



## **Town-Wide Financial Plan for 2010 Annual Town Meeting Submitted by the Board of Selectmen**

March 12, 2010

Dear Town Residents:

We are pleased to submit this report on the Town-Wide Financial Plan (TWFP). This report provides summary financial information for the current fiscal year (FY10), the proposed budget for FY11, and projected financial information for FY12.

### **Financial Overview**

The Board of Selectmen will present a balanced budget for FY11 at the upcoming Annual Town Meeting (see Attachment A). Last spring we projected a deficit for FY11, before the outlook worsened as a result of the downturn in the overall economy. This decline required us to reduce the Town's projections for State aid during the fall of 2009. In addition, the reduced value of the Town's pension assets has necessitated a further increase in the level of pension funding. Despite this worsened outlook, we have balanced the proposed FY11 budget through a combination of conservative budget increases, lower health insurance cost increases, recent improvement in the State's finances (reduced local aid cuts), and a modest reserve drawdown of \$853,000.

Attachment B graphically depicts the trend in Wellesley's tax levy since 2000 (FY00), as well as the trend in the major components of the Town's budget. It bears noting that this is the fourth consecutive year that we have balanced the budget without the need for an operating budget override, whereas overrides were required in six of the preceding seven years. We are also targeting a balanced budget for FY12.

A recent study by the Massachusetts Department of Revenue indicated that Wellesley approved the highest total dollar amount of overrides during the period from FY99 to FY08, of any city or town in the Commonwealth. This reflects our residents' commitment to sustaining the breadth and quality of Town services. Given this history, we do not consider avoidance of overrides to be our financial planning objective. Rather, our primary objective is to identify the need for any override sufficiently in advance to allow appropriate time for diligence and consideration of operational alternatives.

### **Key Issues**

The key issues impacting the Town's financial planning include:

- Uncertainty regarding future levels of State aid
- Growth in departmental budgets
- Continued increases in employee benefit costs
- Facilities maintenance needs
- High School construction and related borrowing costs

- Funding of future capital projects
  - Senior Center
  - Middle School Space needs
  - DPW office building
- Other capital infrastructure needs

A short discussion of each of these items follows.

#### Uncertainty regarding future levels of State aid

State aid (\$8.6 million) comprises approximately 7% of the Town's total sources of funds. The largest components are Chapter 70 Aid for Education and Lottery Aid. The proposed FY11 State budget recently submitted by Governor Patrick level-funds Aid for Education and Lottery Aid, but the State Legislature has not yet acted on the budget, and could ultimately recommend local aid reductions. The latest guidance we have received suggests local aid will be reduced by no more than 5% from the prior year level (inclusive of stimulus funds). Accordingly, we have assumed a 5% reduction in FY11, and no further change in FY12.

State aid comprises a smaller percentage of the Town of Wellesley's budget than for most other communities in the Commonwealth. Thus, we are relatively more dependent on property taxes and less impacted by the State's financial difficulties. A number of communities that are more dependent on State aid have implemented layoffs and wage freezes in order to balance their FY10 and proposed FY11 budgets.

*(Note: The Town's State aid assumptions do not take into consideration any possible change which could occur if the referendum question to reduce the State sales tax from 6.25% to 3% passes in November 2010.)*

#### Growth in departmental budgets

Before allocating shared costs (e.g., health insurance, pension, etc.), the School budget represents approximately 54% of the Town's total operating budget, while the other Town departments represent 28%. In recent years we have received a number of requests for an analysis of the entire cost of the Town's various operations. Thus, presented in Attachment C is a fully-allocated view of the FY11 budget. On this basis, the Schools represent 68% of the total Town budget.

The rate of growth in the School budget is a key factor each year in determining whether a Proposition 2½ override is required. Whereas the annual growth in the School budget over the past 10 years has averaged approximately 7%, the proposed FY11 budget reflects a 3.3% increase. The lower growth in the School budget for FY11 contributed significantly to avoiding the need for an override this spring.

Our current projections for FY12 reflect a 2.5% increase for the School Department and 1.5% for other Town departments. The higher increase for the School Department is intended to provide for exceptional increases in enrollment and/or special tuition and transportation costs. While these rates of growth are less than historical averages, the Selectmen believe this continued level of restraint is warranted given the continued weakness in the economy and the Town's current and future capital commitments. Our financial plan should guide the establishment of the Town's objectives for the next round of collective bargaining, which will

begin later this year. Therefore, the Selectmen are continuing discussions with the School Committee and other Town Boards to gain buy-in to these projections.

