revenues is considered a warning indicator. The Government Finance Officers Association recommends undesignated fund balance be between 5-15 percent of operating revenues.	Favorable
16 Population	Rapid changes in population which may affect service levels may be considered a warning indicator.	Marginal/Stable

FINANCIAL INDICATOR 1- Revenues per Household

A decrease in net operating revenues per household (constant dollars) is considered a warning indicator.



Weston Trend	
X	favorable
	marginal/stable
	unfavorable
	uncertain

Formula:
$$\frac{\text{Net operating revenues (constant dollars)}}{\text{Households (taxable parcels w/dwelling)}}$$

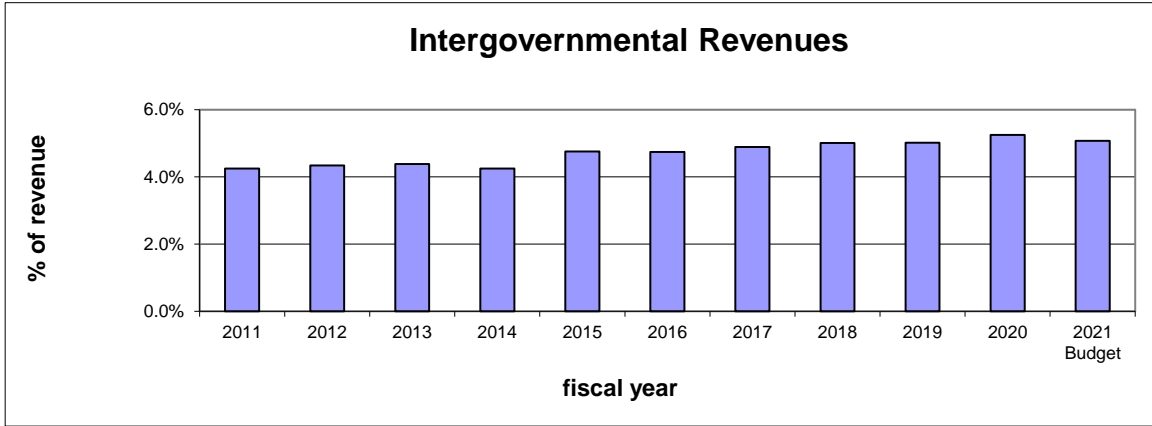
fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 Budget
Gross operating revenues/transfers	73,117,964	72,957,723	73,630,500	77,985,914	78,786,936	81,010,808	84,151,435	87,425,434	90,268,797	91,691,289	96,767,692
Less: excluded debt (net)	6,810,118	7,266,714	6,747,256	7,671,685	7,027,037	8,105,064	8,084,603	8,094,771	7,941,707	8,657,029	10,003,197
Net operating revenues	66,307,846	65,691,009	66,883,244	70,314,229	71,759,899	72,905,744	76,066,832	79,330,663	82,327,090	83,034,260	86,764,495
CPI-U, 1982-84 base year	244.3	246.3	251.1	255.3	257.0	260.8	266.4	275.4	280.9	283.2	283.4
CPI-U, 2000 base year	133.3	134.5	137.0	139.4	140.3	142.4	145.4	150.3	153.4	154.6	154.7
CPI-U, 2000 base, adj. constant dollars	75.0%	74.4%	73.0%	71.8%	71.3%	70.2%	68.8%	66.5%	65.2%	64.7%	64.6%
Net operating revenues (constant dollars)	49,732,242	48,856,365	48,803,747	50,457,378	51,155,350	51,212,931	52,310,224	52,771,503	53,684,636	53,718,995	56,089,486
Households (taxable parcels w/dwelling)	3,613	3,618	3,629	3,641	3,658	3,659	3,654	3,666	3,676	3,678	3,678
Net Operating Revenues per Household (constant dollars)	13,765	13,504	13,448	13,858	13,985	13,996	14,316	14,395	14,604	14,605	15,250
Percent change from prior year	0.55%	-1.90%	-0.41%	2.62%	0.91%	0.09%	2.28%	0.55%	1.45%	0.01%	4.41%

Analysis: Revenues per Household is one measure of the Town's ability to maintain existing service levels. For most general government services, costs increase as the number of households increase. The largest portion of operating revenues is from Real Estate taxes. The Net Operating Revenues have been increasing annually which indicates the continuing willingness of residents to fund a budget that maintains the current level of service. Weston's revenue growth, in constant dollars (used instead of current dollars to adjust for inflation), has generally been positive due to growth in residential tax based and tax increases (i.e. overrides).

Outlook: Revenues from general government have remained strong and net operating revenues have been steadily increasing. In order to shelter the Town from short-term fluctuations in any one revenue source, a concerted effort has been made to increase reserves.

FINANCIAL INDICATOR 2 - State Aid

Reductions in State Aid, as a percentage of operating revenues, is considered a warning indicator particularly if the Town does not have adequate reserves to offset reductions.



Weston Trend	
	favorable
	marginal/stable
	unfavorable
X	uncertain

Formula:
$$\frac{\text{State Aid}}{\text{Operating Revenues}}$$

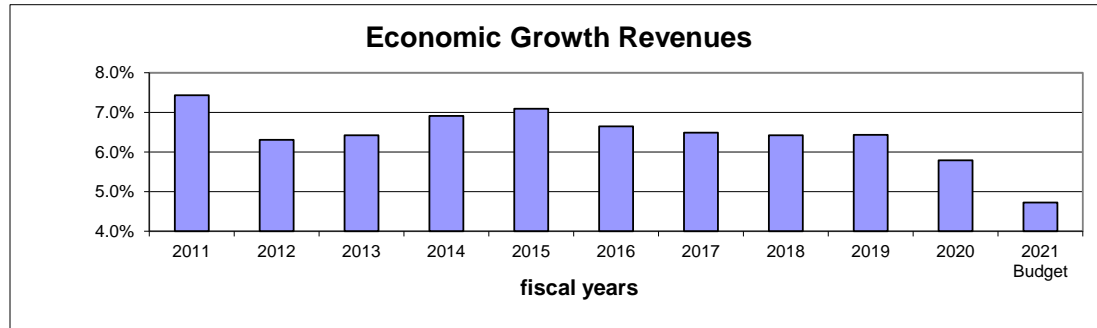
fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 Budget
Net operating revenues	66,307,846	65,691,009	66,883,244	70,314,229	71,759,899	72,905,744	76,066,832	79,330,663	82,327,090	83,034,260	86,764,495
State Aid (Cherry Sheet) revenues	4,269,484	3,664,945	3,747,352	3,726,848	4,135,489	4,124,869	4,386,744	4,636,858	4,792,686	5,025,069	4,399,915
Less: School building reimbursements	1,454,017	816,230	816,234	741,853	724,226	665,538	665,538	665,538	665,538	665,535	0
Net State aid revenues	2,815,467	2,848,715	2,931,118	2,984,995	3,411,263	3,459,331	3,721,206	3,971,320	4,127,148	4,359,534	4,399,915
State aid as a percentage of operating revenues	4.2%	4.3%	4.4%	4.2%	4.8%	4.7%	4.9%	5.0%	5.0%	5.3%	5.1%

Analysis: Though the Town does not have a significant reliance on State Aid, any dependence on such aid may be difficult to manage when there is a reduction in funding. In the past, the Town borrowed for the total project and the state paid annual reimbursements of its funding to offset the debt each year. State aid for school projects is now provided while the project is being constructed, so the Town borrows only its share.

