

# Financial Indicator Analysis



Presented at Financial Summit

November 1, 2013

Weston Board of Selectmen  
Weston Finance Committee  
Weston School Committee

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Based on: Evaluating Financial Condition, ICMA, 2003

## Executive Summary

1. Assuming a level service budget, the following is projected:
  - a. FY2015 - a budget surplus of \$570,000
  - b. FY2016 – a budget gap of \$650,000
  - c. FY2017 – a budget gap of \$840,000
2. Assuming a FY2015 budget in which revenues are only allowed to rise by the amount of growth in the tax base, or a “level tax bill” budget, the following is projected:
  - a. FY2015 – a budget gap of \$960,000
  - b. FY2016 – a budget gap of \$680,000
  - c. FY2017 – a budget gap of \$870,000
3. Highlights of Weston’s financial indicators relate to six main areas of financial condition – Revenue, Reserves, Expenditures, Employee Benefits, Debt, and Population.

### Revenue

- See Financial Indicator 1 – Revenues per Household
  - Revenues per household are relatively stable.
  - In order to shelter the Town from short-term fluctuations in any one revenue source, a concerted effort has been made to increase reserves.
- See Financial Indicator 3 – Revenues Related to Economic Growth
  - Economic growth revenues as a percentage of total revenues have decreased marginally over the last 8 years but have increased slightly since last year.
  - A continuing reduction in economic growth revenues, particularly growth in the tax base, will reduce the Town’s future operating budget flexibility.

### Reserves

- See Financial Indicator 15 – Reserves/Fund Balance
  - The target reserve amount for the Stabilization Fund was funded as planned; however, the target should now be increased.

- Weston's reserve balances have steadily increased. In FY2013, when undesignated fund balance is added to the stabilization fund balance and other reserves, Weston's reserve level is at 11.2%; the recommendation of rating agencies is that reserves be between 5-15% of operating revenues.
- Continue to fund stabilization fund contribution beyond target date. Review other reserve categories to see if the targets should be updated.

### Expenditures

- See Financial Indicator 6 – Expenditures per Household
  - The increase in expenditures is largely related to increased costs for personnel and benefits, although the rate of increase has slowed.
  - The FY2013 increase is primarily due to infrastructure-related expenditures in Public Works and Facilities.
- See Financial Indicator 7 – Salaries and Wages (as a percentage of total spending)
  - Efforts to lower the rate of salary increase, mainly through collective bargaining, were successful for the period FY2011-FY2013. That trend is continuing in union contracts that have been settled for FY2014-FY2016.

### Employee Benefits

- See Financial Indicator 8 – Employee Benefits
  - The rate of increase in Salaries has slowed since 2011. The enrollment in the state's Group Insurance Commission in 2010 resulted in substantial savings to the Town. Benefits spending as a % of salaries has increased, primarily because of lower salary increases.
- See Financial Indicator 10 – Pension Liability (Middlesex Retirement System)
  - The 2012 actuarial study indicates that the percent of Weston's pension liability that is funded has continued to decline. It may be advisable to set aside additional funds in the Town's Pension Stabilization Fund. The Middlesex Retirement System must plan for full funding of Weston's pension liability by 2035.
- See Financial Indicator 11 - Pension Benefits Paid
  - The percentage paid in benefits of total pension assets has increased from 9% in 2000 to 15% in 2012.
  - 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 2% over \$30,000 increase overall contributions.

### Debt

- See Financial Indicator 13 – Debt Service
  - Debt service exceeding 15 percent of operating revenues is considered a warning indicator; Weston’s debt service has hovered around the 10 percent mark since 2002.
  - Debt service is expected to peak in FY2016, taking into account the cost of a new Police Station, but will not exceed the 15 percent threshold.
- See Financial Indicator 14 – Long Term Debt
  - High assessed valuation and healthy per capita income help offset any adverse impacts of the increased debt burden

### Population

- See Financial Indicator 16 – Population
  - As the baby boomers age, the population of residents 60 years of age and older has steadily increased, creating additional demand for services.
  - The number of students in Weston public schools declined by 1.8% in 2013.

**TOWN OF WESTON  
REVENUE AND EXPENDITURE PROJECTION - FY15-FY17  
LEVEL SERVICE BUDGET**

	FY14	FY15		Scenario 1 FY16		Scenario 2 FY16		FY17	
	As Approved by Town Mtg	Level Service Budget		Level Service Budget		Level Service with Budget Reductions/Revenue Increases to resolve deficit		Level Service Increase over Scenario 2	
	Budget	Requested	% Inc	Projected	% Inc	Projected	% Inc	Projected	% Inc
<b>Expenditures</b>									
<u>Salaries</u>									
General Government	11,388,608	11,701,795	2.8%	12,023,594	2.8%	12,023,594	2.8%	12,384,302	3.0%
Education	30,230,019	31,683,934	4.8%	32,951,291	4.0%	32,951,291	4.0%	34,434,099	4.5%
sub-total Salaries	41,618,627	43,385,729	4.2%	44,974,885	3.7%	44,974,885	3.7%	46,818,401	4.1%
<u>Employee Benefits</u>									
Group Insurance & Medicare	9,868,593	10,263,337	4.0%	10,879,137	6.0%	10,879,137	6.0%	11,531,885	6.0%
Retirement Systems	3,876,306	4,139,155	6.8%	4,420,204	6.8%	4,420,204	6.8%	4,773,820	8.0%
Workers' Comp & Unemployment	320,000	320,000	0.0%	329,600	3.0%	329,600	3.0%	339,488	3.0%
sub-total Employee Benefits	14,064,899	14,722,492	4.7%	15,628,941	6.2%	15,628,941	6.2%	16,645,193	6.5%
<u>Other Unclassified</u>									
Insurance, Property & Liability	350,000	367,500	5.0%	374,850	2.0%	374,850	2.0%	382,347	2.0%
Street Lighting	44,000	44,000	0.0%	44,880	2.0%	44,880	2.0%	45,778	2.0%
Separate Articles	120,000	110,000	-8.3%	110,000	0.0%	110,000	0.0%	110,000	0.0%
<u>All Other</u>									
General Government	5,335,128	5,388,479	1.0%	5,496,249	2.0%	5,496,249	2.0%	5,606,174	2.0%
Cash Capital	860,000	160,000	-81.4%	200,000	25.0%	200,000	25.0%	200,000	0.0%
Education	5,519,596	4,814,256	-12.8%	4,910,541	2.0%	4,910,541	2.0%	5,008,752	2.0%
Non-Excluded Debt Service	46,968	35,640	-24.1%	35,180	-1.3%	35,180	-1.3%	33,720	-4.2%
sub-total All Other	11,761,692	10,398,375	-11.6%	10,641,970	2.3%	10,641,970	2.3%	10,848,646	1.9%
<u>Reserves</u>									
Finance Committee Reserve Fund	540,000	565,000	4.6%	576,300	2.0%	576,300	2.0%	587,826	2.0%
Facilities Maintenance	439,898	461,893	5.0%	484,988	5.0%	484,988	5.0%	509,237	5.0%
Uninsured Losses	-	-	-	-	-	-	-	-	-
Workers' Comp Police/Fire	20,000	20,000	0.0%	20,000	0.0%	20,000	0.0%	20,000	0.0%
Post-Employment Benefits Reserve	1,631,367	1,648,512	1.1%	1,591,925	-3.4%	1,591,925	-3.4%	1,586,557	-0.3%
Stabilization Fund	250,000	250,000	0.0%	250,000	0.0%	250,000	0.0%	250,000	0.0%
Pension Stabilization Fund	-	-	-	-	-	-	-	-	-
Compensated Absences	110,000	110,000	0.0%	120,000	9.1%	120,000	9.1%	130,000	8.3%
sub-total Reserves	2,991,265	3,055,405	2.1%	3,043,213	-0.4%	3,043,213	-0.4%	3,083,620	1.3%
<u>Budget Reduction</u>						(327,937)		(327,937)	
<b>Total Expenditures</b>	<b>70,950,483</b>	<b>72,083,501</b>	<b>1.6%</b>	<b>74,818,739</b>	<b>3.8%</b>	<b>74,490,801</b>	<b>3.3%</b>	<b>77,606,048</b>	<b>3.7%</b>

**TOWN OF WESTON  
REVENUE AND EXPENDITURE PROJECTION - FY15-FY17  
LEVEL SERVICE BUDGET**

	FY14	FY15		Scenario 1 FY16		Scenario 2 FY16		FY17	
	As Approved by Town Mtg	Level Service Budget		Level Service Budget		Level Service with Budget Reductions/Revenue Increases to resolve deficit		Level Service Increase over Scenario 2	
	Budget	Requested	% Inc	Projected	% Inc	Projected	% Inc	Projected	% Inc
<b>Revenue</b>									
Property Tax Levy	60,565,917	63,053,815	4.1%	64,660,632	2.5%	64,660,632	2.5%	66,892,148	3.5%
- <i>New Growth</i>	950,000	600,000	-36.8%	600,000	0.0%	600,000	0.0%	600,000	0.0%
- <i>Unused Levy Capacity</i>	(950,000)	(600,000)		(600,000)		(600,000)	0.0%	(600,000)	
- <i>Override</i>	-	-		-		-		-	
State Aid	3,705,368	3,556,311	-4.0%	3,556,311	0.0%	3,556,311	0.0%	3,645,219	2.5%
Local Receipts	4,459,168	4,500,697	0.9%	4,500,697	0.0%	4,500,697	0.0%	4,500,697	0.0%
Prior Year Balances/Other	3,689,000	3,041,000	-17.6%	2,936,000	-3.5%	2,936,000	-3.5%	2,881,000	-1.9%
Revenue Offsets	(1,944,470)	(1,983,062)	2.0%	(1,983,062)	0.0%	(1,983,062)	0.0%	(1,983,062)	0.0%
Other Revenues	475,501	485,011	2.0%	492,286	1.5%	492,286	1.5%	499,670	1.5%
<u>Revenue Increase</u>						327,937		327,937	
<b>Total Revenue</b>	<b>70,950,483</b>	<b>72,653,772</b>	<b>2.4%</b>	<b>74,162,864</b>	<b>2.1%</b>	<b>74,490,801</b>	<b>2.5%</b>	<b>76,763,609</b>	<b>3.1%</b>
<b>Budget Surplus (Deficit)</b>	<b>-</b>	<b>570,271</b>		<b>(655,874)</b>		<b>-</b>		<b>(842,438)</b>	
<i>Exempt Debt Service - Estimated</i>	7,671,685	8,783,830	14.5%	9,154,133	4.2%			8,918,069	-2.6%
<i>Estimated Levy Increase*</i>	68,237,602	71,267,374	4.4%	73,814,765	3.6%			75,810,217	2.7%

\*Assumes resolution of deficit through spending cuts or increases in other revenue sources.

