



Financial Summit
Weston Board of Selectmen
October 29, 2012
8:00 a.m. – 9:00 a.m.



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Based on: Evaluating Financial Condition, ICMA, 2003

Executive Summary

1. Assuming a level service budget, we are projecting a budget gap of approximately \$379,000 in FY2014.
2. Assuming no significant improvement in the economy, the FY2015 budget gap is projected to be approximately \$493,000.
3. Assuming a slight improvement in the economy, the FY2016 budget gap is projected to be approximately \$471,000.
4. 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 is being made to increase reserves.
- See Financial Indicator 2 – State Aid
 - State aid as a percentage of operating revenues decreased from 2009-2011, with small increases in 2012 and 2013. The Town cannot depend on any significant increase in State Aid.
- See Financial Indicator 3 – Revenues Related to Economic Growth
 - Economic growth revenues as a percentage of total revenues has decreased in the last 8 years.
 - 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 14 – Reserves/Fund Balance
 - The target reserve amount for the Stabilization Fund was funded as planned in FY2013; however, the target should now be increased.
 - Weston's current reserves have steadily increased. In FY2012, Weston is approximately at the midpoint of the level recommended by rating agencies, or 7.4% of operating revenues. If other reserve accounts are included, the total is approximately 11.6%.
 - Continue funding of reserves in accordance with the Reserve Policy; continue to fund stabilization fund contribution beyond target date.

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 FY2012 increase is primarily due to the first significant (\$1.2 million) appropriation to fund the Town’s OPEB liability.
- 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. The next round of negotiations is critical.

Employee Benefits

- See Financial Indicator 10 – Pension Liability (Middlesex Retirement System)
 - We are awaiting results of the 2012 actuarial study for more current information. The Town’s pension liability must be funded by 2035.
- See Financial Indicator 11 - OPEB Liability
 - Beginning in FY2012, a significant effort has been made to start funding the long-term OPEB liability.

Debt

- See Financial Indicator 12 – 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 13 – 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 15 – Population
 - As the baby boomers age, increasing senior population is creating additional demand for services

**TOWN OF WESTON
REVENUE AND EXPENDITURE PROJECTION - FY13-FY16**

	FY13	FY14		Scenario 1 FY15		Scenario 2 FY15		FY16	
	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
Expenditures									
<u>Salaries</u>									
General Government	11,069,101	11,401,174	3.0%	11,743,209	3.0%	11,743,209	3.0%	12,095,506	3.0%
Education	29,558,347	30,753,930	4.0%	31,984,087	4.0%	31,984,087	4.0%	33,263,451	4.0%
sub-total Salaries	40,627,448	42,155,104	3.8%	43,727,296	3.7%	43,727,296	3.7%	45,358,956	3.7%
<u>Employee Benefits</u>									
Group Insurance & Medicare	9,492,063	9,966,666	5.0%	10,464,999	5.0%	10,464,999	5.0%	10,988,249	5.0%
Retirement Systems	3,648,094	3,939,942	8.0%	4,255,137	8.0%	4,255,137	8.0%	4,595,548	8.0%
Workers' Comp & Unemployment	370,000	381,100	3.0%	392,533	3.0%	392,533	3.0%	404,309	3.0%
sub-total Employee Benefits	13,510,157	14,287,708	5.8%	15,112,669	5.8%	15,112,669	5.8%	15,988,106	5.8%
<u>Other Unclassified</u>									
Insurance, Property & Liability	300,000	306,000	2.0%	312,120	2.0%	312,120	2.0%	318,362	2.0%
Street Lighting	54,000	44,000	-18.5%	44,880	2.0%	44,880	2.0%	45,778	2.0%
<u>All Other</u>									
General Government	4,889,881	4,987,679	2.0%	5,087,432	2.0%	5,087,432	2.0%	5,189,181	2.0%
Education	4,823,172	4,806,448	-0.3%	4,902,577	2.0%	4,902,577	2.0%	5,000,628	2.0%
Non-Excluded Debt Service	53,859	46,968	-12.8%	35,640	-24.1%	35,640	-24.1%	35,180	-1.3%
sub-total All Other	9,766,912	9,841,095	0.8%	10,025,649	1.9%	10,025,649	1.9%	10,224,989	2.0%
<u>Reserves</u>									
Finance Committee Reserve Fund	530,000	537,950	1.5%	548,709	2.0%	548,709	2.0%	559,683	2.0%
Facilities Maintenance	418,950	439,898	5.0%	461,892	5.0%	461,892	5.0%	484,987	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	1,606,000	1,631,367	1.6%	1,624,954	-0.4%	1,624,954	-0.4%	1,623,761	-0.1%
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	100,000	100,000	0.0%	100,000	0.0%	100,000	0.0%	100,000	0.0%
sub-total Reserves	2,924,950	2,979,215	1.9%	3,005,555	0.9%	3,005,555	0.9%	3,038,431	1.1%
<u>Budget Reduction</u>				(378,974)		(525,270)		(525,270)	
Total Expenditures	67,183,467	69,613,121	3.6%	71,849,196	3.2%	71,702,900	3.0%	74,449,353	3.6%