Outlook: The Town cannot depend on any significant increase in State Aid. There is a trickle down effect of cutbacks at the federal level impacting state and municipal budgets and cutbacks on the state level impacting municipal budgets. We continue to estimate this revenue source conservatively. The Governor does not submit his recommended budget until January, so more information on this funding source for the upcoming budget will be available then.

FINANCIAL INDICATOR 3 - Revenues Related to Economic Growth

Decreasing economic growth revenues, as a percentage of net operating revenues, is considered a warning indicator.



Weston Trend	
	favorable
	marginal/stable
X	unfavorable
	uncertain

Formula:
$$\frac{\text{Economic Growth Revenues}}{\text{Operating Revenues}}$$

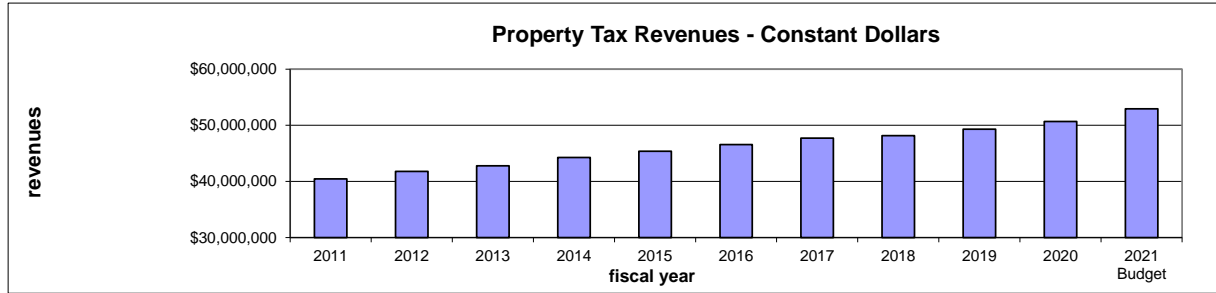
fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 Budget
Net (non-exempt) operating revenues	66,307,846	65,691,009	66,883,244	70,314,229	71,759,899	72,905,744	76,066,832	79,330,663	82,327,090	83,034,260	86,764,495
Building permit fees	843,286	824,166	693,083	1,031,281	980,677	935,428	698,601	821,674	724,181	710,563	700,000
Motor vehicle excise	2,614,061	2,418,788	2,445,833	2,808,327	2,910,707	2,982,398	3,043,210	3,027,874	3,171,726	3,059,295	2,800,000
Tax levy from new construction	1,470,272	897,752	1,156,485	1,020,267	1,196,208	927,176	1,192,004	1,246,222	1,398,864	1,035,609	600,000
Total: economic growth revenues	4,927,619	4,140,706	4,295,401	4,859,875	5,087,592	4,845,002	4,933,815	5,095,770	5,294,771	4,805,467	4,100,000
Economic Growth revenues as a percentage of operating revenues	7.4%	6.3%	6.4%	6.9%	7.1%	6.6%	6.5%	6.4%	6.4%	5.8%	4.7%

Analysis: Economic growth revenues are responsive to changes in the economic base and inflation. A balance between growth and other (non growth) revenues mitigates the effect of economic growth or decline. During a recession, a high percentage of non growth revenues is an advantage. This insulates the tax base to some degree during a recession.

Outlook: Although economic growth has remained relatively stable over the last few years, this could change in future. Construction of Highland Meadows condominiums, which has contributed significantly to new growth in prior years, was completed in FY19. If the potential 40(B) projects at 104 Boston Post Road, 751-761 Boston Post Road, and/or 518 South Avenue are approved this would have a positive impact on building permit fees and new growth. With a 95% residential tax base and little room for building out, this is always an indicator to watch.

FINANCIAL INDICATOR 4 - Property Tax Revenues

A decline in property tax revenues (constant dollars) is considered a warning indicator.



Weston Trend	
X	favorable
	marginal/stable
	unfavorable
	uncertain

Formula: Property tax revenues (constant dollars)

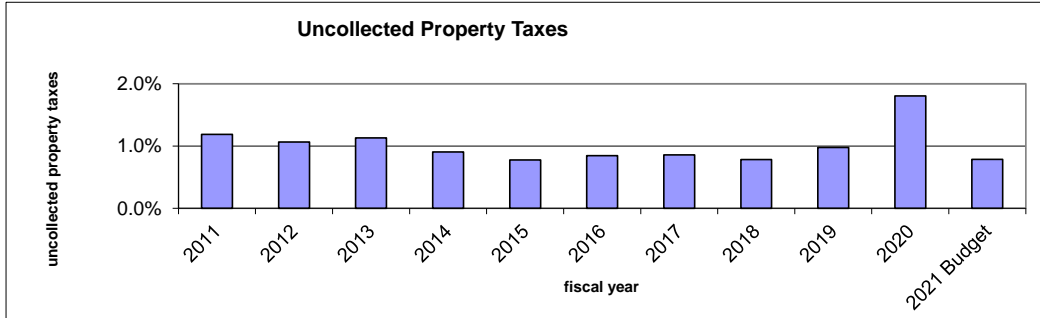
fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 Budget
Property tax levy limit (incl. unused levy capacity)	62,851,283	65,606,660	67,702,186	71,170,755	73,309,792	76,972,064	79,865,282	82,916,189	86,007,282	89,735,726	94,140,464
Less: debt exemptions (net)	6,810,118	7,266,714	6,747,256	7,671,685	7,027,037	8,105,064	8,084,603	8,094,771	7,941,707	8,657,029	10,003,197
Less: community preservation act revenues	2,083,395	2,176,858	2,318,332	1,818,424	2,597,341	2,569,775	2,412,188	2,443,868	2,453,410	2,724,802	2,263,355
Net property tax revenues	53,957,770	56,163,088	58,636,598	61,680,646	63,685,414	66,297,225	69,368,491	72,377,550	75,612,165	78,353,895	81,873,912
CPI-U, 2000 base year	133.3	134.5	137.0	139.4	140.3	142.4	145.4	150.3	153.4	154.6	154.7
CPI-U, 2000 base, adj. constant dollars	75.0%	74.4%	73.0%	71.8%	71.3%	70.2%	68.8%	66.5%	65.2%	64.7%	64.6%
Property tax revenues (constant dollars)	40,469,432	41,770,165	42,786,287	44,261,933	45,399,307	46,570,750	47,703,857	48,146,227	49,305,904	50,691,034	52,927,936
Percent increase over prior year (constant dollars)	2.1%	3.2%	2.4%	3.4%	2.6%	2.6%	2.4%	0.9%	2.4%	2.8%	4.4%

Analysis: Property tax revenues are analyzed separately because they are the Town's primary revenue source for both operating and capital spending. Any decrease in property tax revenues should be monitored to ensure that the collection rate of taxes remains high. Any increases due to operating overrides should be noted for their impact on future override requests.