**TOWN OF WESTON**  
**REVENUE AND EXPENDITURE PROJECTION - FY15-FY17**  
**LEVEL TAX BILL BUDGET**

	FY14	FY15		Scenario 1 FY16		Scenario 2 FY16		FY17	
	As Approved by Town Mtg	Level Service Budget - Tax Levy Increase Limited to New Growth Only		Level Service Budget		Level Service with Budget Reductions/Revenue Increases to resolve deficit		Level Service Increase over Scenario 2	
	Budget	Requested	% Inc	Projected	% Inc	Projected	% Inc	Projected	% Inc
<b>Expenditures</b>									
<u>Salaries</u>									
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Group Insurance & Medicare	9,868,593	10,263,337	4.0%	10,879,137	6.0%	10,879,137	6.0%	11,531,885	6.0%
Retirement Systems	3,876,306	4,139,155	6.8%	4,420,204	6.8%	4,420,204	6.8%	4,773,820	8.0%
Workers' Comp & Unemployment	320,000	320,000	0.0%	329,600	3.0%	329,600	3.0%	339,488	3.0%
sub-total Employee Benefits	14,064,899	14,722,492	4.7%	15,628,941	6.2%	15,628,941	6.2%	16,645,193	6.5%
<u>Other Unclassified</u>									
Insurance, Property & Liability	350,000	367,500	5.0%	374,850	2.0%	374,850	2.0%	382,347	2.0%
Street Lighting	44,000	44,000	0.0%	44,880	2.0%	44,880	2.0%	45,778	2.0%
Separate Articles	120,000	110,000	-8.3%	110,000	0.0%	110,000	0.0%	110,000	0.0%
<u>All Other</u>									
General Government	5,335,128	5,388,479	1.0%	5,496,249	2.0%	5,496,249	2.0%	5,606,174	2.0%
Cash Capital	860,000	160,000	-81.4%	200,000	25.0%	200,000	25.0%	200,000	0.0%
Education	5,519,596	4,814,256	-12.8%	4,910,541	2.0%	4,910,541	2.0%	5,008,752	2.0%
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<u>Reserves</u>									
Finance Committee Reserve Fund	540,000	565,000	4.6%	576,300	2.0%	576,300	2.0%	587,826	2.0%
Facilities Maintenance	439,898	461,893	5.0%	484,988	5.0%	484,988	5.0%	509,237	5.0%
Uninsured Losses	-	-	-	-	-	-	-	-	-
Workers' Comp Police/Fire	20,000	20,000	0.0%	20,000	0.0%	20,000	0.0%	20,000	0.0%
Post-Employment Benefits Reserve	1,631,367	1,648,512	1.1%	1,591,925	-3.4%	1,591,925	-3.4%	1,586,557	-0.3%
Stabilization Fund	250,000	250,000	0.0%	250,000	0.0%	250,000	0.0%	250,000	0.0%
Pension Stabilization Fund	-	-	-	-	-	-	-	-	-
Compensated Absences	110,000	110,000	0.0%	120,000	9.1%	120,000	9.1%	130,000	8.3%
sub-total Reserves	2,991,265	3,055,405	2.1%	3,043,213	-0.4%	3,043,213	-0.4%	3,083,620	1.3%
<u>Budget Reduction</u>				(967,627)		(1,307,659)		(1,307,659)	
<b>Total Expenditures</b>	<b>70,950,483</b>	<b>72,083,501</b>	<b>1.6%</b>	<b>73,851,112</b>	<b>2.5%</b>	<b>73,511,079</b>	<b>2.0%</b>	<b>76,626,326</b>	<b>3.8%</b>



**TOWN OF WESTON  
REVENUE AND EXPENDITURE PROJECTION - FY15-FY17  
LEVEL TAX BILL BUDGET**

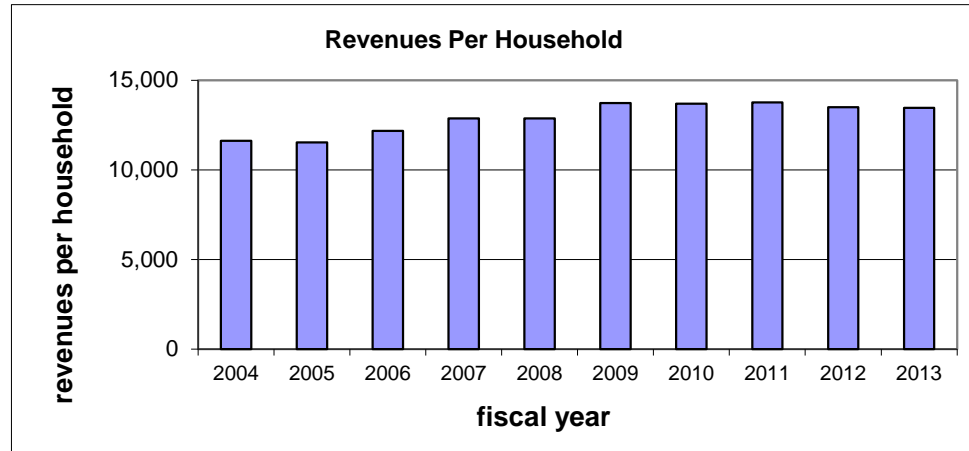
	FY14	FY15		Scenario 1 FY16		Scenario 2 FY16		FY17	
	As Approved by Town Mtg	Level Service Budget - Tax Levy Increase Limited to New Growth Only		Level Service Budget		Level Service with Budget Reductions/Revenue Increases to resolve deficit		Level Service Increase over Scenario 2	
	Budget	Requested	% Inc	Projected	% Inc	Projected	% Inc	Projected	% Inc
<b>Revenue</b>									
Property Tax Levy	60,565,917	61,515,917	1.6%	63,668,815	3.5%	63,668,815	3.5%	65,875,535	3.5%
- <i>New Growth</i>	950,000	600,000	-36.8%	600,000	0.0%	600,000	0.0%	600,000	0.0%
- <i>Unused Levy Capacity</i>	(950,000)	(600,000)		(600,000)		(600,000)	0.0%	(600,000)	
- <i>Override</i>	-	-		-		-		-	
State Aid	3,705,368	3,556,311	-4.0%	3,556,311	0.0%	3,556,311	0.0%	3,645,219	2.5%
Local Receipts	4,459,168	4,500,697	0.9%	4,500,697	0.0%	4,500,697	0.0%	4,500,697	0.0%
Prior Year Balances/Other	3,689,000	3,041,000	-17.6%	2,936,000	-3.5%	2,936,000	-3.5%	2,881,000	-1.9%
Revenue Offsets	(1,944,470)	(1,983,062)	2.0%	(1,983,062)	0.0%	(1,983,062)	0.0%	(1,983,062)	0.0%
Other Revenues	475,501	485,011	2.0%	492,286	1.5%	492,286	1.5%	499,670	1.5%
<u>Revenue Increase</u>						340,032		340,032	
<b>Total Revenue</b>	<b>70,950,483</b>	<b>71,115,874</b>	<b>0.2%</b>	<b>73,171,047</b>	<b>2.9%</b>	<b>73,511,079</b>	<b>3.4%</b>	<b>75,759,092</b>	<b>3.1%</b>
<b>Budget Surplus (Deficit)</b>	<b>-</b>	<b>(967,627)</b>		<b>(680,065)</b>		<b>-</b>		<b>(867,234)</b>	
<i>Exempt Debt Service - Estimated</i>	7,671,685	8,783,830	14.5%	9,154,133	4.2%			8,918,069	-2.6%
Estimated Levy Increase*	68,237,602	70,299,747	3.0%	72,822,948	3.6%			74,793,604	2.7%

\*Assumes resolution of deficit through spending cuts or increases in other revenue sources.

NOTE: The 2.5% allowable increase in the levy not used in this projection amounts to approximately \$1.5 million in FY15.