Continued increases in employee benefit costs

Employee benefit costs represent 18.4% of the Town's total budget (up from 7.5% in FY00) and are the fastest growing component of the budget (see Attachment B). The transition of Town employees to the new Rate-Saver health insurance plans during FY09 and a relatively low average increase in health insurance premium rates for FY11 (6.5%) have positively impacted the Town's long-term projections. Despite these favorable developments, health insurance costs continue to be a major concern. Currently, we are projecting a further 7% increase in FY12. This pace of growth is unlikely to abate in subsequent years, due in part to the increasing number of retirees participating in the Town's health insurance plans.

Following a 33% decline in 2008, the market value of the Town's pension assets increased by 18% in 2009. Despite this recovery, the actuarial funding schedule for the pension plan requires the Town to continue increasing the annual pension contribution by approximately \$1 million each year for the next several years. This increase in funding will not return the plan to a fully-funded status until 2040.

At the level of \$2 million for FY11 (including enterprise funds), the Town's annual pension contribution is still lower than the payments made during the late 1980's and early 1990's. The Town's total annual pension and OPEB (Other Post-Employment Benefits) contribution also remains lower than in many comparable communities, as seen in the following table:

**FY2010 Retirement Appropriations**  
**\$ millions**

<b>Town</b>	<b>Pension</b>	<b>OPEB</b>	<b>Total</b>	<b>% of Revenue</b>
Needham	\$4.3	\$3.4	\$7.7	7.1%
Arlington	7.5	0.3	7.8	6.9%
Belmont	5.3	0.0	5.3	6.5%
Brookline	12.6	0.1	12.7	6.3%
Natick	5.4	0.0	5.4	5.3%
Newton	13.5	0.0	13.5	3.9%
Hingham	3.0	0.0	3.0	3.8%
Wellesley	1.0	3.0	4.0	3.4%
Lexington	3.7	0.4	4.1	2.8%

Employee contributions to the pension plan during FY09 totaled \$3 million. Any Town employee hired after 1996 is required to contribute 9% of pay plus 2% of pay over \$30,000 to the plan (teachers contribute a similar amount to a separate plan operated by the State).

An updated actuarial valuation of the Town's pension liability is currently being performed and the results of this valuation will be presented at Town Meeting.

### Facilities maintenance needs

Following the recent consolidation of the Facilities organization between the School and other Town departments (exclusive of DPW and MLP), further planning work is being done to develop a long-term plan for the maintenance of all Town buildings. The FY11 budget includes \$500,000 of facilities maintenance capital expense. Benchmarking of other municipalities and private sector entities suggests this amount is insufficient and should be in excess of \$2 million annually. Recognizing the need to significantly increase the recurring level of funding for facilities maintenance, the Selectmen are proposing to redirect a portion of the funds made available by future reductions in the level of inside-the-levy debt service, as illustrated in Attachment D. This spending plan would achieve a \$2 million level of facilities maintenance capital by 2018. This will allow time to strengthen the Town's facilities maintenance organization, further assess the key infrastructure elements of each building, complete key studies such as the elementary schools master plan, and better prioritize the Town-wide facilities maintenance needs.

### High School construction and related borrowing costs

The Permanent Building Committee has completed the plans for the new High School and has constructed satellite parking facilities, excavated the site and installed foundations. Steel erection has begun. The Committee is presently reviewing bids for the remainder of the work through completion. The construction is on schedule and projected costs are below budget. Spending to-date on the project totals \$17.2 million and reimbursements from the Massachusetts School Building Authority (MSBA) total \$4.2 million (the total cost incurred to-date includes certain costs not eligible for MSBA reimbursement).

The funds for the project are being borrowed in phases, according to the projected cash flow for the project. The second round of borrowing, approximately \$35 million, will take place in the spring of 2010. Thus, the projected debt service cost of the project will increase gradually over the next few years. At its peak, the annual debt service is projected to approximate \$7 million, contingent on the borrowing terms and conditions obtained by the Town. The budgeted FY11 and projected FY12 debt service cost related to the High School project are \$4.1 million and \$6.1 million, respectively.