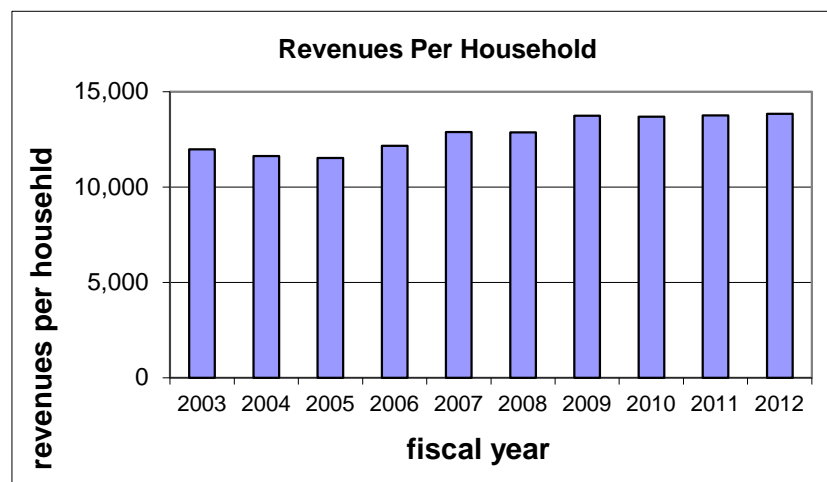
**TOWN OF WESTON
REVENUE AND EXPENDITURE PROJECTION - FY13-FY16**

	FY13	FY14		Scenario 1 FY15		Scenario 2 FY15		FY16	
	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
Revenue									
Property Tax Levy	57,766,794	60,030,964	3.9%	62,146,738	3.5%	62,146,738	3.5%	64,315,406	3.5%
- New Growth	800,000	600,000	-25.0%	600,000	0.0%	600,000	0.0%	600,000	0.0%
- Unused Levy Capacity	(800,000)	(600,000)		(600,000)		(600,000)	0.0%	(600,000)	
- Override	-	-		-		-		-	
State Aid	3,729,721	3,583,165	-3.9%	3,583,165	0.0%	3,583,165	0.0%	3,683,165	2.8%
Local Receipts	4,432,652	4,432,652	0.0%	4,432,652	0.0%	4,432,652	0.0%	4,432,652	0.0%
Prior Year Balances/Other	2,851,000	2,816,000	-1.2%	2,816,000	0.0%	2,816,000	0.0%	2,816,000	0.0%
Revenue Offsets	(2,033,484)	(2,074,154)	2.0%	(2,074,154)	0.0%	(2,074,154)	0.0%	(2,074,154)	0.0%
Other Revenues	436,784	445,520	2.0%	452,203	1.5%	452,203	1.5%	458,986	1.5%
<u>Revenue Increase</u>						346,296		346,296	
Total Revenue	67,183,467	69,234,147	3.1%	71,356,604	3.1%	71,702,900	3.6%	73,978,352	3.2%
Budget Surplus (Deficit)	-	(378,974)		(492,593)		-		(471,001)	
<i>Exempt Debt Service - Estimated</i>	6,650,274	8,037,186	20.9%	9,393,402	16.9%			10,118,649	7.7%
<i>Estimated Levy Increase*</i>	64,417,068	68,068,150	5.7%	71,540,140	5.1%			74,434,055	4.0%

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

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
	unfavorable
	uncertain

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

fiscal year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Gross operating revenues/transfers	51,553,335	51,727,843	54,447,205	59,714,178	63,781,914	68,327,434	70,220,100	70,641,472	73,117,964	74,742,471
Less: excluded debt	5,556,443	5,599,897	5,664,033	5,929,773	6,378,930	7,463,699	7,391,436	7,205,908	6,810,118	7,410,596
Net operating revenues	45,996,892	46,127,946	48,783,172	53,784,405	57,402,984	60,863,735	62,828,664	63,435,564	66,307,846	67,331,875
CPI-U, 2000 base year	110.8	114.0	118.6	122.9	123.9	131.7	127.2	128.9	133.3	134.5
CPI-U, 2000 base, adj. constant dollars	90.2%	87.7%	84.3%	81.4%	80.7%	75.9%	78.6%	77.6%	75.0%	74.4%
Net operating revenues (constant dollars)	41,510,496	40,453,038	41,146,764	43,773,003	46,341,484	46,217,063	49,396,232	49,215,673	49,732,242	50,076,726
Households (taxable parcels w/dwelling)	3,466	3,477	3,569	3,596	3,597	3,589	3,595	3,595	3,613	3,618
Net Operating Revenues per Household (constant dollars)	11,976	11,634	11,529	12,173	12,883	12,877	13,740	13,690	13,765	13,841
Percent change from prior year	4.67%	-2.86%	-0.91%	5.58%	5.84%	-0.05%	6.70%	-0.37%	0.55%	0.55%

from audited financial statements except 2012

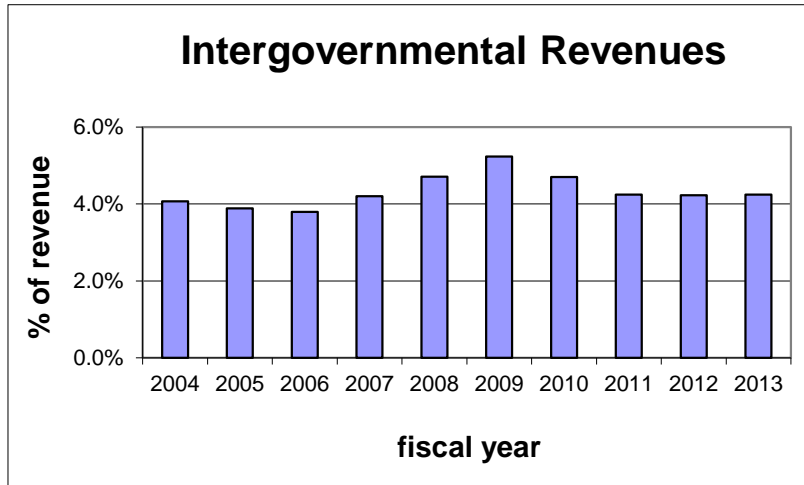
Analysis: Revenues per Household is one measure of the Town's ability to maintain existing service levels. For most general government services, costs increase as the number of households increase. For education, the number of students is a more appropriate measure. Weston's revenue growth, in constant 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). The drop in net operating revenue in 2010 is related to the reduction in motor vehicle excise tax revenue for that year, which has since bounced back. Property tax increases are the bulk of operating revenues.

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:

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

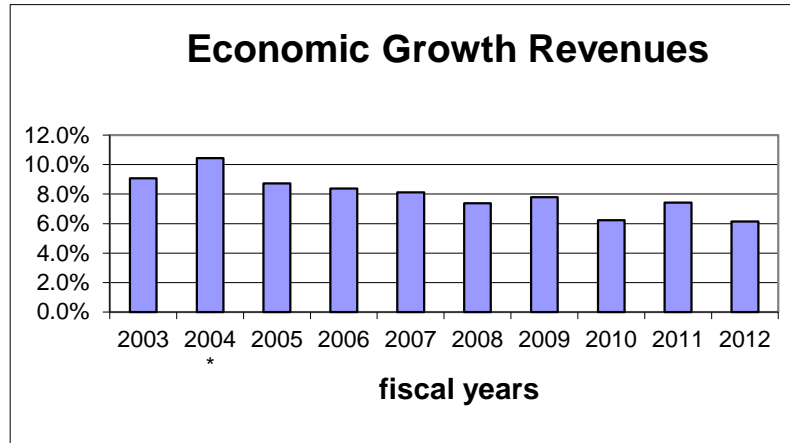
fiscal year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net operating revenues	46,127,946	48,783,172	53,784,405	57,402,984	60,863,735	62,828,664	63,435,564	66,307,846	67,331,875	69,077,271
State Aid (Cherry Sheet) revenues*	3,078,464	3,110,804	3,255,599	3,723,873	4,295,040	4,722,852	4,435,150	4,269,484	3,664,945	3,747,352
Less: School building reimbursements	1,201,321	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
Net State aid revenues	1,877,143	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
State aid as a percentage of operating revenues	4.1%	3.9%	3.8%	4.2%	4.7%	5.2%	4.7%	4.2%	4.2%	4.2%