## FINANCIAL INDICATOR 1- Revenues per Household

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



X	favorable
	marginal
	unfavorable
	uncertain

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

fiscal year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Gross operating revenues/transfers	51,727,843	54,447,205	59,714,178	63,781,914	68,327,434	70,220,100	70,641,472	73,117,964	72,957,723	73,630,500
Less: excluded debt	5,599,897	5,664,033	5,929,773	6,378,930	7,463,699	7,391,436	7,205,908	6,810,118	7,266,714	6,747,256
Net operating revenues	46,127,946	48,783,172	53,784,405	57,402,984	60,863,735	62,828,664	63,435,564	66,307,846	65,691,009	66,883,244
CPI-U, 2000 base year	114.0	118.6	122.9	123.9	131.7	127.2	128.9	133.3	134.5	137.0
CPI-U, 2000 base, adj. constant dollars	87.7%	84.3%	81.4%	80.7%	75.9%	78.6%	77.6%	75.0%	74.4%	73.0%
Net operating revenues (constant dollars)	40,453,038	41,146,764	43,773,003	46,341,484	46,217,063	49,396,232	49,215,673	49,732,242	48,856,365	48,803,747
Households (taxable parcels w/dwelling)	3,477	3,569	3,596	3,597	3,589	3,595	3,595	3,613	3,618	3,624
<b>Net Operating Revenues per Household (constant dollars)</b>	<b>11,634</b>	<b>11,529</b>	<b>12,173</b>	<b>12,883</b>	<b>12,877</b>	<b>13,740</b>	<b>13,690</b>	<b>13,765</b>	<b>13,504</b>	<b>13,467</b>
Percent change from prior year	-2.86%	-0.91%	5.58%	5.84%	-0.05%	6.70%	-0.37%	0.55%	-1.90%	-0.27%

**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; in 2013, an increase in the number of dwellings was due mainly to the Highland Meadows development which, when all four phases of construction are completed, will comprise 69 freestanding homes and attached townhomes. For education, the number of students is a more appropriate measure.

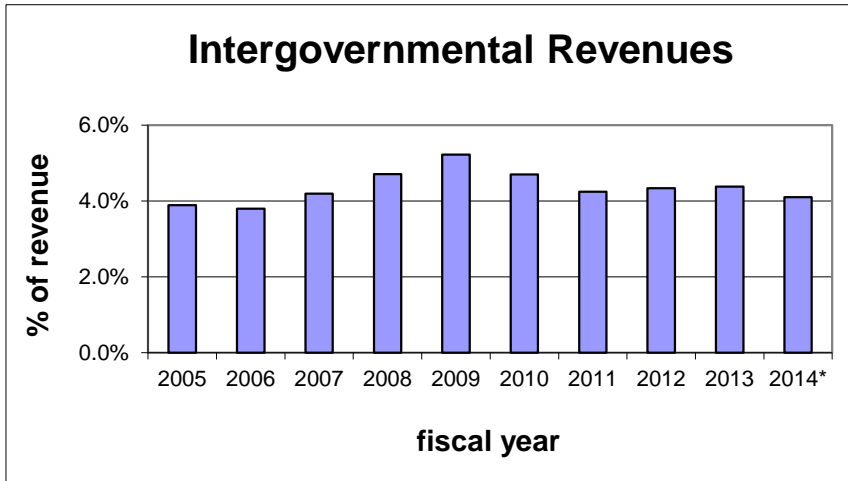
Weston's revenue growth, in constant dollars (used instead of current dollars to adjust for inflation), has generally been positive due to growth in the residential tax base and tax increases (i.e., overrides). FY2013's drop in net operating revenue per household is due to a 1.6% increase in households coupled with a 0.9% increase in gross operating revenues/transfers.

**Outlook:** In order to shelter the Town from short-term fluctuations in any one revenue source, a concerted effort is being made to increase reserves.

**Note:** Analysis does not include enterprise funds: Water, Recreation and Brook School Apartments.

## 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
X	marginal
	unfavorable
	uncertain

Formula:

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

fiscal year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014*
Net operating revenues	48,783,172	53,784,405	57,402,984	60,863,735	62,828,664	63,435,564	66,307,846	65,691,009	66,883,244	72,681,537
State Aid (Cherry Sheet) revenues*	3,110,804	3,255,599	3,723,873	4,295,040	4,722,852	4,435,150	4,269,484	3,664,945	3,747,352	3,722,995
Less: School building reimbursements	1,213,456	1,213,456	1,312,547	1,426,237	1,436,390	1,454,017	1,454,017	816,230	816,234	741,853
Net State aid revenues	1,897,348	2,042,143	2,411,326	2,868,803	3,286,462	2,981,133	2,815,467	2,848,715	2,931,118	2,981,142
<b>State aid as a percentage of operating revenues</b>	<b>3.9%</b>	<b>3.8%</b>	<b>4.2%</b>	<b>4.7%</b>	<b>5.2%</b>	<b>4.7%</b>	<b>4.2%</b>	<b>4.3%</b>	<b>4.4%</b>	<b>4.1%</b>

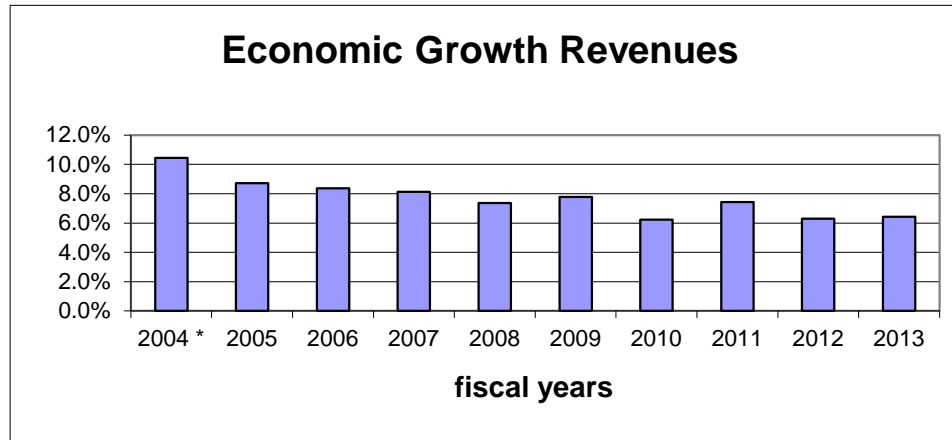
\*FY2014 Net operating revenues based on projections

**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. Net State Aid revenues dropped from 2009 to 2011, returning to 2010 levels in 2014. The amount for school building reimbursement decreased by over 40% in 2012 because the MSBA provided a lump sum reimbursement for the balance due on the 1997 Middle School renovation project at the time the Town refunded the bonds. 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.

## 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
X	marginal
	unfavorable
	uncertain

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

fiscal year	2004 *	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (non-exempt) operating revenues	46,127,946	48,783,172	53,784,405	57,402,984	60,863,735	62,828,664	63,435,564	66,307,846	65,691,009	66,883,244
Building permit fees	609,800	770,944	862,343	787,734	838,047	1,184,174	800,122	843,286	824,166	693,083
Motor vehicle excise	2,263,215	2,431,820	2,317,442	2,454,132	2,557,093	2,587,461	2,039,944	2,614,061	2,418,788	2,445,833
Tax levy from new construction	1,944,757	1,051,747	1,322,894	1,420,504	1,094,715	1,122,064	1,111,655	1,470,272	897,752	1,156,485
Total: economic growth revenues	4,817,772	4,254,511	4,502,679	4,662,370	4,489,855	4,893,699	3,951,721	4,927,619	4,140,706	4,295,401
<b>Economic Growth revenues as a percentage of operating revenues</b>	<b>10.4%</b>	<b>8.7%</b>	<b>8.4%</b>	<b>8.1%</b>	<b>7.4%</b>	<b>7.8%</b>	<b>6.2%</b>	<b>7.4%</b>	<b>6.3%</b>	<b>6.4%</b>

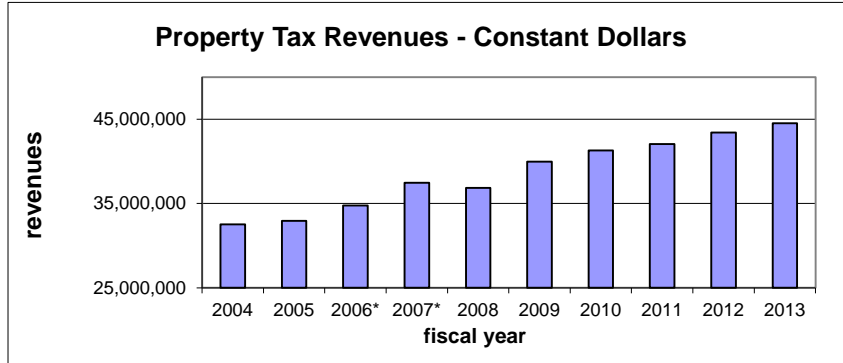
\* FY2004 increase in the tax levy from new construction includes 18 months of new growth instead of 12.

**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. After a significant drop in motor vehicle excise tax in FY10, this revenue source rebounded in FY11 and has since stabilized. In FY13, motor vehicle excise revenue reached the previous 5 year average. In FY13, building permit fees, an indicator of future New Growth, saw a 15.9% decrease from FY12, but looking forward, Q1 of FY14 has shown a 37% increase in these permits over Q1 of FY13. New growth increased significantly in FY13, increasing the Town's flexibility with regard to the FY14 budget.

**Outlook:** New growth is projected to see a slight decrease again in FY14, but it will not be as drastic as the FY12 reduction, which marked the completion of the Biogen Idec project. During the economic downturn, the Town has not had to draw on its reserves, but instead has continued to add to reserves to protect against future revenue declines.