Outlook: There has not been a Proposition 2 1/2 override since FY07, and unused tax levy capacity in FY2020 is \$9.1 million.

FINANCIAL INDICATOR 5 - Uncollected Property Taxes

Uncollected property taxes (as a percent of the property tax levy) of 5-8 percent is considered a warning indicator.



Weston Trend	
X	favorable
	marginal/stable
	unfavorable
	uncertain

Formula:
$$\frac{\text{Uncollected Property Taxes}}{\text{Net Property Tax Levy}}$$

fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 Budget
Property tax levy (actual tax levy)	59,920,567	63,256,256	64,423,334	67,990,016	68,920,999	71,275,670	73,668,584	75,261,597	76,876,659	80,345,829	82,601,821
Reserved for abatements and exemptions	423,816	458,354	430,916	434,643	450,988	406,511	446,753	427,107	430,187	463,846	450,000
Net property tax levy	59,496,751	62,797,902	63,992,418	67,555,373	68,470,011	70,869,159	73,221,831	74,834,490	76,446,472	79,881,983	82,151,821
Uncollected taxes as of June 30	705,380	668,147	723,116	611,362	530,925	599,863	627,866	586,085	747,665	1,440,874	644,490
Uncollected taxes as a percentage of net property tax levy	1.2%	1.1%	1.1%	0.9%	0.8%	0.8%	0.9%	0.8%	1.0%	1.8%	0.8%

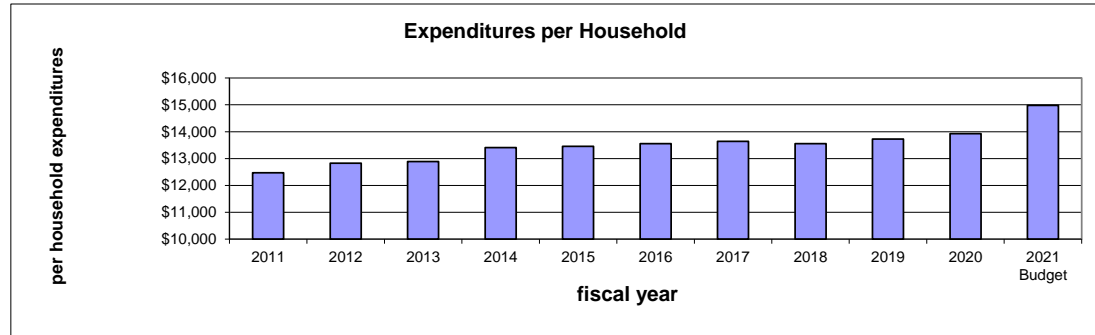
note: includes CPA surcharge beginning FY02

Analysis: An increase in uncollected property taxes may indicate an inability by property owners to pay their taxes due to economic constraints. Additionally, as uncollected property taxes rise, liquidity decreases, resulting in less cash on hand for the Town to invest or reserve. The credit rating organizations generally consider uncollected taxes in excess of five percent as a warning trend.

Outlook: Weston's tax base has always maintained excellent collection rates. Deferral and payment plans have been used to keep collections positive and avoid properties ending up in Tax Title lien process. The spike in FY20 is due to the timing of payments. As of 6/30/2020 there was \$1.4 million in uncollected taxes. As of 12/1/2020, approximately \$1M of this amount has been collected. The Town expects to see this collection trend continue.

FINANCIAL INDICATOR 6 - Expenditures per Household

Increasing net operating expenditures per household, in constant dollars, may be considered a warning indicator.



Weston Trend	
	favorable
X	marginal/stable
	unfavorable
	uncertain

Formula:
$$\frac{\text{Net operating expenditures and transfers (constant dollars)}}{\text{Households}}$$

fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 Budget
School department and Minuteman	32,171,523	33,315,728	34,135,541	35,755,525	36,645,994	37,258,085	38,197,705	38,266,312	39,520,912	41,026,475	43,056,809
Unclassified (excluding exempt debt)	13,090,855	13,488,568	13,814,611	14,216,205	14,784,855	15,458,337	15,814,738	16,088,494	16,433,641	17,225,853	19,240,708
Administration and finance	2,224,643	2,449,451	2,374,386	2,467,132	2,420,075	2,646,743	2,823,852	2,998,691	2,938,324	3,010,168	3,473,652
Facilities Town-wide	742,305	577,352	806,272	893,593	922,628	1,692,199	1,444,447	1,852,732	2,109,487	1,893,659	2,180,080
Planning and land use	619,286	663,402	637,679	696,374	694,934	738,015	733,443	784,254	763,437	772,628	913,978
Public safety	5,703,795	6,077,856	6,090,823	6,729,720	6,668,289	6,709,154	6,886,651	7,012,110	7,801,041	7,341,337	7,853,949
Public works (excl. water div., incl. snow)	3,272,007	3,573,603	3,978,143	4,931,669	4,546,070	3,659,410	4,570,919	5,670,758	5,701,726	5,711,575	6,074,939
Health and human service (excl. BSA as of FY06)	611,325	621,280	638,293	670,911	687,076	689,736	716,581	726,585	789,589	847,754	898,652
Cultural and leisure	1,642,244	1,643,800	1,640,180	1,653,113	1,667,066	1,767,463	1,290,388	1,316,371	1,306,475	1,359,767	1,526,061
Net operating expenditures	60,077,983	62,411,040	64,115,928	68,014,242	69,036,987	70,619,141	72,478,724	74,716,307	77,364,631	79,189,215	85,218,828
CPI-U, 2000 base year	133.3	134.5	137.0	139.4	140.3	142.4	145.4	150.3	153.4	154.6	154.7
CPI-U, 2000 base, adj. constant dollars	75.0%	74.4%	73.0%	71.8%	71.3%	70.2%	68.8%	66.5%	65.2%	64.7%	64.6%
Net operating expenditures (constant dollars)	45,059,717	46,416,954	46,784,476	48,806,911	49,214,273	49,606,697	49,842,726	49,701,990	50,448,669	51,231,444	55,090,279
Households	3,613	3,618	3,629	3,641	3,658	3,659	3,654	3,666	3,676	3,678	3,678
Net Operating Expenditures per Household (constant dollars)	12,472	12,829	12,892	13,405	13,454	13,557	13,641	13,558	13,724	13,929	14,978

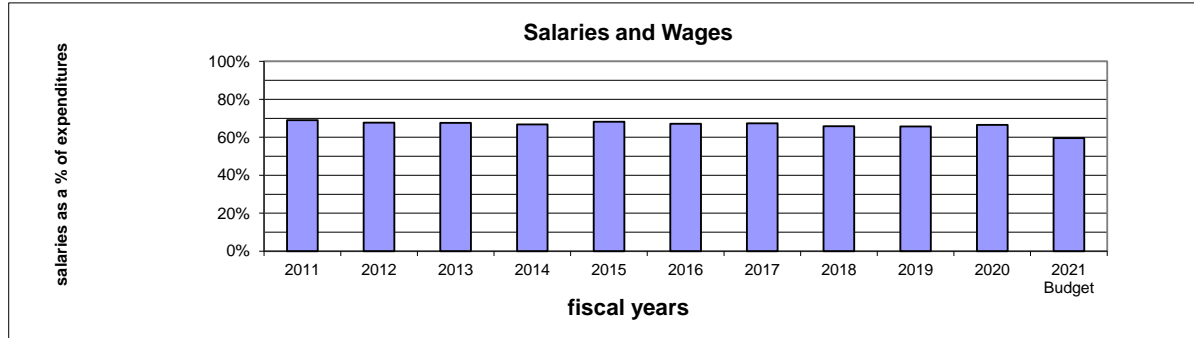
Note: Health and Human Services does not include Brook School Apartments beginning FY06, since it was made an enterprise fund.