### Funding of future capital projects

The decision to redirect a portion of inside-the-levy debt service spending in future years to facilities maintenance is likely to put added pressure on the Town to fund large capital projects via debt exclusions. Accordingly, we have assumed the following projects will be funded via debt exclusions, subject to favorable action at a future Town Meeting:

- Senior Center (\$5.2 million) - The March 2009 Town Meeting authorized funds to demolish the former American Legion building at 496 Washington Street and to design a Senior Center to be located on the site. The current timetable calls for completion of the building plans and permitting in time for presentation at a fall 2010 Special Town Meeting. In the meantime, the Selectmen have signed a purchase and sale agreement for the purchase of 494 Washington Street. Acquisition of this property is intended to enhance the value of the Town's adjacent property, and potentially provide additional parking capacity for the Senior Center. The funds for this acquisition will be requested at a Special Town Meeting to be held on April 12, 2010.

- Middle School space needs (\$2.5 million) – At the upcoming Town Meeting (Article 20), the Middle School Building Committee will request authorization to use existing funds to develop plans and specifications for additional modular classrooms to be installed on the Middle School grounds to accommodate future enrollment needs. It is anticipated that funds for the procurement and installation of the modulars will be requested at a fall 2010 Special Town Meeting.
- DPW office building (\$3.3 million) – Under Article 18, the Board of Public Works will request funds to design an office addition to the new Water & Sewer garage. This new space would house DPW office personnel, and it is anticipated that funds for the construction of this facility will be requested at a fall 2010 Special Town Meeting.

The potential impact of these future projects on the tax rate and median tax bills is illustrated in Attachment E to this report.

#### Other capital infrastructure needs

Similar to our reassessment of the Town's level of facilities maintenance spending, we are also reassessing the adequacy of capital spending on roads, sidewalks and other municipal infrastructure. Our preliminary conclusion is that the Town's recurring level of investment in this area has not kept pace with increases in the cost of materials and labor. Whereas the DPW capital budget increased 41% from FY95 to FY11, the cost of asphalt more than doubled during the same period. As a result, the Town's recurring capital funding is not adequate to support the intended cycle of road resurfacing and rehabilitation. In addition, new and emerging regulations pertaining to stormwater drainage are expected to necessitate additional capital investments.

To address these shortfalls, we are considering a phased increase in DPW capital spending and potential increases in Water & Sewer rates. Further analysis of these needs is currently being performed and an update will be provided at Town Meeting.

#### The FY11 Budget

Early last fall, we reviewed preliminary revenue projections with the Advisory Committee and discussed the impact of general economic conditions and the tax rate impact of the ongoing High School project. This led to the Advisory Committee's issuance of FY11 budget guidelines that capped departmental budget increases at 1%. An additional \$750,000 was made available to the School Department to cover exceptional increases in Special Tuition & Transportation (ST&T) costs. Thus, the School Department's initial budget guideline was effectively 2.25%. This guideline was subsequently reduced on account of additional stimulus funds that became available to the School Department.

Capital requests were submitted in October and departmental operating budgets were submitted in December. Following various adjustments to the original budget requests, the proposed FY11 budget has been balanced with a modest drawdown of reserves (discussed later in this document) and without the need for an override. The FY11 budget request is summarized in the following table (a more complete FY11 Sources & Uses is presented on Attachment A):

	<u>FY10 Budget</u>	<u>FY11 Request</u>	<u>% of total</u>	<u>\$ Inc/(Dec)</u>	<u>% Inc/(Dec)</u>
<b>Sources of Funds</b>					
Taxes	\$ 85,826,267	\$ 89,271,924	72.8%	\$ 3,445,657	4.0%
State Aid	9,071,816	8,592,618	7.0%	(479,198)	-5.3%
Local Revenue	10,136,785	9,947,390	8.1%	(189,395)	-1.9%
Other Sources	3,998,932	2,862,661	2.3%	(1,136,271)	-28.4%
Exclusions and Exemptions	8,999,419	12,028,847	9.8%	3,029,428	33.7%
Total Sources	\$ 118,033,219	\$ 122,703,440	100.0%	\$ 4,670,221	4.0%
<b>Uses of Funds</b>					
School	\$ 53,283,503	\$ 55,031,413	44.8%	\$ 1,747,910	3.3%
Other Town Departments	27,831,529	28,246,085	23.0%	414,556	1.5%
Employee Benefits	16,059,178	17,011,499	13.9%	952,321	5.9%
Cash Capital	2,987,410	2,793,025	2.3%	(194,385)	-6.5%
Debt (inside Levy)	3,639,310	3,591,273	2.9%	(48,037)	-1.3%
Other Uses	5,232,664	4,001,298	3.3%	(1,231,366)	-23.5%
Exclusions and Exemptions	8,999,625	12,028,847	9.8%	3,029,222	33.7%
Total Uses	\$ 118,033,219	\$ 122,703,440	100.0%	\$ 4,670,221	4.0%
Surplus/(Deficit-Override)	\$ 0	\$ (0)			