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, with small increases in 2012 and 2013. 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.



	favorable
X	marginal
	unfavorable
	uncertain

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

fiscal year	2003	2004 *	2005	2006	2007	2008	2009	2010	2011	2012
Net (non-exempt) operating revenues	45,996,892	46,127,946	48,783,172	53,784,405	57,402,984	60,863,735	62,828,664	63,435,564	66,307,846	67,331,875
Building permit fees	626,495	609,800	770,944	862,343	787,734	838,047	1,184,174	800,122	843,286	824,166
Motor vehicle excise	2,321,061	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
Tax levy from new construction	1,222,514	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
Total: economic growth revenues	4,170,070	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
Economic Growth revenues as a percentage of operating revenues	9.1%	10.4%	8.7%	8.4%	8.1%	7.4%	7.8%	6.2%	7.4%	6.1%

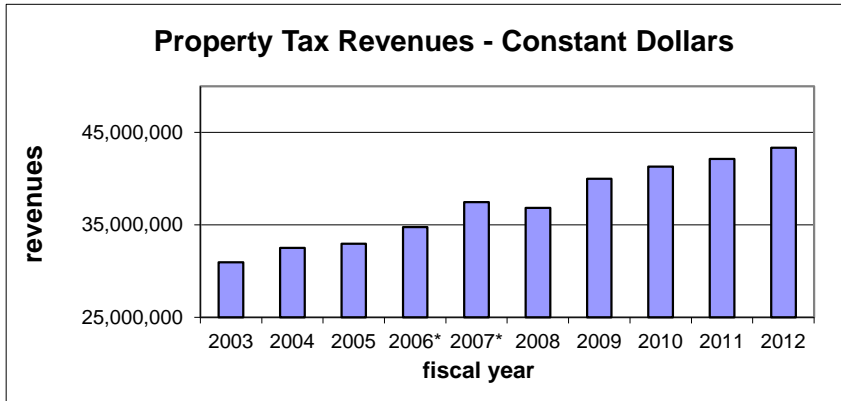
* FY2004 increase in the tax levy from new construction includes 18 months of new growth instead of 12.

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 effects 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. In FY12, motor vehicle excise revenue was just below the previous 5 year average and building permit fees saw a 2.3% decrease, while new growth decreased significantly, reducing the Town's flexibility with regard to the FY13 budget.

Outlook: New growth may see a slight decrease again in FY13, 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	2003	2004	2005	2006*	2007*	2008	2009	2010	2011	2012
Property tax levy limit (incl. unused levy capacity)	40,876,375	43,824,936	45,880,523	49,962,268	54,173,687	57,473,411	59,823,045	62,051,614	64,605,673	67,352,670
Less: debt exemptions	5,556,443	5,599,897	5,664,033	5,929,773	6,378,930	7,463,699	7,391,436	7,205,908	6,810,118	7,410,596
Less: community preservation act surcharge	1,044,068	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
Net property tax revenues	34,275,864	37,077,518	39,056,202	42,717,674	46,411,854	48,521,712	50,856,819	53,239,896	56,173,189	58,266,584
CPI-U, 2000 base year	110.8	114.0	118.6	122.9	123.9	131.7	127.2	128.9	133.3	134.5
CPI-U, 2000 base, adj. constant dollars	90.2%	87.7%	84.3%	81.4%	80.7%	75.9%	78.6%	77.6%	75.0%	74.4%
Property tax revenues (constant dollars)	30,932,701	32,516,042	32,942,432	34,766,228	37,468,334	36,845,110	39,983,904	41,305,494	42,131,042	43,334,598
Percent increase over prior year (constant dollars)	2%	5%	1%	6%	8%	-2%	9%	3%	2%	3%
* Prop. 2 1/2 override approved	0	0	0	1,370,000	1,100,000	0	0	0	0	0

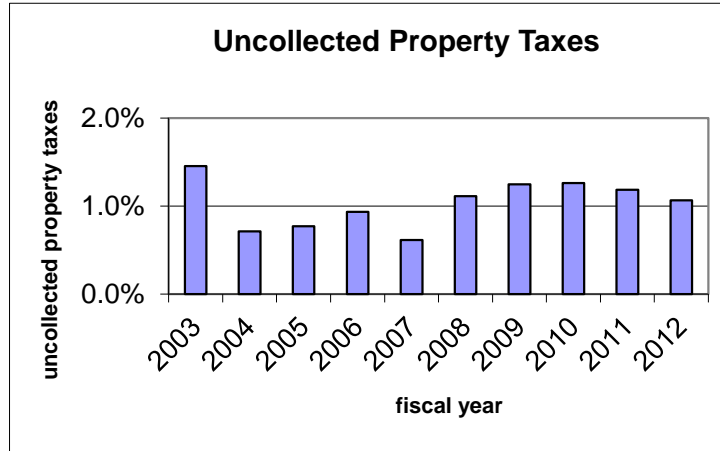
The substantial increase in the property tax levy in FY04 is due to a change in the "new growth" formula whereby 18 months of new construction was added to the tax base rather than 12 months.

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 still a strong reliance on the property tax as the primary source of revenue.

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Property tax levy (actual tax levy)	40,617,451	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
Reserved for abatements and exemptions	405,149	474,956	425,009	400,586	410,128	442,790	436,493	385,361	423,816	458,354
Net property tax levy	40,212,302	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
Uncollected taxes as of June 30	585,008	292,681	334,460	448,429	314,093	600,281	705,134	729,004	705,380	668,147
Uncollected taxes as a percentage of net property tax levy	1.5%	0.7%	0.8%	0.9%	0.6%	1.1%	1.2%	1.3%	1.2%	1.1%