Analysis: Increasing per household expenditures can indicate that the cost of providing service is increasing more rapidly than the Town's ability to pay, especially if spending is increasing faster than the residents' collective personal income. Increasing expenditures may also indicate that the demographics of the Town are changing, requiring increased spending in related services (i.e. Schools or Council on Aging services). Weston's increase in expenditures has largely been related to increasing costs for personnel and benefits.

Outlook: With most of the Town's buildings having been replaced or significantly upgraded in the last 10-15 years, facilities maintenance costs should level off; however, a higher level of investment in public works infrastructure is warranted. Increases in salaries will be impacted by the rise in inflation. The cost of employee health insurance, which previously had moderate increases due to the Town's participation in the GIC, has now seen a larger increases. The impact of federal health care requirements is unknown at this time, but may result in larger increases.

FINANCIAL INDICATOR 7 - Salaries and Wages

Increasing personnel costs as a percentage of total spending is considered a warning indicator.



Weston Trend	
	favorable
X	marginal/stable
	unfavorable
	uncertain

Formula:
$$\frac{\text{Salaries and wages}}{\text{Net operating expenditures}}$$

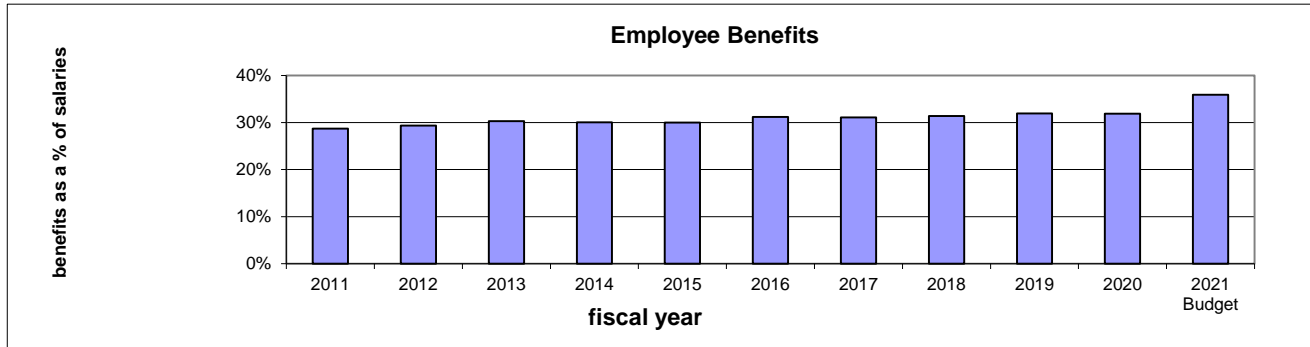
fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 Budget
Net operating expenditures	60,077,983	62,411,040	64,115,928	68,014,242	69,036,987	70,619,141	72,478,724	74,716,307	77,364,631	79,189,215	85,218,828
Less: Minuteman high school	49,889	81,140	81,634	104,311	110,127	91,498	122,810	61,948	32,850	87,282	150,000
Net operating expenditures	60,028,094	62,329,900	64,034,294	67,909,931	68,926,860	70,527,643	72,355,914	74,654,359	77,331,781	79,101,933	85,068,828
General government and school wages	41,452,090	42,165,600	43,278,158	45,309,953	46,957,921	47,365,337	48,718,743	49,141,025	50,833,981	52,648,767	50,637,049
Salaries and wages as a percentage of operating expenditures	69.1%	67.6%	67.6%	66.7%	68.1%	67.2%	67.3%	65.8%	65.7%	66.6%	59.5%

Analysis: Increasing salaries and wages as a percent of operating expenditures may be an indicator of two trends: First, it may point to future pension and health insurance costs since both of these items are related to the number and compensation level of employees. Second, if salaries and wages as a percent of operating expenditures are increasing because the Town is reducing its expenditures on maintenance and capital outlay, it may be an indicator of deferred maintenance of the Town's infrastructure. The latter is less of a concern due to the creation of the Town-wide Facilities Department in FY07 with a corresponding increase in the budget for facilities maintenance and consistent expenditures for public works infrastructure improvements.

Outlook: The rate of employee salary increases, primarily the result of collective bargaining with employee unions, has been relatively low since 2011. In FY11, there was no cost of living adjustment for any employee. Since then, salary increases have ranged from 1 to 2.5%. FY19 contractual increases range from 1-2% and 11 of the 12 union contracts expired at the end of FY19. FY20 union contracts are still being negotiated.

FINANCIAL INDICATOR 8 - Employee Benefits

Increasing benefit costs as a percentage of wages and salaries is considered a warning indicator.



Weston Trend	
	favorable
X	marginal/stable
	unfavorable
	uncertain

Formula:
$$\frac{\text{Employee benefits}}{\text{Wages and salaries}}$$

fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 Budget
Employee benefits	11,891,488	12,377,929	13,121,378	13,605,840	14,083,782	14,769,294	15,146,677	15,428,435	16,239,238	16,783,885	18,189,666
Wages and salaries-general government*	11,330,101	11,785,685	12,110,417	12,665,489	13,267,052	13,299,781	13,893,589	14,242,560	15,244,611	15,274,534	14,658,657
Wages and salaries-schools	30,121,990	30,379,915	31,167,741	32,644,464	33,690,869	34,065,556	34,825,154	34,898,465	35,589,370	37,374,233	35,978,392
Total-wages and salaries	41,452,090	42,165,600	43,278,158	45,309,953	46,957,921	47,365,337	48,718,743	49,141,025	50,833,981	52,648,767	50,637,049
Benefits spending as a percentage of wages and salaries	28.7%	29.4%	30.3%	30.0%	30.0%	31.2%	31.1%	31.4%	31.9%	31.9%	35.9%

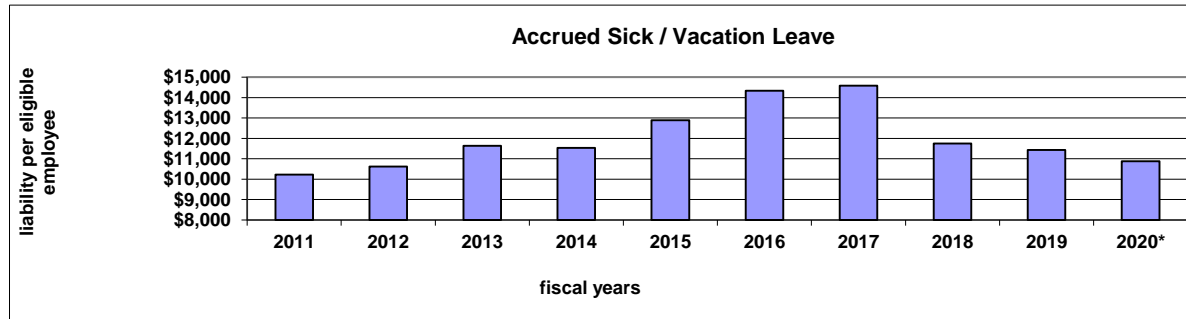
* General Government wages and salaries includes BSA, Water and Recreation but excludes police details