The 4% increase in Taxes reflects the allowed growth in the levy limit and \$1.3 million of new levy growth. The 5% reduction in State Aid is consistent with the latest guidance we are receiving from State officials. The 1.9% decrease in Local Revenue is attributable to weak excise tax and building permit receipts, and partially offset by the new meals tax. The significant decline in Other Sources is attributable to reduced use of Community Preservation Act (CPA) funds and Free Cash. The 33.7% increase in Exclusions and Exemptions primarily reflects the increased level of debt service associated with the High School project.

The 3.3% increase in the School budget is slightly larger than the Advisory guideline. The 1.5% budget increase for Other Town Departments is over the 1% guideline because of increases in facilities maintenance. The 5.9% increase in Employee Benefits is primarily due to the \$1 million increase in pension funding (including enterprise funds). Cash Capital is down slightly and debt service inside the levy is down as a result of the continuing pay-down of related debt, which is amortized on a level principal basis. Other Uses include CPA fund requests and other self-funding items, as well as provisions for state assessments and property tax abatements.

A one year union contract settlement through June 30, 2011 for the Firefighters will be moved under Article 5. The settlement provides for a general increase of 1.75%. Contract extensions for the Police Patrolmen and Superior Officers through FY13 will also be moved under Article 5. These extensions require the Town to assume responsibility for the unfunded State portion of education incentives (i.e., the Quinn bill benefits) in exchange for reduced wage increases in FY12 (0%) and FY13 (1%). In addition, the Police unions have agreed to support the removal of the department from the provisions of Civil Service (see Article 29). This change will provide the Town with significantly more flexibility in terms of the future hiring and promotion of Police officers. Further details regarding the rationale for this settlement will be presented at Town Meeting. The Town's other union contracts are settled through June 30, 2011.

The Town is also proposing to fund the following items from Free Cash, subject to approval by Town Meeting:

- \$300,000 - Supplemental appropriation to the Department of Public Works for FY10 snow and ice removal costs (Article 7).
- \$300,000 - Central Street Fire Station floor repair costs (Article 16)
- \$253,000 - Design of the new DPW Administration Building (Article 18)

The total utilization of Free Cash included in the proposed FY11 budget (\$853,000) assumes favorable Town Meeting action on each of these items.

As seen in the Five-Year Capital Budget Program, the Fuller Brook Park Preservation Plan is currently projected to cost \$3,000,000. An appropriation of \$250,000 from Community Preservation Act (CPA) funds, to pay for related planning work, will be moved under Article 21.

### **Debt Capital**

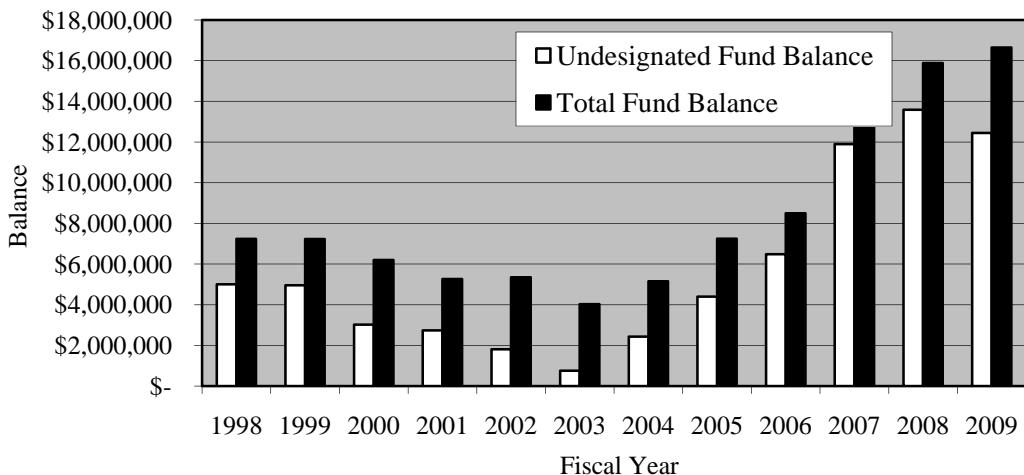
The Town's Five-Year Capital Budget Program is presented elsewhere in this book. The FY11 budget request does not include any provision for any new debt capital projects, apart from the proposed acquisition of 494 Washington Street and the issuance of a small previously authorized portion of debt. As noted in the preceding section, proposals for several debt capital projects may be considered at a fall 2010 Special Town Meeting. The potential impact of these projects on the tax rate is illustrated in Attachment E.