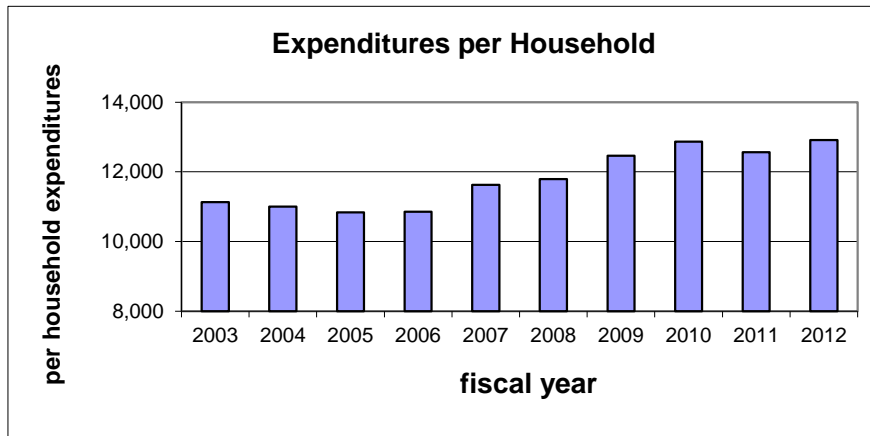
note: includes CPA surcharge beginning FY02

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 3 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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
School department and Minuteman	24,123,175	23,657,832	24,583,640	25,852,075	26,883,365	28,769,078	30,204,852	31,885,479	32,121,705	33,079,818
Unclassified (excluding exempt debt)	7,033,494	8,147,973	9,317,152	10,521,401	12,287,169	13,202,121	12,806,997	13,073,608	13,205,290	14,450,569
Administration and finance	1,587,849	1,564,259	1,694,366	1,664,113	1,913,342	2,002,027	2,074,517	2,105,468	2,117,420	2,280,792
Facilities Town-wide	-	-	-	-	-	541,614	426,499	547,325	742,305	578,335
Planning and land use	273,352	286,811	288,286	327,556	492,209	535,740	542,515	646,049	619,286	663,402
Public safety	4,628,689	4,774,386	4,892,682	5,060,450	5,490,445	5,582,497	5,745,552	5,874,526	6,201,927	5,976,349
Public works (excl. water div., incl. snow)	2,911,743	2,830,700	3,107,194	2,850,656	2,867,011	3,162,058	3,147,745	3,316,572	3,272,007	3,534,068
Health and human service (excl. BSA as of FY06)	652,825	689,603	737,715	454,793	431,296	467,744	504,981	552,479	611,325	621,279
Cultural and leisure	1,546,560	1,675,976	1,230,136	1,241,335	1,423,416	1,455,012	1,528,665	1,637,756	1,642,244	1,643,800
Net operating expenditures	42,757,687	43,627,540	45,851,171	47,972,379	51,788,253	55,717,891	56,982,323	59,639,263	60,533,509	62,828,412
CPI-U, 2000 base year	110.8	114.0	118.6	122.9	123.9	131.7	127.2	128.9	133.3	134.5
CPI-U, 2000 base, adj. constant dollars	90.2%	87.7%	84.3%	81.4%	80.7%	75.9%	78.6%	77.6%	75.0%	74.4%
Net operating expenditures (constant dollars)	38,587,233	38,260,246	38,673,732	39,042,825	41,808,706	42,309,551	44,799,808	46,270,361	45,401,371	46,727,366
Households	3,466	3,477	3,569	3,596	3,597	3,589	3,595	3,595	3,613	3,618
Net Operating Expenditures per Household (constant dollars)	11,133	11,004	10,836	10,857	11,623	11,789	12,462	12,871	12,566	12,915

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

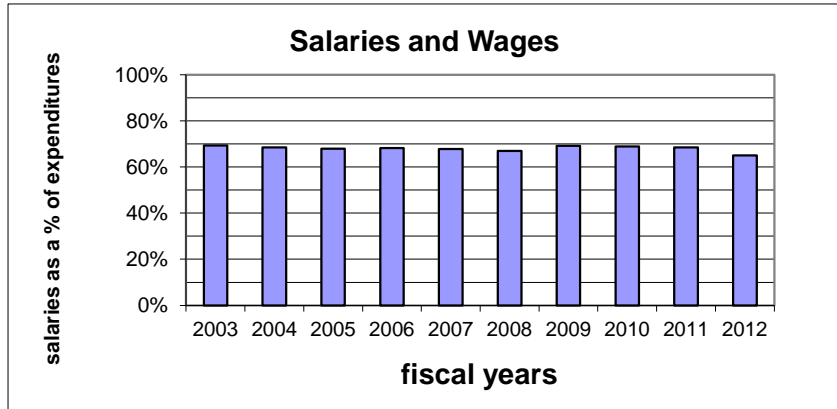
Note: Health and Human Services does not include Brook School Apartments beginning FY06, since it was made an enterprise fund.

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 increase in FY2012 is primarily due to the first significant appropriation (\$1.2 million) made to fund the Town's OPEB liability.

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

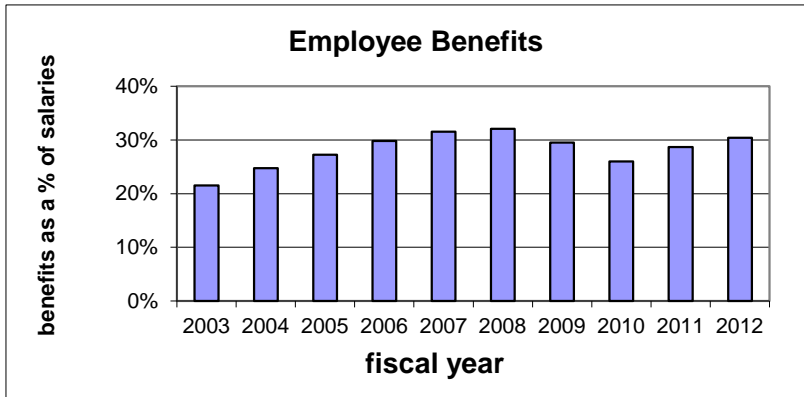
fiscal year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net operating expenditures	42,757,687	43,627,540	45,851,171	47,972,379	51,788,253	55,717,891	56,982,323	59,639,263	60,533,509	62,828,412
Less: Minuteman high school	67,952	31,817	52,375	111,148	151,166	73,250	73,164	49,338	49,889	74,819
Net operating expenditures	42,689,735	43,595,723	45,798,796	47,861,231	51,637,087	55,644,641	56,909,159	59,589,925	60,483,620	62,753,593
General government and school wages	29,598,331	29,849,288	31,108,148	32,628,848	34,999,618	37,299,815	39,382,480	41,101,146	41,452,090	40,784,630
Salaries and wages as a percentage of operating expenditures	69.3%	68.5%	67.9%	68.2%	67.8%	67.0%	69.2%	69.0%	68.5%	65.0%

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, were realized in 2011, with lower than usual increases negotiated in 2012 and 2013. The majority of the Town's collective bargaining agreements expire 6/30/13 and must be renegotiated.