## FINANCIAL INDICATOR 4 - Property Tax Revenues

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



Weston Trend	
X	favorable
	marginal
	unfavorable
	uncertain

Formula: Property tax revenues (constant dollars)

fiscal year	2004	2005	2006*	2007*	2008	2009	2010	2011	2012	2013
Property tax levy limit (incl. unused levy capacity)	43,824,936	45,880,523	49,962,268	54,173,687	57,473,218	59,808,218	62,037,805	64,491,774	67,337,393	69,477,740
Less: debt exemptions	5,599,897	5,664,033	5,929,773	6,378,930	7,463,699	7,391,436	7,205,908	6,810,118	7,266,714	6,747,256
Less: community preservation act surcharge	1,147,521	1,160,288	1,314,821	1,382,903	1,488,000	1,574,790	1,605,810	1,622,366	1,675,490	1,717,377
Net property tax revenues	37,077,518	39,056,202	42,717,674	46,411,854	48,521,519	50,841,992	53,226,087	56,059,290	58,395,189	61,013,107
CPI-U, 2000 base year	114.0	118.6	122.9	123.9	131.7	127.2	128.9	133.3	134.5	137.0
CPI-U, 2000 base, adj. constant dollars	87.7%	84.3%	81.4%	80.7%	75.9%	78.6%	77.6%	75.0%	74.4%	73.0%
<b>Property tax revenues (constant dollars)</b>	<b>32,516,042</b>	<b>32,942,432</b>	<b>34,766,228</b>	<b>37,468,334</b>	<b>36,844,964</b>	<b>39,972,246</b>	<b>41,294,781</b>	<b>42,045,615</b>	<b>43,430,245</b>	<b>44,520,392</b>
<b>Percent increase over prior year (constant dollars)</b>	<b>5.1%</b>	<b>1.3%</b>	<b>5.5%</b>	<b>7.8%</b>	<b>-1.7%</b>	<b>8.5%</b>	<b>3.3%</b>	<b>1.8%</b>	<b>3.3%</b>	<b>2.5%</b>
* Prop. 2 1/2 override approved	0	0	1,370,000	1,100,000	0	0	0	0	0	0

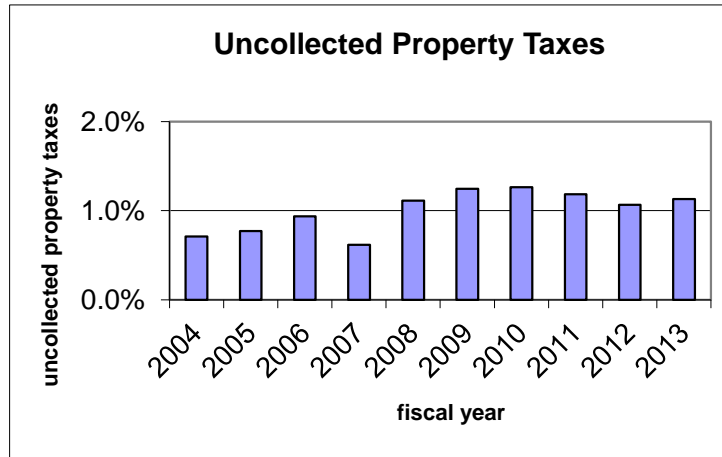
The substantial increase in the property tax levy in FY04 is due to a change in the "new growth" formula whereby 18 months of new construction was added to the tax base rather than 12 months.

**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. 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 there is \$3.2 million in unused tax levy capacity.

## 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.



X	favorable
	marginal
	unfavorable
	uncertain

Formula:

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

fiscal year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Property tax levy (actual tax levy)	41,621,336	43,758,392	48,312,623	51,442,333	54,440,553	56,998,334	58,075,330	59,920,567	63,256,256	64,423,334
Reserved for abatements and exemptions	474,956	425,009	400,586	410,128	442,790	436,493	385,361	423,816	458,354	430,916
Net property tax levy	41,146,380	43,333,383	47,912,037	51,032,205	53,997,763	56,561,841	57,689,969	59,496,751	62,797,902	63,992,418
Uncollected taxes as of June 30	292,681	334,460	448,429	314,093	600,281	705,134	729,004	705,380	668,147	723,116
<b>Uncollected taxes as a percentage of net property tax levy</b>	<b>0.7%</b>	<b>0.8%</b>	<b>0.9%</b>	<b>0.6%</b>	<b>1.1%</b>	<b>1.2%</b>	<b>1.3%</b>	<b>1.2%</b>	<b>1.1%</b>	<b>1.1%</b>

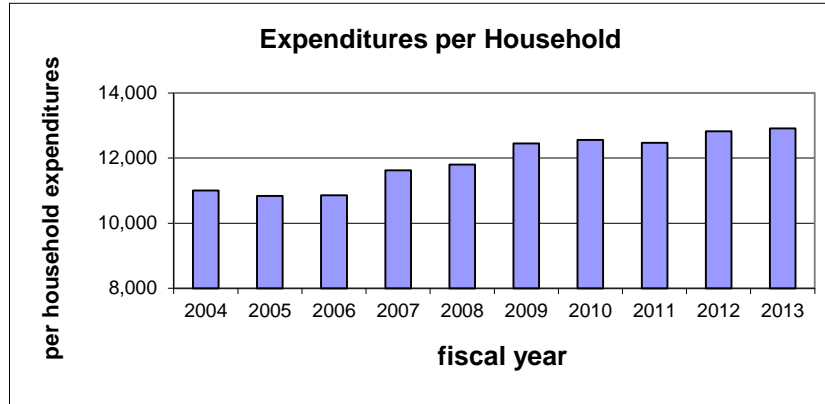
note: includes CPA surcharge beginning FY02

**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 has always maintained a positive position on this indicator, and despite the economic downturn, has shown a positive trend over the past few fiscal years.

## 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
	unfavorable
	uncertain

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

fiscal year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
School department and Minuteman	23,657,832	24,583,640	25,852,075	26,883,365	28,681,804	30,204,852	31,885,479	32,171,523	33,315,728	34,155,516
Unclassified (excluding exempt debt)	8,147,973	9,317,152	10,521,401	12,287,169	13,058,251	12,482,601	11,914,297	13,090,855	13,488,568	13,815,257
Administration and finance	1,564,259	1,694,366	1,664,113	1,913,342	2,322,914	2,102,833	2,155,132	2,224,643	2,449,451	2,408,001
Facilities Town-wide	-	-	-	-	541,614	426,499	547,325	742,305	577,352	724,956
Planning and land use	286,811	288,286	327,556	492,209	540,079	540,746	646,049	619,286	663,402	638,943
Public safety	4,774,386	4,892,682	5,060,450	5,490,445	5,517,744	5,651,779	5,697,165	5,703,795	6,077,856	6,085,745
Public works (excl. water div., incl. snow)	2,830,700	3,107,194	2,850,656	2,867,011	3,176,818	3,518,161	3,229,052	3,272,007	3,573,603	4,020,443
Health and human service (excl. BSA as of FY06)	689,603	737,715	454,793	431,296	472,802	529,860	549,221	611,325	621,280	637,715
Cultural and leisure	1,675,976	1,230,136	1,241,335	1,423,416	1,455,504	1,465,715	1,583,132	1,642,244	1,643,800	1,640,200
CPI-U, 2000 base year	114.0	118.6	122.9	123.9	131.7	127.2	128.9	133.3	134.5	137.0
CPI-U, 2000 base, adj. constant dollars	87.7%	84.3%	81.4%	80.7%	75.9%	78.6%	77.6%	75.0%	74.4%	73.0%
Net operating expenditures (constant dollars)	38,260,246	38,673,732	39,042,825	41,808,706	42,347,244	44,753,204	45,159,044	45,059,717	46,416,954	46,792,392
Households	3,477	3,569	3,596	3,597	3,589	3,595	3,595	3,613	3,618	3,624
<b>Net Operating Expenditures per Household (constant dollars)</b>	<b>11,004</b>	<b>10,836</b>	<b>10,857</b>	<b>11,623</b>	<b>11,799</b>	<b>12,449</b>	<b>12,562</b>	<b>12,472</b>	<b>12,829</b>	<b>12,912</b>

Note: Beginning in FY04, Cultural and Leisure includes the Public Library and only the General Fund contribution for Recreation.

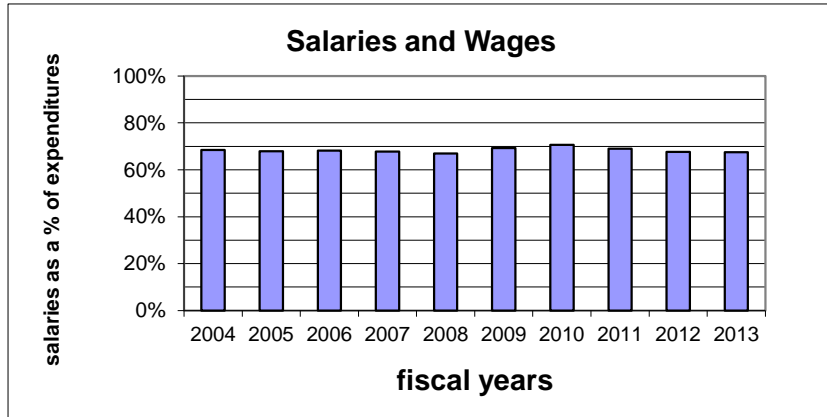
Note: Health and Human Services does not include Brook School Apartments beginning FY06, since it was made an enterprise fund.

**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).

**Outlook:** Weston's increase in expenditures has largely been related to increasing costs for personnel and benefits, however, this trend was slowed by the Town's switch in FY10 to GIC provided health plans and a reduction in the overall level of salary increase. The largest expenditure increases in FY13 were found in Public Works and Facilities Town-Wide, each of which had significant expenditures in continuing balance accounts that were created to maintain the infrastructure of the Town.