Analysis: Fringe benefits represent a significant share of the Town's operating costs and this analysis understates certain fringe benefits such as sick leave buy back liabilities and post-employment benefits. Starting in 2010, Town employees and retirees enrolled in the state-run Group Insurance Commission (GIC) health insurance programs. The change to the GIC program resulted in more substantial savings to the Town in 2010, and a slowing rate of increase in subsequent years. The percentage has increased over time.

Outlook: In an effort to control costs, the GIC has taken steps to change plan designs and shift costs to employees (deductibles & copays). Because of this, more employees are migrating to the lower cost plans. Contracts are negotiated through the Town and Public Employee Commission (PEC) which is made up of a representative from each of the 12 unions (6 Town, 6 School) plus one retiree. Negotiations for the contract expiring 6/30/2021 are currently underway.

FINANCIAL INDICATOR 9 - Unfunded Liabilities (Sick/Vacation Leave)

Increasing unfunded liabilities per municipal employee is considered a warning indicator.



Weston Trend	
	favorable
X	marginal/stable
	unfavorable
	uncertain

Formula:
$$\frac{\text{accrued sick/vacation leave}}{\text{number of employees eligible}}$$

fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*
Unfunded sick and vacation leave (per audit)	1,994,554	2,149,802	2,390,353	2,251,364	2,444,959	2,621,000	2,673,000	2,416,486	3,080,631	3,150,000
Amount funded (compensated absence fund bal.)	183,964	259,180	320,073	220,402	228,299	226,588	208,219	361,197	427,871	613,947
Net unfunded liability	1,810,590	1,890,622	2,070,280	2,030,961	2,216,660	2,394,412	2,464,781	2,055,289	2,652,761	2,536,053
Number of eligible employees	177	178	178	176	172	167	169	175	232	233*
Accrued unfunded sick/vacation liability per employee	10,229	10,621	11,631	11,540	12,888	14,338	14,585	11,745	11,434	10,884

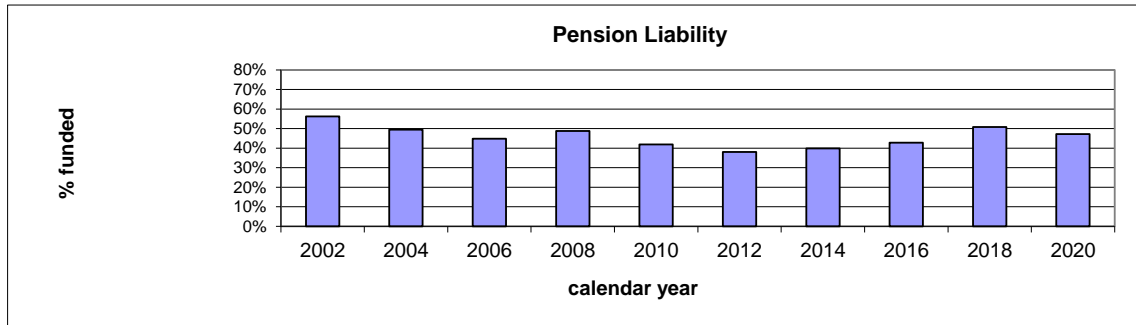
*unaudited, increase due to the inclusion of school employees eligible for vacation and/or sick time not previously reported

Analysis: The Town allows municipal and some school employees to accumulate a portion of unused sick leave to be paid upon retirement or resignation after 12 years of service. Non-union employees hired after 1/1/11 are no longer eligible, as well as members of the Police Superior Officers' union and the Town Manager. These changes have slowed the rate of increase per employee. Vacation accrual is limited and by law must also be paid.

Outlook: Through the establishment of a reserve fund, a small portion of this liability has been funded. An effort has been made to reduce the sick leave buyback benefit, any change to which is subject to the collective bargaining process.

FINANCIAL INDICATOR 10 - Pension Liability

An unfunded pension liability or increase in the unfunded liability is considered a warning indicator.



Weston Trend	
	favorable
X	marginal/stable
	unfavorable
	uncertain

Formula:
$$\frac{\text{pension assets}}{\text{pension liability}}$$

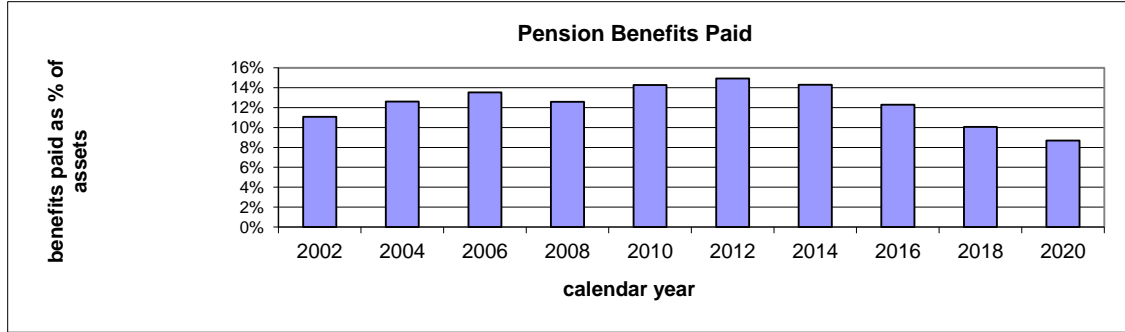
calendar year	2002	2004	2006	2008	2010	2012	2014	2016	2018	2020
Pension assets	23,079,156	23,709,310	24,953,073	31,001,714	31,583,111	32,345,383	36,802,655	45,081,826	58,589,125	60,794,264
Pension liability	40,999,698	47,936,250	55,649,871	63,518,002	75,443,253	85,081,793	92,382,444	105,460,405	115,275,986	128,903,636
Percent funded	56.3%	49.5%	44.8%	48.8%	41.9%	38.0%	39.8%	42.7%	50.8%	47.2%

Analysis: Weston is a member of the Middlesex Retirement System (MRS), a regional system which pools and manages the pension system assets. The assets are derived from the employee and employer (town) contributions. The MRS also manages the payment of retirement benefits, in accordance with State law, for all retirees of the system. A previous 1988 law change required the retirement liability to be fully funded by 2028. The Municipal Relief Bill, Ch. 188 of the Acts of 2010 provides the option to extend that to June 30, 2040, and MRS has since decided to extend the funding schedule to June 30, 2035. Many retirement systems in Massachusetts made substantial progress in reaching this requirement during the strong stock market period of the mid to late 1990's, but the MRS, was less successful, choosing instead to reduce employer contributions rather than fund the liability. When implementing Weston's reserve policy, it was determined that no additional amount beyond what is assessed by MRS should be set aside. In FY10, the MRS assessment decreased unexpectedly due to a five-year smoothing used to calculate assessments. In order to be prepared for an unexpected increase in the future, the FY10 and FY11 budgets included \$200,000 each year for a pension reserve. Assets are managed by PRIT.