FINANCIAL INDICATOR 8 - Employee Benefits

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



	favorable
X	marginal
	unfavorable
	uncertain

Formula:

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

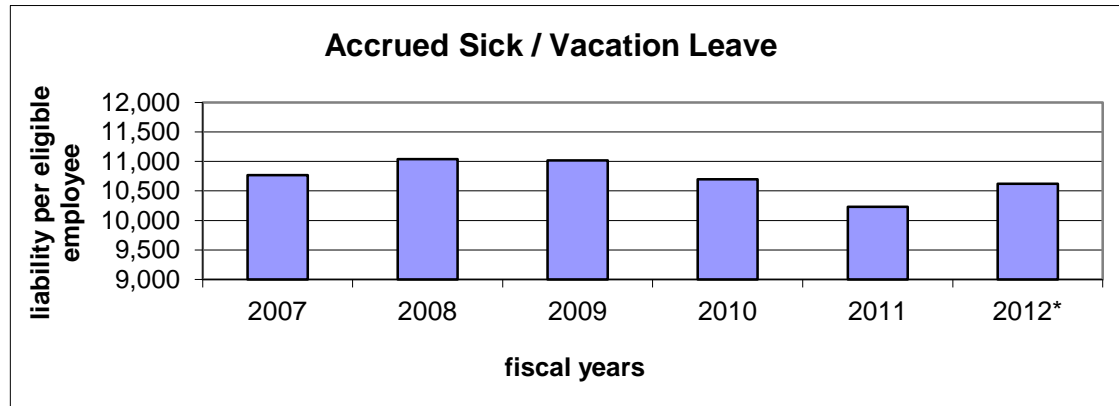
fiscal year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Employee benefits	6,376,715	7,395,434	8,472,737	9,736,482	11,038,441	11,966,324	11,633,801	10,688,623	11,891,488	12,395,626
Wages and salaries-general government	8,590,232	8,747,549	8,934,051	8,941,273	10,180,143	10,438,788	11,111,355	11,285,704	11,330,101	10,404,715
Wages and salaries-schools	21,008,099	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
Total-wages and salaries	29,598,331	29,849,288	31,108,148	32,628,848	34,999,618	37,299,815	39,382,480	41,101,146	41,452,090	40,784,630
Benefits spending as a percentage of wages and salaries	21.5%	24.8%	27.2%	29.8%	31.5%	32.1%	29.5%	26.0%	28.7%	30.4%

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.

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*
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
Amount funded (compensated absence fund bal.)	183,359	108,783	140,951	153,686	183,964	259,180
Net unfunded liability	1,906,326	1,998,603	1,950,490	1,893,714	1,810,590	1,890,622
Number of eligible employees	177	181	177	177	177	178
Accrued unfunded sick/vacation liability per employee	10,770	11,042	11,020	10,699	10,229	10,621

*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. 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
Pension assets*	23,987,645	23,079,156	23,709,310	24,953,073	31,001,714	31,583,111
Pension liability	38,079,848	40,999,698	47,936,250	55,649,871	63,518,002	75,443,253
Percent funded	63.0%	56.3%	49.5%	44.8%	48.8%	41.9%

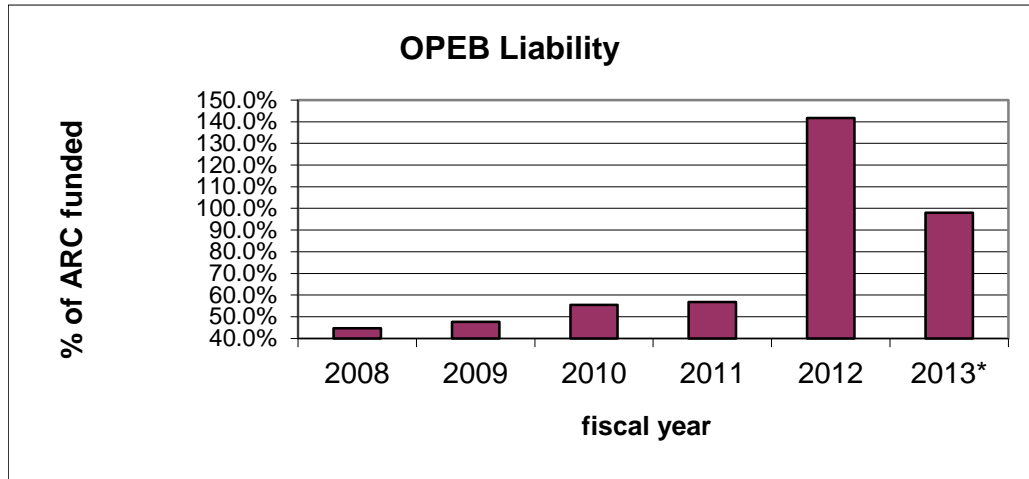
*assets are prorated by community based on the entire Middlesex Retirement System and do not reflect Weston's actual contributions

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 actuarial study as of 1/1/10 (and revised on 6/3/11) shows that the pension liability has followed a consistent pattern of growth, while the pension assets were virtually stagnant due to economic downturn and limited growth on investments. We are currently awaiting the 2012 actuarial report for updated information.

FINANCIAL INDICATOR 11 - 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:
$$\frac{\text{OPEB trust fund balance} + \text{Actual contributions}}{\text{Annual Required Contribution}}$$

fiscal year	2008	2009	2010	2011	2012	2013*
OPEB trust fund balance	60,000	103,800	156,820	217,792	3,510,050	4,867,924
Contribution to OPEB Trust Fund	30,000	40,000	50,000	60,000	3,286,313	1,356,000
Pay As You Go - Retiree Health Payments	2,407,843	2,694,219	1,873,202	2,000,171	2,163,847	2,481,348
Annual required contribution (ARC)**	5,449,403	5,729,664	3,466,896	3,628,626	3,846,696	3,914,600
Percent of ARC funded	44.7%	47.7%	55.5%	56.8%	141.7%	98.0%

*As of August, 2012 bank statements

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

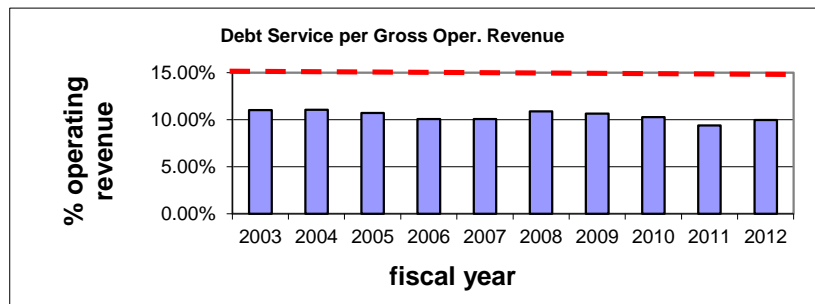
Analysis: Beginning in fiscal year 2007, Weston was required to report its liability for post employment benefits (retiree health insurance) on its audited financial statements. A fiscal year 2011 updated actuarial study determined the long-term liability to be approximately \$69 million. There is currently 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.