### **Reserves**

In recent years, Town Meeting has been cognizant of the need to increase the level of the Town's financial reserves, in order to maintain the Town's favorable AAA bond rating. This has required us to carefully monitor the level of revenues and expenses versus budget, and the resulting impact on reserve levels. It has also required us to be judicious in our utilization of reserves.

As of June 30, 2009 the Town's Undesignated Fund Balance was \$ 12.4 million. This reflected a significant improvement in the Town's financial reserves since a low point in 2003, but a slight decline from fiscal 2008. The following graph shows the recent improvement in reserve levels, as expressed in terms of undesignated fund balance and total fund balance:

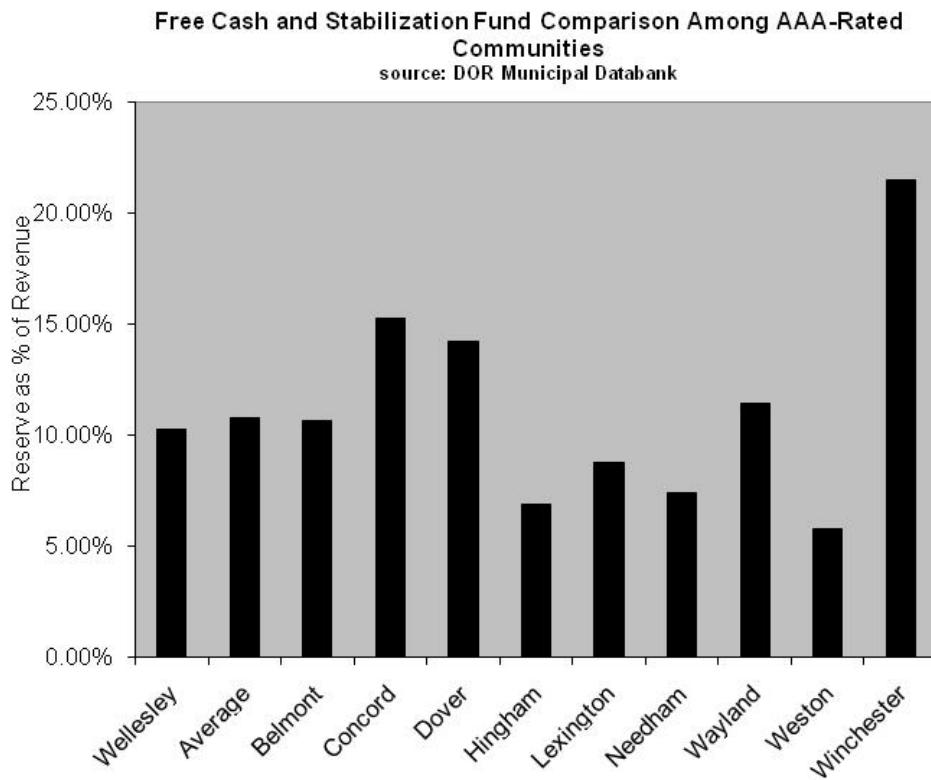
### Town of Wellesley General Fund Balance



Undesignated fund balance and total fund balance are technical terms used in municipal accounting. Total fund balance is analogous to the terms “stockholders’ equity” as used in private sector financial statements. Undesignated fund balance is the portion of the total fund balance that has not been designated for any purpose. Thus, undesignated fund balance is a key component of a town’s financial reserves. Credit rating agencies focus on these balances when evaluating the creditworthiness of a town.

Of more practical concern are the balances in the Town’s Stabilization Fund (a separate reserve fund) and the balance of Free Cash, which is a restrictive subset of the undesignated fund balance. Under Massachusetts Department of Revenue (DOR) rules, these are the reserve balances specifically available for appropriation by Town Meeting to pay extraordinary or unforeseen expenditures, or cover revenue shortfalls. Appropriations from the Stabilization Fund require a two-thirds vote by Town Meeting, whereas appropriations from Free Cash require a majority vote. The Stabilization Fund balance as of June 30, 2009 was \$ 2.8 million. The level of Free Cash, as certified by the DOR, was \$ 9.1 million as of June 30, 2009.