## FINANCIAL INDICATOR 7 - Salaries and Wages

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



X	favorable
	marginal
	unfavorable
	uncertain

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

fiscal year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net operating expenditures	43,627,540	45,851,171	47,972,379	51,788,253	55,767,530	56,923,046	58,206,852	60,077,983	62,411,040	64,126,776
Less: Minuteman high school	31,817	52,375	111,148	151,166	73,250	73,164	49,338	49,889	81,140	81,634
Net operating expenditures	43,595,723	45,798,796	47,861,231	51,637,087	55,694,280	56,849,882	58,157,514	60,028,094	62,329,900	64,045,142
General government and school wages	29,849,288	31,108,148	32,628,848	34,999,618	37,299,815	39,382,480	41,101,146	41,452,090	42,165,600	43,278,158
Salaries and wages as a percentage of operating expenditures	68.5%	67.9%	68.2%	67.8%	67.0%	69.3%	70.7%	69.1%	67.6%	67.6%

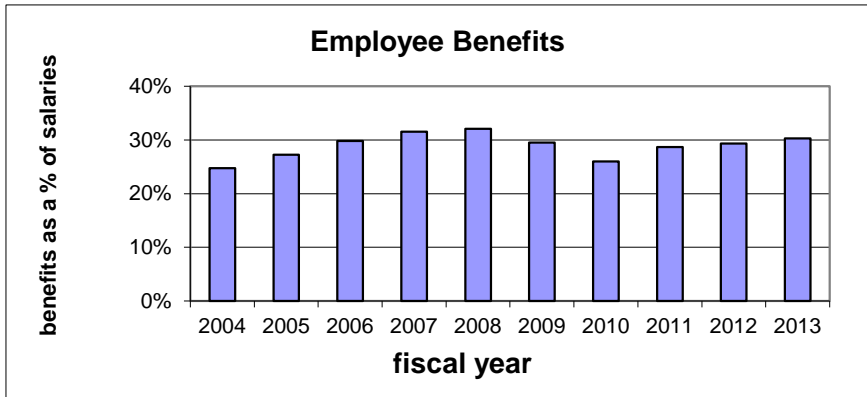
**Analysis:** Increasing salaries and wages as a percent of operating expenditures may be an indicator of two trends: First, it may point to future pension and health insurance costs since both of these items are related to the number and compensation level of employees. Second, if salaries and wages 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:** Efforts to control the rate of salary increase, mainly through collective bargaining, began in 2011 with no cost of living adjustment granted that year, and with lower than usual increases negotiated in 2012 and 2013. For fiscal year 2014, the majority of contracts are now settled, with increases ranging from 1.25-1.75%, except for the Teachers' contract, which calls for a 2.4% increase. Settlements for FY15 and FY16 range from 1.5 - 2%.



## 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
	unfavorable
	uncertain

Formula:

$$\frac{\text{Employee benefits}}{\text{wages and salaries}}$$

fiscal year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Employee benefits	7,395,434	8,472,737	9,736,482	11,038,441	11,966,324	11,633,801	10,688,623	11,891,488	12,377,929	13,121,378
Wages and salaries-general government*	8,747,549	8,934,051	8,941,273	10,180,143	10,438,788	11,111,355	11,285,704	11,330,101	11,785,685	12,110,417
Wages and salaries-schools	21,101,739	22,174,097	23,687,575	24,819,475	26,861,027	28,271,126	29,815,441	30,121,990	30,379,915	31,167,741
Total-wages and salaries	29,849,288	31,108,148	32,628,848	34,999,618	37,299,815	39,382,480	41,101,146	41,452,090	42,165,600	43,278,158
<b>Benefits spending as a percentage of wages and salaries</b>	<b>24.8%</b>	<b>27.2%</b>	<b>29.8%</b>	<b>31.5%</b>	<b>32.1%</b>	<b>29.5%</b>	<b>26.0%</b>	<b>28.7%</b>	<b>29.4%</b>	<b>30.3%</b>

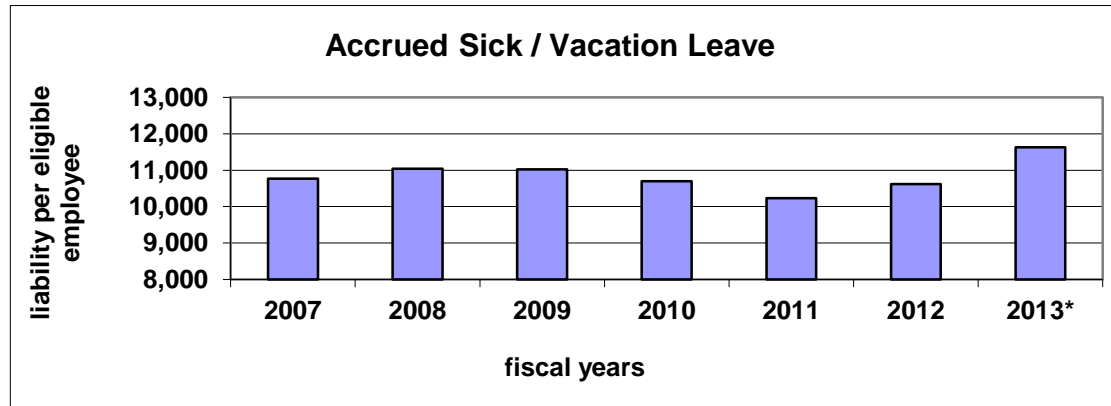
\* General Government wages and salaries includes BSA, Water and Recreation but excludes police details

**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. Despite that, benefits spending as a % of salaries has increased, primarily because of lower salary increases granted since 2011.

**Outlook:** As more municipalities in eastern Massachusetts join the GIC, premium costs may rise due to more people using higher cost Boston area medical providers; however, the GIC is taking steps to offer lower cost plans with more limited benefits. The Town's 6 year contract with the GIC expires 6/30/15. Whether or not we stay in the GIC and under what terms (i.e. change in premium contribution split) is subject to the collective bargaining process.

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

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



### Weston Trend

	favorable
X	marginal
	unfavorable
	uncertain

Formula:

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

fiscal year	2007	2008	2009	2010	2011	2012	2013*
Unfunded sick and vacation leave (per audit)	2,089,685	2,107,386	2,091,441	2,047,400	1,994,554	2,149,802	2,390,353
Amount funded (compensated absence fund bal.)	183,359	108,783	140,951	153,686	183,964	259,180	320,073
Net unfunded liability	1,906,326	1,998,603	1,950,490	1,893,714	1,810,590	1,890,622	2,070,280
Number of eligible employees	177	181	177	177	177	178	178
<b>Accrued unfunded sick/vacation liability per employee</b>	<b>10,770</b>	<b>11,042</b>	<b>11,020</b>	<b>10,699</b>	<b>10,229</b>	<b>10,621</b>	<b>11,631</b>

\*unaudited

**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, the Police Chief, and the Town Manager. 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 now begun to limit or eliminate the payment for unused sick leave in order to reduce the potential liability, however in order to apply it to most employees, it 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.



	favorable
	marginal
X	unfavorable
	uncertain

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

calendar year	2000	2002	2004	2006	2008	2010	2012
Pension assets*	23,987,645	23,079,156	23,709,310	24,953,073	31,001,714	31,583,111	32,345,383
Pension liability	38,079,848	40,999,698	47,936,250	55,649,871	63,518,002	75,443,253	85,081,793
Percent funded	63.0%	56.3%	49.5%	44.8%	48.8%	41.9%	38.0%

\*assets are prorated by community based on the entire Middlesex Retirement System and do not reflect Weston's actual contributions

**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:** The Middlesex Retirement System's actuarial study as of 1/1/12 shows the continued upward trend in the Town's pension liability with very little growth in the Town's pension assets due to a poor economic period from 1/1/10 to 1/1/12 and the actuarial smoothing done in response to the market crash in 2008. With increased scrutiny from bond rating agencies regarding unfunded pension and OPEB obligations, it may be necessary for the Town to address the unfunded liability through additional contributions to the pension reserve or voluntarily contributing more than the mandatory annual assessment.

## FINANCIAL INDICATOR 11 - Pension Benefits Paid

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



	favorable
	marginal
X	unfavorable
	uncertain

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

calendar year	2000	2002	2004	2006	2008	2010	2012
Pension assets*	23,987,645	23,079,156	23,709,310	24,953,073	31,001,714	31,583,111	32,345,383
Annual Benefits Paid	2,172,396	2,554,761	2,987,487	3,377,014	3,902,902	4,508,800	4,829,561
Percent Paid of Assets	9.1%	11.1%	12.6%	13.5%	12.6%	14.3%	14.9%

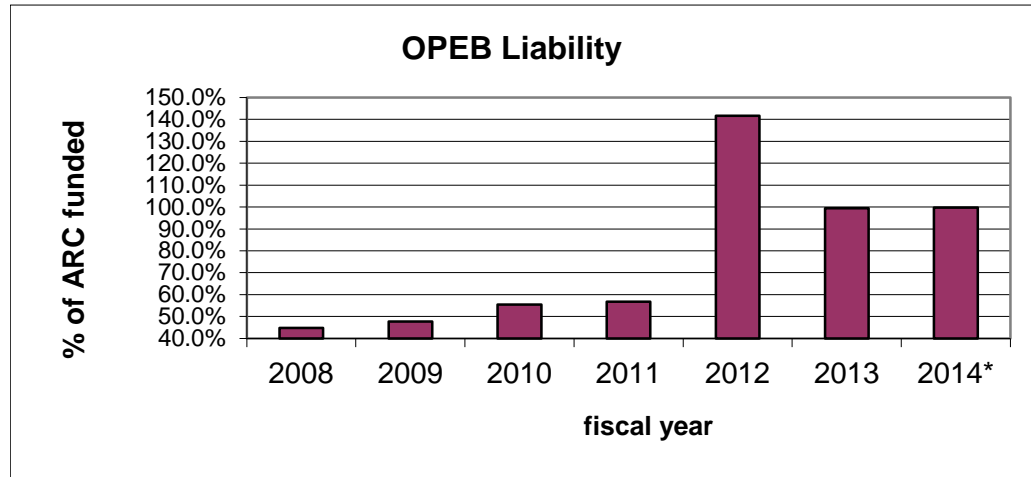
\*assets are prorated by community based on the entire Middlesex Retirement System and do not reflect Weston's actual contributions

**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 of the increase in Benefits Paid is the 20% increase in the number of Weston retirees from 2000 (185 retirees) to 2012 (222 retirees). Pension Assets are based on the Actuarial Value of the assets versus the Market Value. The market value of Middlesex Retirement System assets increased 12.32% in 2010 and 0.19% in 2011. The actuarial value of assets gradually recognizes market value fluctuations over five years; therefore the actuarial value of assets only increased 2.49% in 2010 and 1.22% in 2011. An increase in the ratio of plan benefits to assets can indicate serious problems in the management of the pension plan.