Outlook: Beginning in fiscal year 2012, a significant effort has been made to fund the long-term liability. The FY12 contribution was comprised of approximately \$2 million being transferred from the Town's health insurance trust fund and an appropriation of \$1,219,000. In FY13 the appropriation was increased to \$1,356,000, and an additional amount of \$250,000 will be requested at the special town meeting.

FINANCIAL INDICATOR 12 - Debt Service

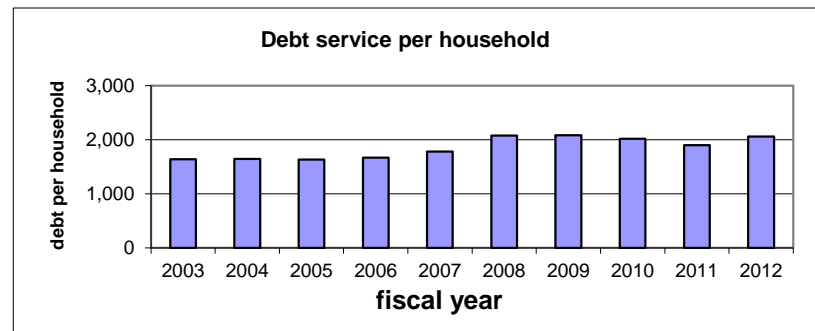
Debt Service per Operating Revenues Debt Service per Household

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



Weston Trend

	favorable
X	marginal
	unfavorable
	uncertain



Weston Trend

	favorable
X	marginal
	unfavorable
	uncertain

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

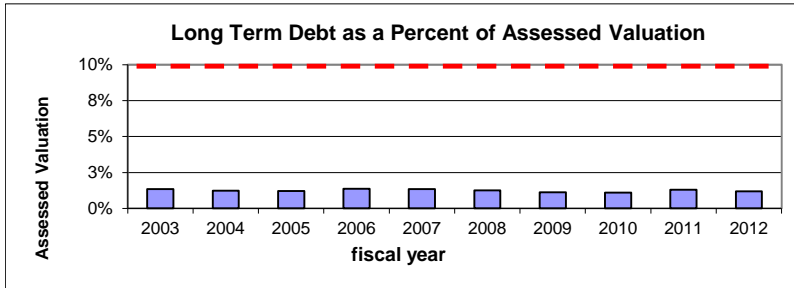
fiscal year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Exempt debt service (net of SBA)	5,556,443	5,599,897	5,664,033	5,929,773	6,378,930	7,391,436	7,421,531	7,205,902	6,810,118	7,410,596
Non exempt debt service	127,595	121,444	167,376	79,458	41,765	62,806	71,752	63,181	51,317	48,283
Total debt service	5,684,038	5,721,341	5,831,409	6,009,231	6,420,695	7,454,242	7,493,283	7,269,083	6,861,435	7,458,879
Gross operating revenues/transfers	51,553,335	51,727,843	54,447,205	59,714,178	63,781,914	68,327,434	70,220,100	70,641,472	73,117,964	74,742,471
Households	3,466	3,477	3,569	3,596	3,597	3,589	3,595	3,595	3,613	3,618
Debt service as a % of gross oper. rev.	11.03%	11.06%	10.71%	10.06%	10.07%	10.91%	10.67%	10.29%	9.38%	9.98%
Debt service per household	1,640	1,645	1,634	1,671	1,785	2,077	2,084	2,022	1,899	2,062

Analysis: Though Weston's debt service is increasing 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.

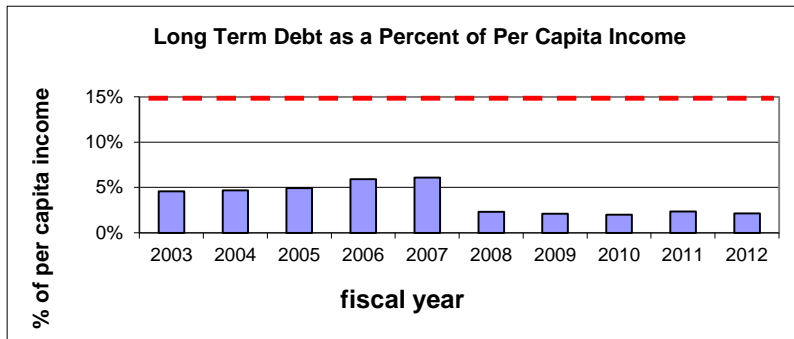
FINANCIAL INDICATOR 13 - Long Term Debt

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
outstanding long term debt	52,252,851	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
assessed valuation	3,898,855,500	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
per capita income est. (U.S. Census & IRS)	101,729	101,729	101,729	101,729	101,729	249,951	249,951	249,951	249,951	249,951
Long term debt as a % of assessed valuation	1.34%	1.23%	1.20%	1.36%	1.34%	1.26%	1.13%	1.10%	1.29%	1.20%
Long term debt per capita as a % of personal income per capita*	4.59%	4.69%	4.93%	5.92%	6.08%	2.30%	2.09%	2.00%	2.36%	2.15%

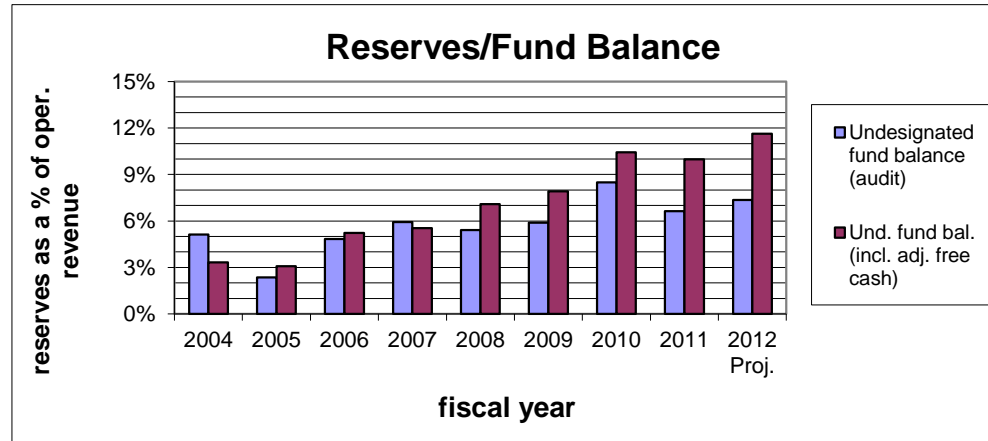
Analysis: These financial indicators are evaluated by the credit rating organizations because they are measures of both a community's debt burden as well as its level of effort in investing in its capital facilities. On both measures, Weston has a strong profile, and positive outlook. Starting in 2008, this analysis uses a per capita income provided by Department of Revenue, which more accurately portrays the financial outlook in the Town and accounts for the significant drop in long term debt as a percent of per capita income.