Outlook: Weston continues to fund the assessment needed to fully fund by 2035 with an additional \$433K in Pension Stabilization Fund to smooth any large assessments. If the market and economy continue to improve, returns should follow. Weston is in a good position relative to other communities, and past extensions of fully funded mandates may happen again. Weston may want to consider accelerating funding based on available funds in any given year.

FINANCIAL INDICATOR 11 - Pension Benefits Paid

Increasing annual benefits paid as a percentage of pension assets is considered a warning indicator.



Weston Trend	
	favorable
X	marginal/stable
	unfavorable
	uncertain

Formula:
$$\frac{\text{annual benefits paid}}{\text{pension assets}}$$

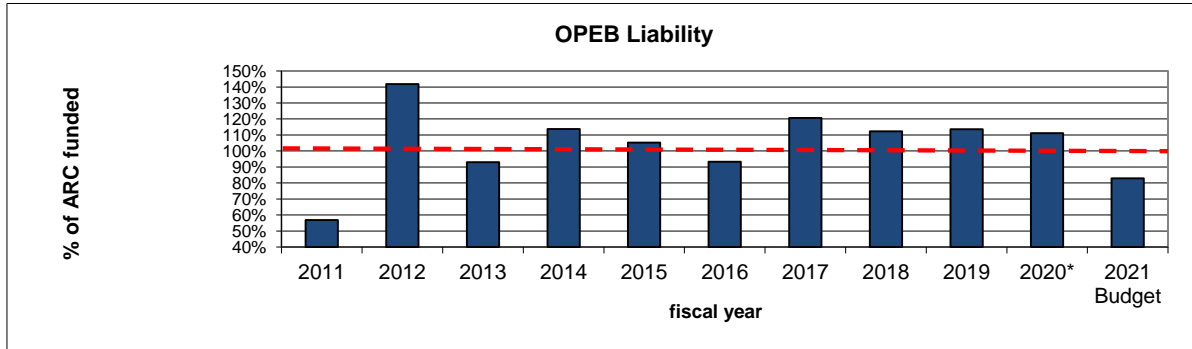
calendar year	2002	2004	2006	2008	2010	2012	2014	2016	2018	2020
Pension assets	23,079,156	23,709,310	24,953,073	31,001,714	31,583,111	32,345,383	36,802,655	45,081,826	58,589,125	60,794,264
Annual Benefits Paid	2,554,761	2,987,487	3,377,014	3,902,902	4,508,800	4,829,561	5,258,587	5,544,137	5,890,585	5,287,887
Percent Paid of Assets	11.1%	12.6%	13.5%	12.6%	14.3%	14.9%	14.3%	12.3%	10.1%	8.7%

Analysis: This indicator provides a snapshot of the benefits paid in the years for which the actuarial value of the Town's pension assets are known. One factor in the increase in Benefits Paid is the 24% increase in the number of Weston retirees from 2000 (185 retirees) to 2018 (236 retirees). The Annual Benefits Paid for 2018 increased \$346,000 from 2016. 57% of retirees are paid less than \$19,999 per year, 90% were paid less than \$49,999 in 2018. Pension Assets are based on the Actuarial Value of the assets versus the Market Value.

Outlook: As long term employees retire who have contributed 5% and 7% to the Middlesex Retirement System, they are replaced by new employees who pay 9% plus another 2% on earnings over \$30,000. Currently, approximately 6 employees are contributing @ 7% and 52 @ 8%. The remaining 351 employees, or 86%, contribute 9%. If the market and economy continue to improve, returns should follow.

FINANCIAL INDICATOR 12 - OPEB Liability (Retiree Health Insurance)

An unfunded liability for post employment benefits or increase in the unfunded liability is considered a warning indicator.



Weston Trend	
	favorable
X	marginal/stable
	unfavorable
	uncertain

Formula:
$$\frac{\text{OPEB trust fund balance} + \text{Actual contributions}}{\text{Annual Required Contribution (ARC)}}$$

fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*	2021 Budget
OPEB trust fund balance (6/30)	217,792	3,510,050	4,867,924	7,187,802	9,328,941	11,223,287	13,787,257	16,277,730	19,322,537	22,457,462	23,480,716
Contribution to OPEB Trust Fund	60,000	3,286,313	1,666,000	1,631,367	1,648,512	1,606,925	1,652,517	1,736,480	2,121,634	2,214,656	1,023,254
Pay As You Go - Retiree Health Payments	2,000,171	2,163,847	2,203,004	2,348,908	2,364,490	2,493,393	2,773,623	2,968,864	3,096,276	3,251,090	3,413,644
Investment Return	972	5,945	-308,126	688,511	492,627	287,421	911,453	753,993	923,173	920,269	500,000
Actuarially Determined contribution**	3,628,626	3,846,696	3,828,592	4,105,067	4,282,387	4,700,370	4,426,140	4,859,275	5,408,101	5,749,469	5,951,731
Percent of ARC funded	56.8%	141.8%	93.0%	113.7%	105.2%	93.3%	120.6%	112.3%	113.6%	111.1%	82.9%

*Value as of June 2020 bank statement plus annual contribution

**Normal cost + 26 years amortization of unfunded actuarial accrued liability

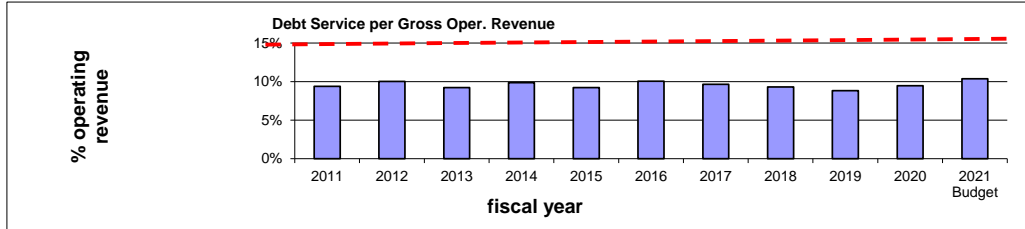
Analysis: Weston has been required to report its liability for post employment benefits (retiree health insurance) on its audited financial statements since fiscal year 2007. The last actuarial study has determined the long-term liability to be approximately \$78 million with no pre-funding. There is currently no legal requirement to fund this liability; however, there may be in the future, and financial prudence dictates that efforts should be made to address the OPEB liability. Beginning in fiscal year 2012, a significant effort was made to fund the long-term liability. Fiscal years 2014-2020 contributions matched the actuarially determined contribution set forth in the actuarial reports commissioned by the Town. The contribution was reduced in the FY21 budget based on the uncertain economic climate revolving around COVID-19.