**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 2% over \$30,000. Employee contributions have increased 267% for 9% plus 2% contributors over the past 12 years. There has been a 63% reduction in the contributions of 5% and 7% employees.

## 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.



	favorable
X	marginal
	unfavorable
	uncertain

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

fiscal year	2008	2009	2010	2011	2012	2013	2014*
OPEB trust fund balance	60,000	103,800	156,820	217,792	3,510,050	4,867,924	6,818,684
Contribution to OPEB Trust Fund	30,000	40,000	50,000	60,000	3,286,313	1,606,000	1,631,367
Pay As You Go - Retiree Health Payments	2,407,843	2,694,219	1,873,202	2,000,171	2,163,847	2,203,004	2,348,908
Annual required contribution (ARC)**	5,449,403	5,729,664	3,466,896	3,628,626	3,846,696	3,828,592	3,992,798
Percent of ARC funded	44.7%	47.7%	55.5%	56.8%	141.7%	99.5%	99.7%

\*As of July, 2013 bank statements

\*\*Normal cost + 30 years amortization of unfunded actuarial accrued liability

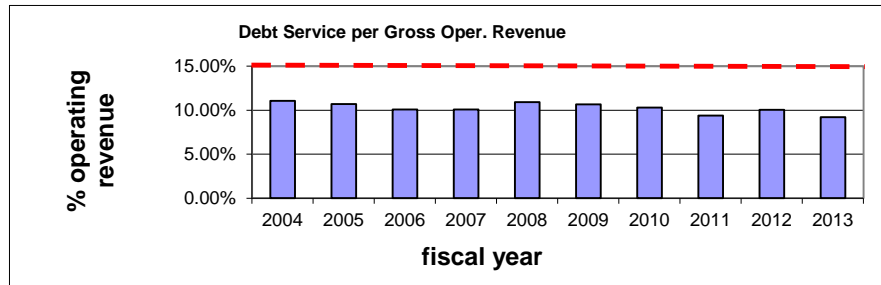
**Analysis:** Weston has been required to report its liability for post employment benefits (retiree health insurance) on its audited financial statements since fiscal year 2007. The most recent updated actuarial study has determined the long-term liability to be approximately \$79 million with no pre-funding. 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. That year's contribution was comprised of \$2 million that was transferred from the Town's health insurance trust fund and an appropriation of \$1.2 million. In fiscal year 2013, the appropriation was increased to \$1.356 million and an additional \$250,000 was approved at special town meeting. The fiscal year 2014 contribution of \$1,631,367 matched the ARC set forth in the most recent actuarial report commissioned by the Town.

**Outlook:** Although this is a significant long-term liability, Weston is a leader in funding the full ARC. As long as we continue to do this annually, we will reduce the long-term liability, which drops from \$79 million to \$47 million if fully pre-funded.

## FINANCIAL INDICATOR 13 - Debt Service

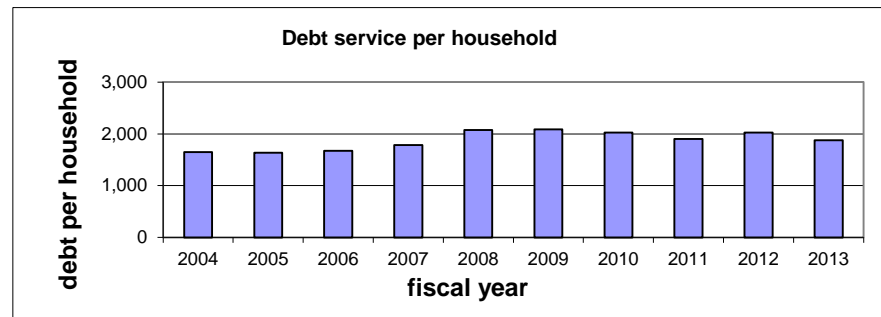
### Debt Service per Operating Revenues    Debt Service per Household

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



#### Weston Trend

X	favorable
	marginal
	unfavorable
	uncertain



#### Weston Trend

X	favorable
	marginal
	unfavorable
	uncertain

Formula:

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

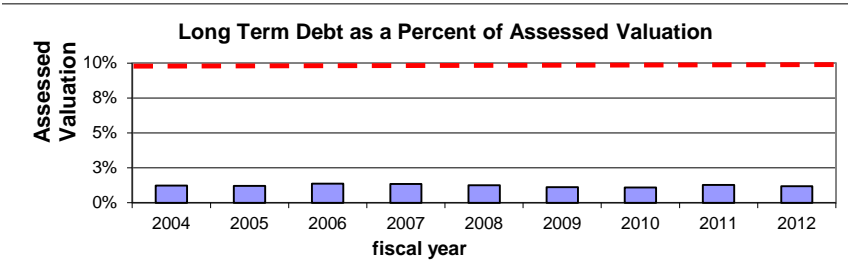
fiscal year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Exempt debt service (net of SBA)	5,599,897	5,664,033	5,929,773	6,378,930	7,391,436	7,421,531	7,205,902	6,810,118	7,266,714	6,747,256
Non exempt debt service	121,444	167,376	79,458	41,765	62,806	71,752	63,181	51,317	48,283	44,159
Total debt service	5,721,341	5,831,409	6,009,231	6,420,695	7,454,242	7,493,283	7,269,083	6,861,435	7,314,997	6,791,415
Gross operating revenues/transfers	51,727,843	54,447,205	59,714,178	63,781,914	68,327,434	70,220,100	70,641,472	73,117,964	72,957,723	73,630,500
Households	3,477	3,569	3,596	3,597	3,589	3,595	3,595	3,613	3,618	3,624
<b>Debt service as a % of gross oper. rev.</b>	<b>11.06%</b>	<b>10.71%</b>	<b>10.06%</b>	<b>10.07%</b>	<b>10.91%</b>	<b>10.67%</b>	<b>10.29%</b>	<b>9.38%</b>	<b>10.03%</b>	<b>9.22%</b>
<b>Debt service per household</b>	<b>1,645</b>	<b>1,634</b>	<b>1,671</b>	<b>1,785</b>	<b>2,077</b>	<b>2,084</b>	<b>2,022</b>	<b>1,899</b>	<b>2,022</b>	<b>1,874</b>

**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:** The Finance Committee has been monitoring this indicator and has reported the status at each town meeting proposing any significant new debt. Debt service per household is expected to peak in FY16, taking into account the projected cost of replacing the Police Station, which is the last major building project for the foreseeable future.

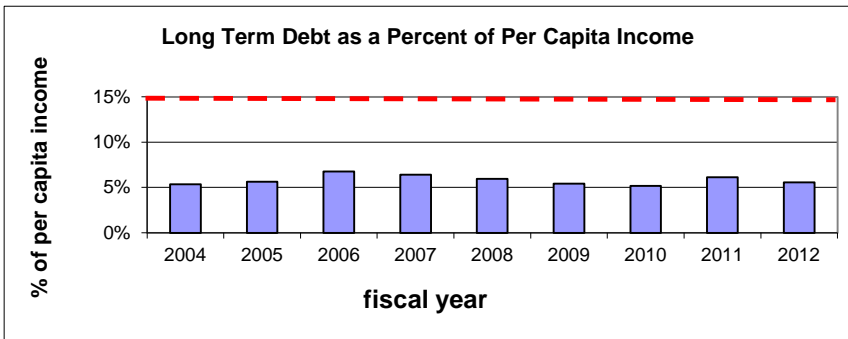
## FINANCIAL INDICATOR 14 - Long Term Debt

Overall debt exceeding 10 percent of assessed valuation is considered a warning indicator by the credit rating organizations.  
Overall debt exceeding 15 percent of per capita income is considered a warning indicator by the credit rating organizations.