Outlook: Outstanding long term debt is expected to peak in FY15 at approximately \$99 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

FINANCIAL INDICATOR 14 - 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



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 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	4,465,672	5,072,857
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	4,079,302
Stabilization fund	12,160	12,421	116,975	512,421	825,092	1,132,577	1,404,907	1,695,880	1,975,743
Other Reserves	140,931	391,691	516,007	391,740	470,650	942,477	1,256,397	1,556,022	1,977,335
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	67,331,875
Undesignated fund balance as a % of net operating revenues*	5.1%	2.4%	4.8%	5.9%	5.4%	5.9%	8.5%	6.6%	7.4%
Free cash + Stabilization fund + Other Reserves as a % of net operating revenue*	3.3%	3.1%	5.2%	5.5%	7.1%	7.9%	10.4%	10.0%	11.6%

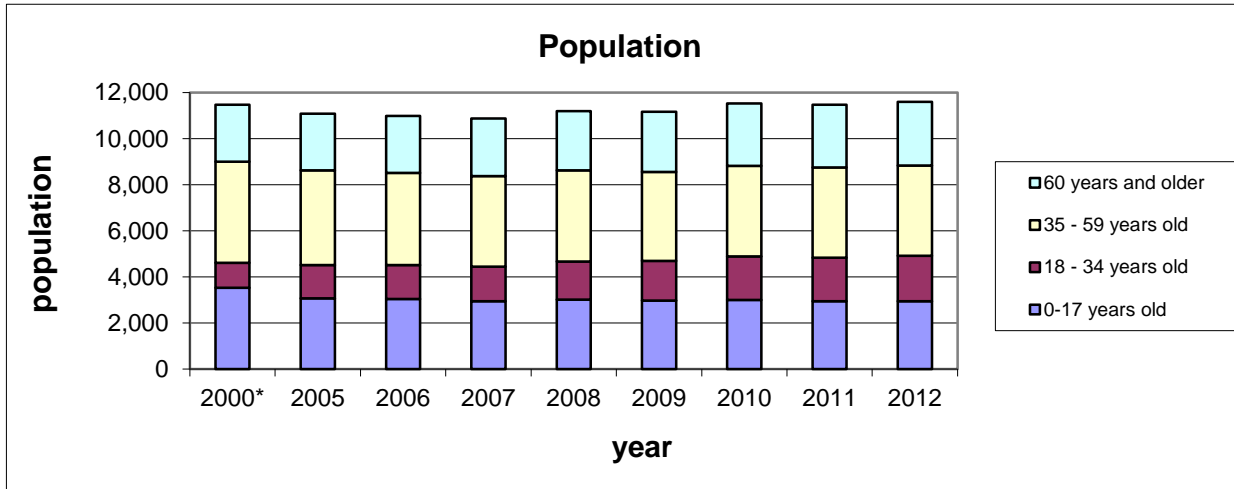
* Calculated on net revenue in next FY

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 15 - 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*	2005	2006	2007	2008	2009	2010	2011	2012
0-17 years old	3,532	3,071	3,048	2,941	3,015	2,971	3,000	2,954	2,945
18 - 34 years old	1,084	1,449	1,470	1,501	1,651	1,733	1,892	1,883	1,968
35 - 59 years old	4,390	4,106	4,003	3,935	3,959	3,858	3,933	3,911	3,928
60 years and older	2,463	2,456	2,473	2,496	2,572	2,604	2,702	2,723	2,763
unknown	0	7	5	2	1	0	7	7	4
Total	11,469	11,089	10,999	10,875	11,198	11,166	11,534	11,478	11,608
students in Weston public schools	2,220	2,358	2,355	2,395	2,416	2,349	2,332	2,304	2,322

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

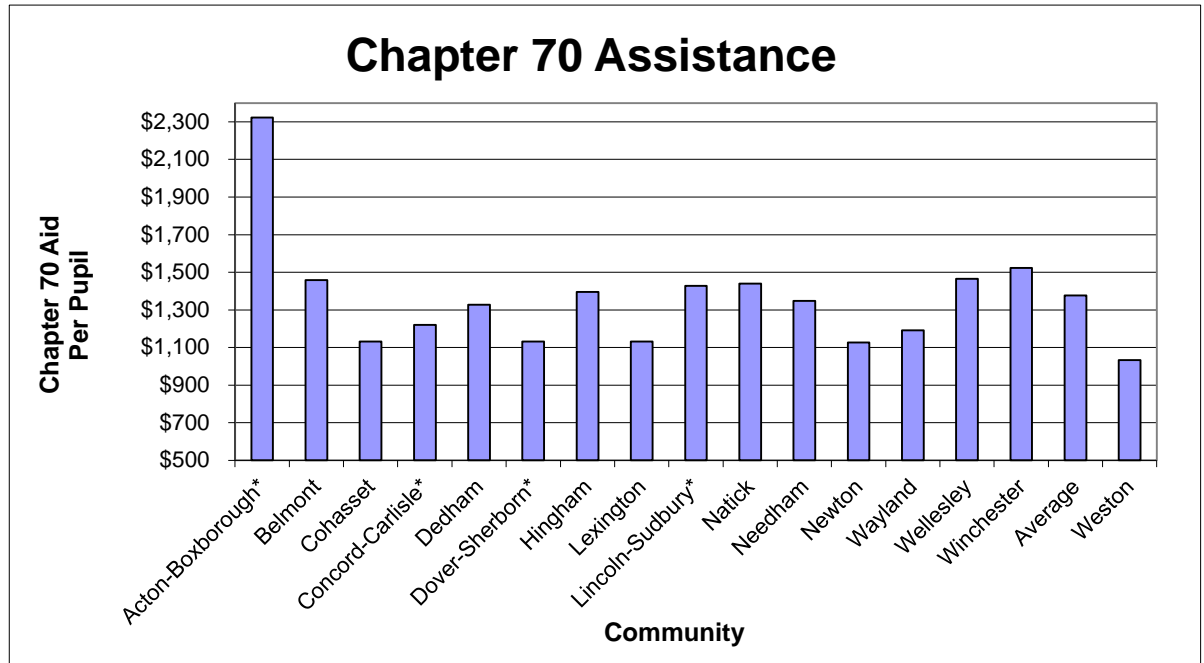
Analysis: Weston's 2012 population represents a new high since 2000, though not a drastic increase over 2010. The school-aged population of the Town has been relatively stable, while the student population for Weston's public schools rose for the first time since a gradual decrease of more than 100 students between 2008 and 2011. 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: 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 5/12	FY12 Chapter 70 Aid	State Aid per Pupil
Acton-Boxborough*	5,790	\$ 13,451,382	\$ 2,323
Belmont	3,821	5,571,323	\$ 1,458
Cohasset	1,466	1,659,487	\$ 1,132
Concord-Carlisle*	3,750	4,575,419	\$ 1,220
Dedham	2,749	3,651,265	\$ 1,328
Dover-Sherborn*	2,175	2,460,939	\$ 1,131
Hingham	3,978	5,553,035	\$ 1,396
Lexington	6,228	7,051,517	\$ 1,132
Lincoln-Sudbury*	5,210	7,439,311	\$ 1,428
Natick	4,905	7,062,013	\$ 1,440
Needham	5,184	6,991,720	\$ 1,349
Newton	11,991	13,504,221	\$ 1,126
Wayland	2,641	3,144,868	\$ 1,191
Wellesley	4,917	7,202,028	\$ 1,465
Winchester	4,096	6,241,118	\$ 1,524
Average			\$ 1,376
Weston	2,342	\$ 2,419,859	\$ 1,033