Outlook: Weston has contributed either the actuarially determined contribution or some amount thereof for the last 10 years. This aggressive addressing of this liability has been recognized by the Ratings Agency. The actions by the Town such as continuing with the GIC, potential reduction in Town premium contribution percentages and market returns on funds could lead to better actuarial analyses in years to come. Although there is not a statute which requires a funding date as there is for pension, it would be prudent to determine a funding date in the next actuarial valuation.

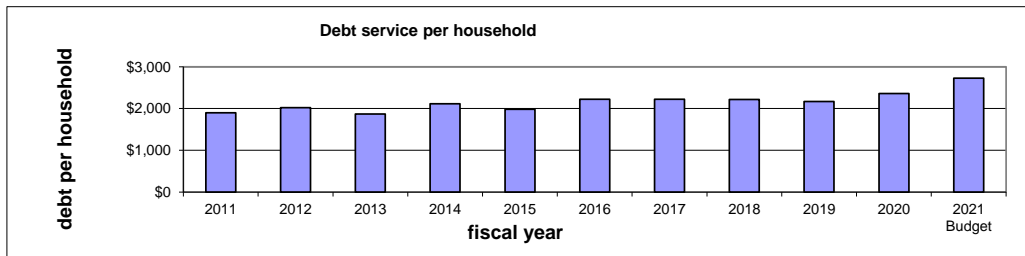
FINANCIAL INDICATOR 13 - Debt Service

Debt Service per Operating Revenues

Debt service exceeding 15 percent of operating revenues is considered a warning indicator by the credit rating organizations.



Weston Trend	
	favorable
X	marginal/stable
	unfavorable
	uncertain



Weston Trend	
	favorable
X	marginal/stable
	unfavorable
	uncertain

Formula:
$$\frac{\text{debt service}}{\text{operating revenues/household}}$$

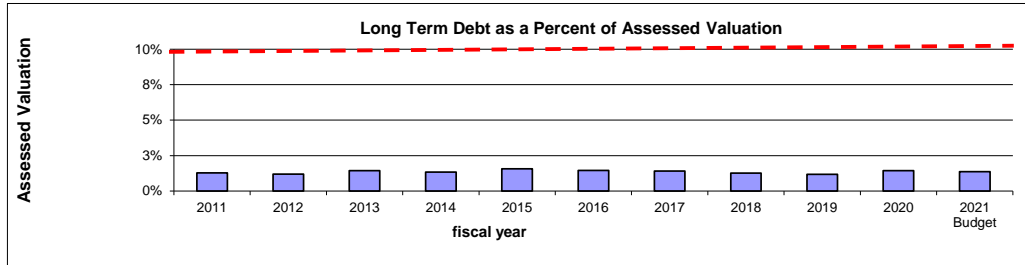
fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 Budget
Net Exempt debt service	6,810,118	7,266,714	6,747,256	7,646,500	7,220,241	8,105,064	8,084,603	8,094,771	7,941,707	8,657,029	10,003,197
Non exempt debt service	51,317	48,283	44,159	46,968	38,121	36,817	33,720	32,280	30,860	29,460	29,080
Total debt service	6,861,435	7,314,997	6,791,415	7,693,468	7,258,362	8,141,881	8,118,323	8,127,051	7,972,567	8,686,489	10,032,277
Gross operating revenues/transfers	73,117,964	72,957,723	73,630,500	77,985,914	78,786,936	81,010,808	84,151,435	87,425,434	90,268,797	91,691,289	96,767,692
Households	3,613	3,618	3,629	3,641	3,658	3,659	3,654	3,666	3,676	3,678	3,678
Debt service as a % of gross oper. rev.	9.38%	10.03%	9.22%	9.87%	9.21%	10.05%	9.65%	9.30%	8.83%	9.47%	10.37%
Debt service per household	1,899	2,022	1,871	2,113	1,984	2,225	2,222	2,217	2,169	2,362	2,728

Analysis: Though Weston's debt service has increased due to the effort in the last 10-15 years to address deferred maintenance of municipal and school buildings, nearly all of the debt is exempt from the limits of Proposition 2 1/2. As such, this fixed cost does not place a demand on the Town's operating budget. It does, however, mean that the portion of total property taxes funding debt will remain significant for a number of years. The best way to keep these indicators below warning levels is to time new debt service for proposed capital projects with retiring debt, which the Town has been careful to do. Acknowledging the growing importance of monitoring debt, a formal Debt Policy was adopted in FY07.

Outlook: Maintaining AAA rating and project timing are key to keeping this indicator stable. Interest rates should increase in the future as the Federal Reserve moves off the historical low-rate policy, but no spikes are anticipated. The majority of Weston's debt principal is maturing in the next 10 years.

FINANCIAL INDICATOR 14 - Long Term Debt

Overall debt exceeding 10 percent of assessed valuation is considered a warning indicator by the credit rating organizations.



Weston Trend	
X	favorable
	marginal/stable
	unfavorable
	uncertain

Formula:
$$\frac{\text{outstanding long term debt}}{\text{assessed valuation}}$$

fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 Budget
outstanding long term debt	67,690,004	62,474,332	74,723,333	71,425,000	87,927,000	85,069,900	83,772,258	76,514,000	72,073,500	90,118,847	86,977,900
assessed valuation	5,260,804,800	5,223,472,800	5,195,430,200	5,340,928,200	5,612,459,200	5,861,486,000	5,941,014,800	6,016,114,900	6,106,168,300	6,262,340,500	6,388,318,700
Long term debt as a % of assessed valuation	1.29%	1.20%	1.44%	1.34%	1.57%	1.45%	1.41%	1.27%	1.18%	1.44%	1.36%

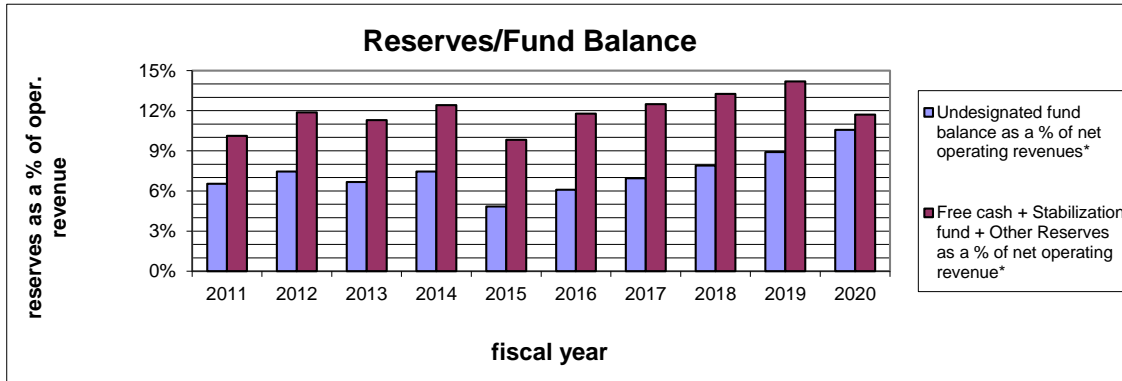
Analysis: This financial indicator is evaluated by the credit rating organizations because it is a measure of both a community's debt burden as well as its level of effort in investing in its capital facilities. Weston has a strong profile, and positive outlook because of its high values and capacity to borrow.