**Weston Trend**

X	favorable
	marginal
	unfavorable
	uncertain



**Weston Trend**

X	favorable
	marginal
	unfavorable
	uncertain

**Formula:** 
$$\frac{\text{outstanding long term debt}}{\text{assessed valuation or per capita income}}$$

fiscal year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
outstanding long term debt	52,996,864	55,662,132	66,264,398	67,291,665	64,314,932	58,214,199	57,744,457	67,690,004	62,474,332	74,723,333
assessed valuation	4,304,171,200	4,625,622,800	4,855,540,000	5,013,872,600	5,102,207,400	5,172,262,600	5,232,011,700	5,260,804,800	5,223,472,800	5,195,430,200
per capita income est. (U.S. Census & IRS)	89,073	89,073	89,073	96,475	96,475	96,475	96,475	96,475	96,475	96,475
Long term debt as a % of assessed valuation	1.23%	1.20%	1.36%	1.34%	1.26%	1.13%	1.10%	1.29%	1.20%	1.44%
Long term debt per capita as a % of personal income per capita*	5.36%	5.64%	6.76%	6.41%	5.95%	5.40%	5.19%	6.11%	5.58%	6.69%

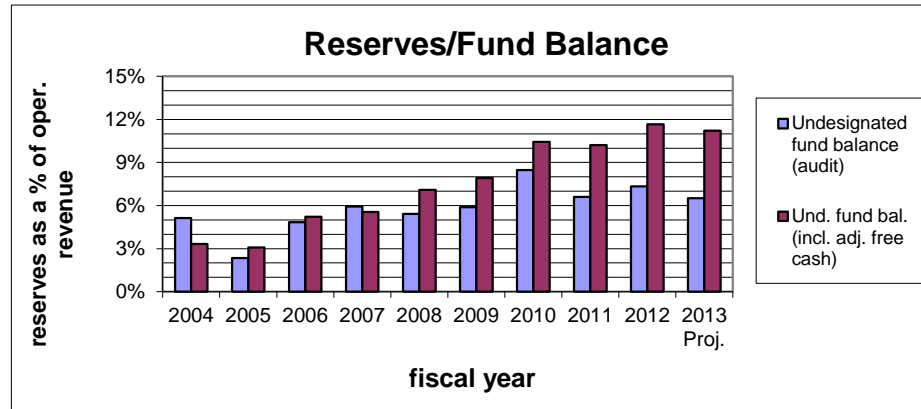
**Analysis:** These financial indicators are evaluated by the credit rating organizations because they are measures of both a community's debt burden as well as its level of effort in investing in its capital facilities. On both measures, Weston has a strong profile, and positive outlook. The per capita income figures come from the U.S. Census Bureau's 5-Year Estimates which are weighted and are significantly more conservative than the MassDOR's Division of Local Services per capita income calculation.

**Outlook:** Outstanding long term debt is expected to peak in FY15 at approximately \$93 million when bonds have been issued for all of the previously approved and currently anticipated (including the Police Station) capital projects approved by the Town. Even in this peak year, the long term debt as a percent of assessed value will be under 2% and the longer term debt as a percent of per capita income will be under 9% (assuming no increase in per capita income).

## 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 5-15 percent of



### Weston Trend

X	favorable
	marginal
	unfavorable
	uncertain

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

fiscal year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 Proj.
Undesignated fund balance (audit)	2,500,970	1,264,980	2,772,800	3,604,523	3,407,326	3,741,518	5,624,582	4,331,313	4,901,251	4,459,884
Und. fund bal. (incl. adj. free cash)	1,467,051	1,248,088	2,366,638	2,469,546	3,153,673	2,948,558	4,255,473	3,463,758	3,853,659	3,318,323
Stabilization fund	12,160	12,421	116,975	512,421	825,092	1,132,577	1,404,907	1,695,880	1,975,743	2,234,505
Other Reserves	140,931	391,691	516,007	391,740	470,650	942,477	1,256,397	1,556,022	1,977,335	2,141,710
Net operating revenues	46,127,946	48,783,172	53,784,405	57,402,984	60,863,735	62,828,664	63,435,564	66,307,846	65,691,009	66,883,244
<b>Undesignated fund balance as a % of net operating revenues*</b>	<b>5.1%</b>	<b>2.4%</b>	<b>4.8%</b>	<b>5.9%</b>	<b>5.4%</b>	<b>5.9%</b>	<b>8.5%</b>	<b>6.6%</b>	<b>7.3%</b>	<b>6.5%</b>
<b>Free cash + Stabilization fund + Other Reserves as a % of net operating revenue*</b>	<b>3.3%</b>	<b>3.1%</b>	<b>5.2%</b>	<b>5.5%</b>	<b>7.1%</b>	<b>7.9%</b>	<b>10.4%</b>	<b>10.2%</b>	<b>11.7%</b>	<b>11.2%</b>

\* Calculated on net revenue in next FY

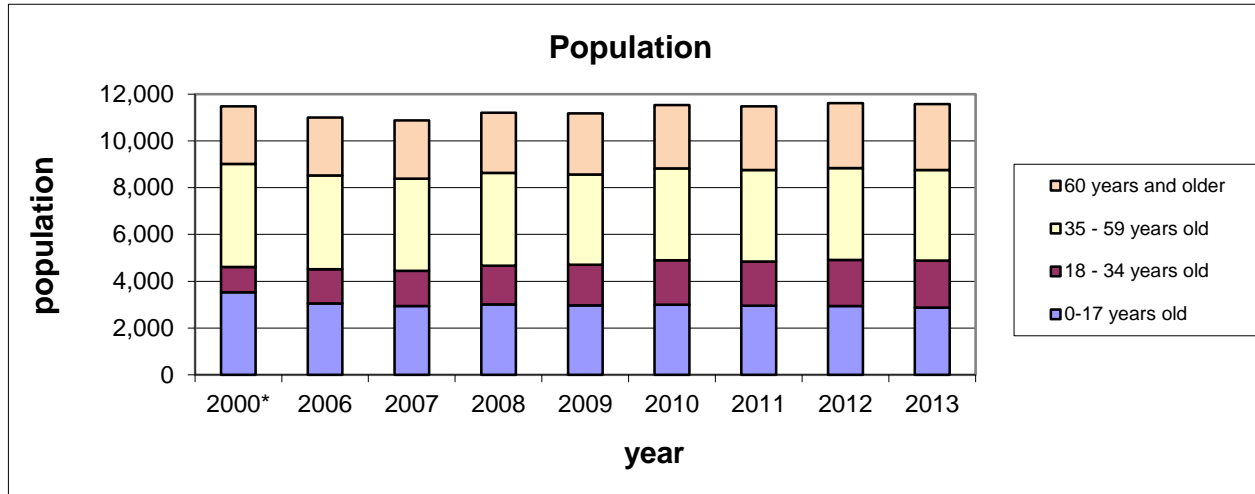
**Analysis:** Undesignated Fund Balance and Free Cash are two similar measures of the Town's reserves. The first figure is from the Town's audited balance sheet while the latter is certified by the Department of Revenue. Reserves are one measure of the Town's ability to withstand financial emergencies and changes in the economy. It has been the Town's practice to appropriate 75 percent or more of its free cash balance each year for operating budget purposes, leaving little as a true reserve. Instead, 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.

**Outlook:** Reserve targets need to be updated over time to keep up with growing net operating revenues.



# FINANCIAL INDICATOR 16 - Population

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



	favorable
X	marginal
	unfavorable
	uncertain

**Formula:**

(shown in table and graph)  
Population by age group

(shown in table only)  
Number of public school students

year	2000*	2006	2007	2008	2009	2010	2011	2012	2013
0-17 years old	3,532	3,048	2,941	3,015	2,971	3,000	2,954	2,945	2,870
18 - 34 years old	1,084	1,470	1,501	1,651	1,733	1,892	1,883	1,968	2,008
35 - 59 years old	4,390	4,003	3,935	3,959	3,858	3,933	3,911	3,928	3,872
60 years and older	2,463	2,473	2,496	2,572	2,604	2,702	2,723	2,763	2,814
unknown	0	5	2	1	0	7	7	4	16
<b>Total</b>	<b>11,469</b>	<b>10,999</b>	<b>10,875</b>	<b>11,198</b>	<b>11,166</b>	<b>11,534</b>	<b>11,478</b>	<b>11,608</b>	<b>11,580</b>
students in Weston public schools	2,220	2,355	2,395	2,416	2,349	2,332	2,304	2,322	2,281

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

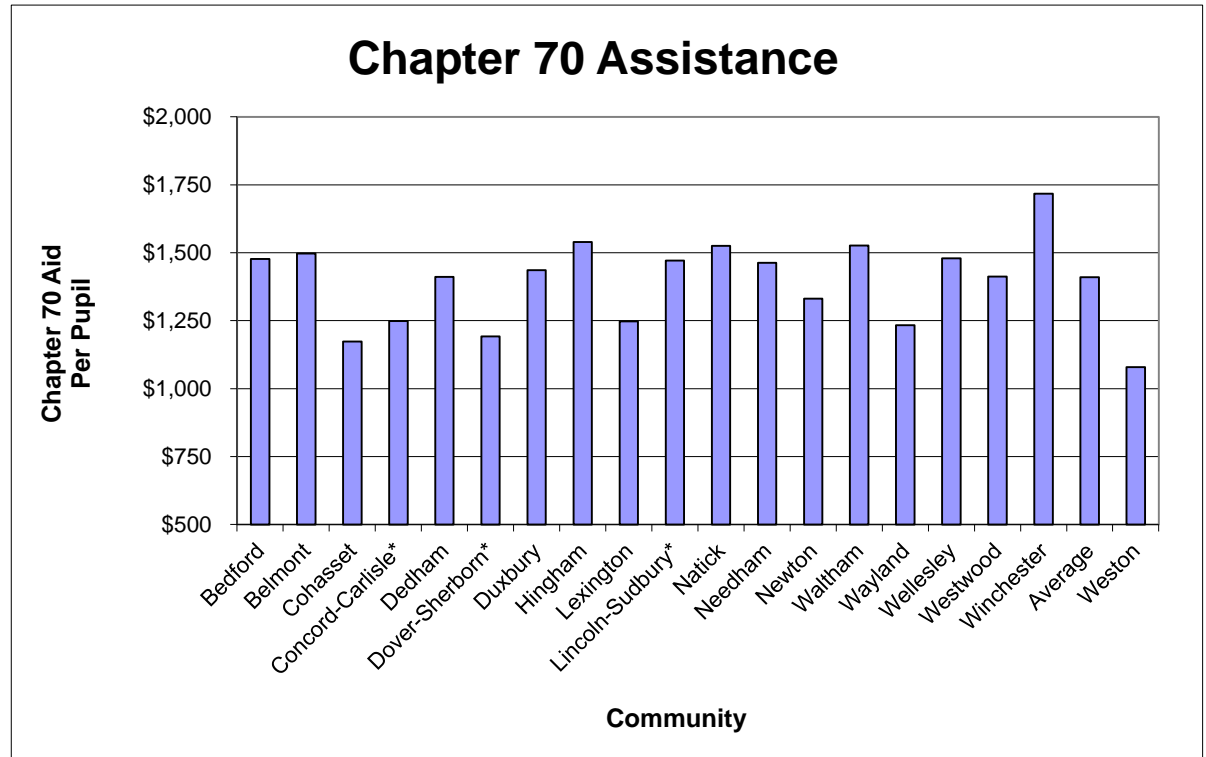
**Analysis:** Weston's 2013 population dipped slightly from 2012 which represented a new high since 2000. The school-aged population of the Town has dropped over the past 3 years, while the student population for Weston's public schools dropped by about 2% in 2013. A decrease in students can reduce expenditures, 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. The 60 years and older group has risen again, marking a 14% increase since 2000.