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

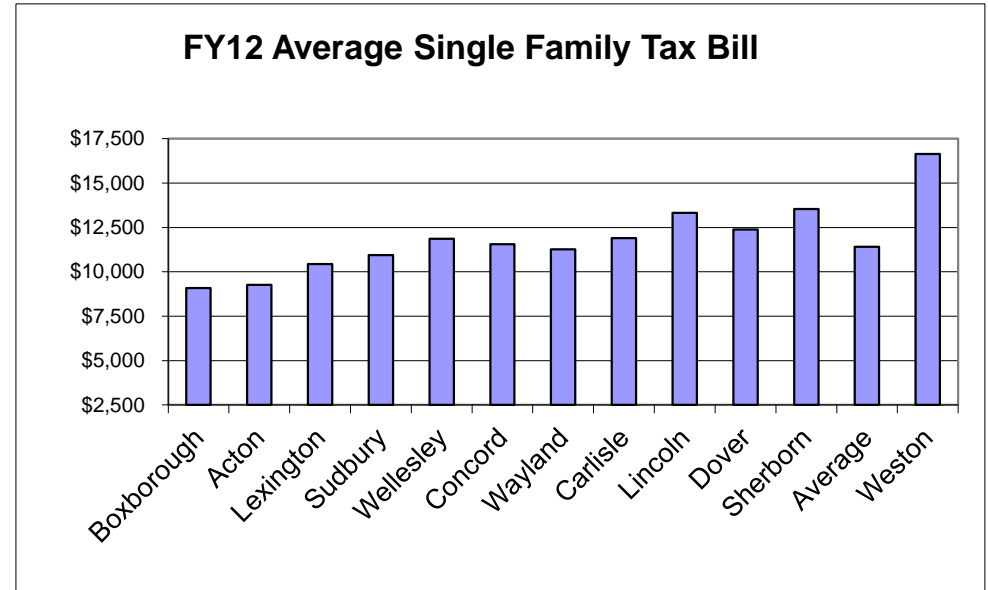


Analysis: The Chapter 70 formula is based on a variety of educational factors and is used by the State for determining the distribution of certain State aid received by Weston. Weston spends about \$18,000 per pupil on education, and state aid contributes less than 6 percent of that amount. Although Weston's Chapter 70 aid increased from FY06 to FY09, it was reduced in FY10 and FY11. FY12 represented a slight increase from FY11.

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

Supplemental Data 2 - FY12 Average Single Family Tax Bill

	Average Single Family Value 2011	Average Single Family Value 2012	Percent Change	Residential Tax Rate FY2012	Average Single Family Tax Bill 2011	Average Single Family Tax Bill 2012	Percent Change
Boxborough	507,184	508,114	0.2%	17.87	\$ 8,815	\$ 9,080	3.01%
Acton	500,492	499,137	-0.3%	18.55	9,049	9,259	2.32%
Lexington	696,677	697,462	0.1%	14.97	10,032	10,441	4.08%
Sudbury	627,988	621,420	-1.0%	17.60	10,695	10,937	2.26%
Wellesley	986,935	1,033,101	4.7%	11.48	11,281	11,860	5.13%
Concord	839,569	851,546	1.4%	13.58	11,074	11,564	4.42%
Wayland	592,825	593,056	0.0%	19.01	11,471	11,274	-1.72%
Carlisle	722,226	694,282	-3.9%	17.14	11,650	11,900	2.15%
Lincoln	1,000,638	964,663	-3.6%	13.81	12,378	13,322	7.63%
Dover	1,031,967	1,039,430	0.7%	11.92	12,074	12,390	2.62%
Sherborn	740,373	742,810	0.3%	18.22	13,119	13,534	3.16%
Average	749,716	749,548	-0.1%	15.83	11,058	11,415	3.23%
Weston	1,390,240	1,374,319	-1.1%	12.11	15,835	16,643	5.10%



Analysis: Weston's tax bill remains the highest among its comparable communities. The 5.1% increase from 2011 to 2012 is largely the result of the Town's first significant contribution to its OPEB liability (\$1,219,000).

Notes on Projection

FY14:

1. No collective bargaining agreements are in place for FY14, salaries are estimated.
2. The amount budgeted for the Middlesex Retirement System is estimated; the 2012 actuarial study is in the process of being completed.
3. The budget for Health Insurance assumes a 5% 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.
5. There is an amount included to fund the Town's OPEB liability in accordance with the most recent actuarial valuation.
6. No new levy supported cash capital is included.
7. No new non-exempt debt service has been added.
8. The budget projection for FY14 is based on maintaining the current level of services provided by Town departments.
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%.

FY15 and FY16:

1. No collective bargaining agreements are settled beyond FY13; salaries are estimated.
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 FY14 budget to develop the projected budget for FY15, a lump sum expenditure reduction has been made to resolve the shortfall. In Scenario 2 for FY15, in order to balance the projected budget to develop the projected budget for FY16, 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.