Outlook: Long-term debt continues to stay at a manageable level. However, if more substantial capital projects are approved each year, this could become a burden to taxpayers. The Town's position to exclude debt from the Operating Budget is seen as very positive and very conservative and directly affects the AAA rating. The use of CPA and MWRA lending at 0% as well as refunding and market conditions have all contributed to the favorable level of this indicator. The majority of Weston's debt principal is maturing in the next 10 years. Management is currently in the process of putting together a longer term capital plan including building and infrastructure life cycles. This will help with future capital budgeting decisions and its impact on debt.

FINANCIAL INDICATOR 15 - Reserves/Fund Balance

Declining reserves as a percentage of operating revenues is considered a warning indicator.

The Government Finance Officers Association recommends that undesignated fund balance be between 5-15 percent of operating revenues.



X	favorable
	marginal/stable
	unfavorable
	uncertain

Formula:
$$\frac{\text{Undesignated Fund Balance}}{\text{Operating Revenues}}$$

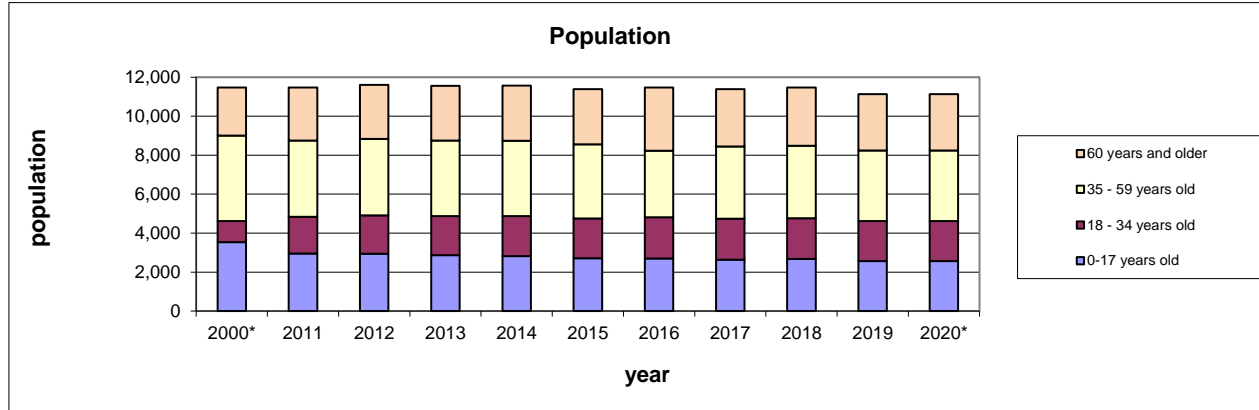
fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Undesignated fund balance (unaudited)	4,331,313	4,901,251	4,459,884	5,245,909	3,469,217	4,441,949	5,287,411	6,269,137	7,332,514	8,781,326
Und. fund bal. (incl. adj. free cash)	3,463,758	3,853,659	3,182,126	4,039,334	2,581,323	3,613,421	4,373,690	5,066,454	6,192,629	4,080,147
Stabilization fund	1,695,880	1,975,743	2,234,505	2,521,408	2,806,504	3,086,497	3,094,663	3,137,275	3,206,916	3,264,138
Other Reserves	1,556,022	1,977,335	2,141,710	2,175,998	1,656,266	1,892,541	2,037,667	2,306,582	2,275,362	2,376,478
Net operating revenues	66,307,846	65,691,009	66,883,244	70,314,229	71,759,899	72,905,744	76,066,832	79,330,663	82,327,090	83,034,260
Undesignated fund balance as a % of net operating revenues*	6.5%	7.5%	6.7%	7.5%	4.8%	6.1%	7.0%	7.9%	8.9%	10.6%
Free cash + Stabilization fund + Other Reserves as a % of net operating revenue*	10.1%	11.9%	11.3%	12.4%	9.8%	11.8%	12.5%	13.2%	14.2%	11.7%

Analysis: Undesignated Fund Balance and Free Cash are two similar measures of the Town's reserves. The first figure is from the Town's audited balance sheet while the latter is to be certified by the Department of Revenue. Reserves are one measure of the Town's ability to withstand financial emergencies and changes in the economy. The Town has made a concerted effort since FY06 to create and add to a Stabilization Fund and a variety of other targeted reserves. Since then, even during the economic downturn, the Town has made steady progress toward meeting the Government Finance Officers Association's recommendation that reserves be 5 - 15% of operating revenues. "Other Reserves" are comprised of the reserve accounts called for in the 2006 Reserve Policy, including contingency accounts for employee benefits, facilities maintenance, overlay for abatements and the Finance Committee Reserve Fund. To keep reserves within the recommended range and to move closer to reserve targets, the reserve policy was revised in FY17.

Outlook: Reserve targets need to be updated over time to keep up with growing net operating revenues. Reserve targets were reviewed in FY17 and a new policy was adopted to maintain appropriate and sufficient reserves. This policy should be reviewed on an ongoing basis to ensure appropriate levels are attained.

FINANCIAL INDICATOR 16 - Population

Rapid changes in population which may affect service levels may be considered a warning indicator.



Weston Trend	
	favorable
X	marginal/stable
	unfavorable
	uncertain

Age Demographic	2000*	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*
0-17 years old	3,532	2,954	2,945	2,870	2,822	2,709	2,701	2,644	2,670	2,562	2,562
18 - 34 years old	1,084	1,883	1,968	2,008	2,056	2,044	2,113	2,101	2,094	2,063	2,063
35 - 59 years old	4,390	3,911	3,928	3,872	3,859	3,803	3,410	3,699	3,723	3,613	3,613
60 years and older	2,463	2,723	2,763	2,814	2,832	2,833	3,246	2,942	2,990	2,894	2,894
unknown	0	7	4	16	12	2	2	2	9	6	6
Total	11,469	11,478	11,608	11,580	11,581	11,391	11,472	11,388	11,486	11,138	11,138
students in Weston public schools**	2,215	2,109	2,094	2,115	2,066	2,001	1,933	1,897	1,854	1,840	1,805

* 2000 is U.S. census data with 5-19 and 20-34 ranges

** Table E: Weston School Age Children Placement, FY21 Enrollment Report

Analysis: Weston's population has decreased over the last 10 years. The school-aged population of the Town has also dropped over the past 10 years, and the student population for Weston's public schools has also dropped in this timeframe. A decrease in students can reduce expenditures, but it may also reduce the many intergovernmental revenues and grants that are distributed according to population. That impact has been minimal since the Town does not rely heavily on State or Federal funding.

Outlook: The population of residents 60 years of age and older has steadily increased since 2010, creating additional demand for Council on Aging services. A COA needs assessment was completed in FY19 potentially impacting future operating and/or capital budgets. If current 40B projects are approved, this could dramatically increase the population in Weston, potentially requiring more services that will impact future budgets, mainly the school budget

*Note that the Clerk's Office was not able to provide updated population estimates as this information was collected, but not updated during an especially busy election year. The Finance Office will aim to update these numbers as they become available.