**Outlook:** As the baby boomers age, the population of residents 60 years of age and older has steadily increased, creating additional demand for Council on Aging services.

## Supplemental Data 1 - Chapter 70 Assistance

	Students as of 5/13	FY13 Chapter 70 Aid	State Aid per Pupil
Bedford	2,525	\$ 3,729,646	\$ 1,477
Belmont	3,823	5,724,243	\$ 1,497
Cohasset	1,466	1,720,297	\$ 1,173
Concord-Carlisle*	3,784	4,726,779	\$ 1,249
Dedham	2,757	3,890,648	\$ 1,411
Dover-Sherborn*	2,137	2,546,419	\$ 1,192
Duxbury	3,143	4,513,610	\$ 1,436
Hingham	4,048	6,234,052	\$ 1,540
Lexington	6,314	7,876,799	\$ 1,248
Lincoln-Sudbury*	5,219	7,677,711	\$ 1,471
Natick	5,009	7,640,286	\$ 1,525
Needham	5,219	7,633,990	\$ 1,463
Newton	12,150	16,173,152	\$ 1,331
Waltham	5,045	7,701,998	\$ 1,527
Wayland	2,635	3,250,268	\$ 1,233
Wellesley	5,002	7,402,108	\$ 1,480
Westwood	3,103	4,382,005	\$ 1,412
Winchester	4,172	7,166,699	\$ 1,718
<b>Average</b>			<b>\$ 1,410</b>
<b>Weston</b>	<b>2,328</b>	<b>\$ 2,512,979</b>	<b>\$ 1,079</b>

\*includes Ch. 70 aid to both regional and local district

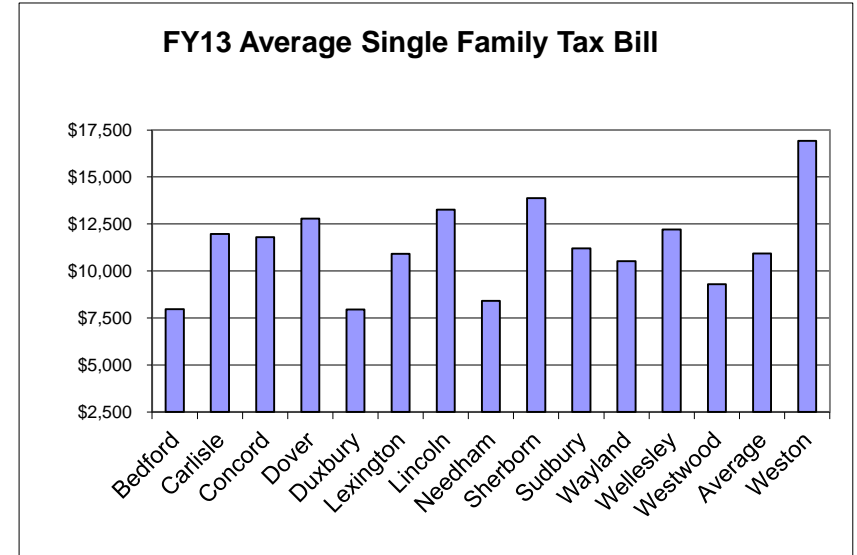


**Analysis:** The Chapter 70 formula is based on a variety of educational factors and is used by the State for determining the distribution of certain State aid received by Weston. Weston spends about \$19,000 per pupil on education, and state aid contributes less than 6 percent of that amount. Weston's Chapter 70 aid increased from FY06 to FY09, was reduced in FY10 and FY11, and has seen slight increases in FY12 and FY13.

**Outlook:** The Town recognizes that future increases in Chapter 70 Assistance are unlikely and has planned accordingly.

## Supplemental Data 2 - FY13 Average Single Family Tax Bill

	Average Single Family Value 2012	Average Single Family Value 2013	Percent Change in Value	Residential Tax Rate FY2012	Residential Tax Rate FY2013	Percent Change in Rate	Average Single Family Tax Bill 2012	Average Single Family Tax Bill 2013	Percent Change in Tax Bill
Bedford	518,274	518,113	0.0%	15.21	15.37	1.1%	7,883	<b>\$ 7,963</b>	<b>1.02%</b>
Carlisle	694,282	676,475	-2.6%	17.14	17.68	3.2%	11,900	<b>11,960</b>	<b>0.50%</b>
Concord	851,546	838,804	-1.5%	13.58	14.07	3.6%	11,564	<b>11,802</b>	<b>2.06%</b>
Dover	1,039,430	999,240	-3.9%	11.92	12.80	7.4%	12,390	<b>12,790</b>	<b>3.23%</b>
Duxbury	556,941	560,042	0.6%	13.79	14.19	2.9%	7,680	<b>7,947</b>	<b>3.47%</b>
Lexington	697,462	717,526	2.9%	14.97	15.20	1.5%	10,441	<b>10,906</b>	<b>4.46%</b>
Lincoln	964,663	931,439	-3.4%	13.81	14.23	3.0%	13,322	<b>13,254</b>	<b>-0.51%</b>
Needham	737,436	744,764	1.0%	10.95	11.30	3.2%	8,075	<b>8,416</b>	<b>4.22%</b>
Sherborn	742,810	704,016	-5.2%	18.22	19.72	8.2%	13,534	<b>13,883</b>	<b>2.58%</b>
Sudbury	621,420	622,862	0.2%	17.60	17.99	2.2%	10,937	<b>11,205</b>	<b>2.45%</b>
Wayland	593,056	588,530	-0.8%	19.01	17.89	-5.9%	11,274	<b>10,529</b>	<b>-6.61%</b>
Wellesley	1,033,101	1,042,604	0.9%	11.48	11.70	1.9%	11,860	<b>12,198</b>	<b>2.85%</b>
Westwood	622,875	623,722	0.1%	14.48	14.89	2.8%	9,019	<b>9,287</b>	<b>2.97%</b>
<b>Average</b>	<b>744,100</b>	<b>736,011</b>	<b>-0.9%</b>	<b>14.78</b>	<b>15.16</b>	<b>2.7%</b>	<b>10,760</b>	<b>10,934</b>	<b>1.62%</b>
<b>Weston</b>	<b>1,374,319</b>	<b>1,364,557</b>	<b>-0.7%</b>	<b>12.11</b>	<b>12.40</b>	<b>2.4%</b>	<b>16,643</b>	<b>16,921</b>	<b>1.67%</b>



**Analysis:** Weston's tax bill remains the highest among its comparable communities, in large part because the average single family value is 30.9% higher than the next highest average value (Wellesley). The Town's 2.4% increase in tax rate from 2012 to 2013 was consistent with the average increase of these comparable communities.

## Notes on Projection

### FY15:

1. For collective bargaining agreements that are settled for FY15, the rate of increase ranges from 1.5 - 2%.
2. The amount budgeted for the Middlesex Retirement System is the actual amount to be assessed.
3. The budget for Health Insurance assumes a 4% increase in GIC premiums, but a decision on actual premium rates will not be made by the GIC until March.
4. This projection includes continued full implementation of the reserve policy, with funding beyond the original recommendation for the stabilization fund.
5. There is an amount included to fund the Town's OPEB liability in accordance with the most recent actuarial valuation.
6. No new non-exempt debt service has been added.
7. The amount for cash capital has been reduced by the amount of the Fire Pumper funded in FY14.
8. The budget projection for FY15 is based on maintaining the current level of services provided by Town departments. In order to implement a "level tax bill" budget, cuts in service would be required.
9. A comprehensive revenue projection has not yet been made, but it is assumed that state aid, other than school construction reimbursement payments, will be reduced by 5%.

### FY16 and FY17:

1. For collective bargaining agreements that are settled for FY16, the rate of increase ranges from 1.55 - 2%. There are no contracts settled for FY17.
2. Expenses are increased by 2% in each year; employee benefits are increased by approximately 6% in each year.
3. Implementation of the reserve policy continues, with funding beyond the original recommendation for the stabilization fund.
4. In order to balance the FY15 "level tax bill" budget to develop the projected budget for FY16, a lump sum expenditure reduction has been made to resolve the shortfall. In Scenario 2 for FY16, in order to balance the projected budget to develop the projected budget for FY17, the shortfall has been handled by making a lump sum budget reduction in half the amount and applying increased revenues to cover the other half.