The following chart compares Wellesley’s total Stabilization Fund and Free Cash reserves at June 30, 2009 to other AAA rated communities, expressed as a percent of 2010 annual revenues:



DOT recommends that communities maintain reserves (free cash and stabilization fund) of at least 3-5% of annual expenditures and the Government Finance Officers' Association recommends 5-15%. As seen in the above chart, Wellesley's reserves are slightly above 10%.

The proactive funding of the Town's pension and Other Postemployment Benefits (OPEB) liabilities further evidence the Town's commitment to prudent fiscal management. Consistent with the prior year, the budget includes \$3 million of funding toward the Town's OPEB liability (\$1.2 million inside the levy, plus \$1.8 million OPEB funding exclusion as authorized by the May 2007 Special Election).

### Looking Ahead to FY12

Last summer, the Selectmen's office studied the planning processes followed in neighboring communities. We found that many communities follow a more regimented approach in terms of determining the annual level of departmental budget increases. For example, a number of communities have an arrangement in place whereby the excess of "new revenues" (i.e., year-to-year growth in sources of funds) over priority spending needs, e.g., debt service, pension and health insurance costs, is allocated between the School and other town departments according to pre-agreed percentages. Coupled with less utilization of overrides, this provides a firmer basis for financial planning. The Selectmen are considering the merits of implementing such an approach in Wellesley.

For initial planning purposes, we have prepared a FY12 forecast based on the following assumptions:

- Growth in property tax revenues of 2.5% as allowed under Proposition 2½, plus new levy growth of \$1.3 million (vs. \$1.4 million FY10 actual)
- State Aid - level
- Local Revenue - level
- School budget growth – 2.5%; other Town departments - 1.5%
- Growth in health insurance costs – 7%
- Pension funding – increased to \$3 million (vs. \$2 million in FY11)
- Cash capital - level
- Debt service inside the levy - level
- No material use of Free Cash to balance the budget

Based on these assumptions, the projected FY12 Sources and Uses outlook is summarized in the following table:

	<u>FY11 Request</u>	<u>FY12 Projection</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Sources of Funds</b>				
Taxes	\$ 89,271,924	\$ 92,803,722	\$ 3,531,798	4.0%
State Aid	8,592,618	8,592,618	-	0.0%
Local Revenue	9,947,390	9,947,390	-	0.0%
Other Sources	2,862,661	1,715,580	(1,147,081)	-40.1%
Exclusions and Exemptions	12,028,847	13,536,974	1,508,127	12.5%
Total Sources	\$ 122,703,440	\$ 126,596,284	\$ 3,892,844	3.2%
<b>Uses of Funds</b>				
School	\$ 55,031,413	\$ 56,407,198	\$ 1,375,785	2.5%
Other Town Departments	28,246,085	28,669,776	423,691	1.5%
Employee Benefits	17,011,499	18,831,873	1,820,374	10.7%
Cash Capital	2,793,025	2,793,025	-	0.0%
Debt (inside Levy)	3,591,273	3,266,025	(325,248)	-9.1%
Other Uses	4,001,298	3,091,412	(909,886)	-22.7%
Exclusions and Exemptions	12,028,847	13,536,974	1,508,127	12.5%
Total Uses	\$ 122,703,440	\$ 126,596,284	\$ 3,892,844	3.2%
Surplus/(Deficit-Override)	\$ (0)	\$ 0		

As in prior years, the projected increase in employee benefit costs will absorb a large portion of the increase in the Proposition 2½ levy. It should also be noted that eleven of the Town's thirteen union contracts are due for renegotiation at the end of FY11, and the resulting wage settlements will have a significant impact on the FY12 projection.

Given the uncertain economic outlook and the Town's existing financial commitments, the Selectmen are not currently supportive of a Proposition 2½ override for FY12. Therefore, any significant, unfavorable deviation from the assumptions summarized above will necessitate some combination of cost efficiencies, service reductions, wage freezes, furloughs or layoffs, or other difficult tradeoffs. The Selectmen are continuing to discuss the FY12 projection with the other Town Boards, and will provide a further update at Town Meeting.

We would like to express our sincere appreciation to all of the Town boards and their respective staffs for their cooperation in working with us to create a plan that will ensure the continued financial health of our community.

Sincerely yours.

A handwritten signature in black ink, appearing to read "Barbara D. Searle".

Barbara D. Searle, Chair  
Katherine L. Babson, Jr., Vice Chair  
Owen H. Dugan, Secretary  
Ellen F. Gibbs  
Terri Tsagaris

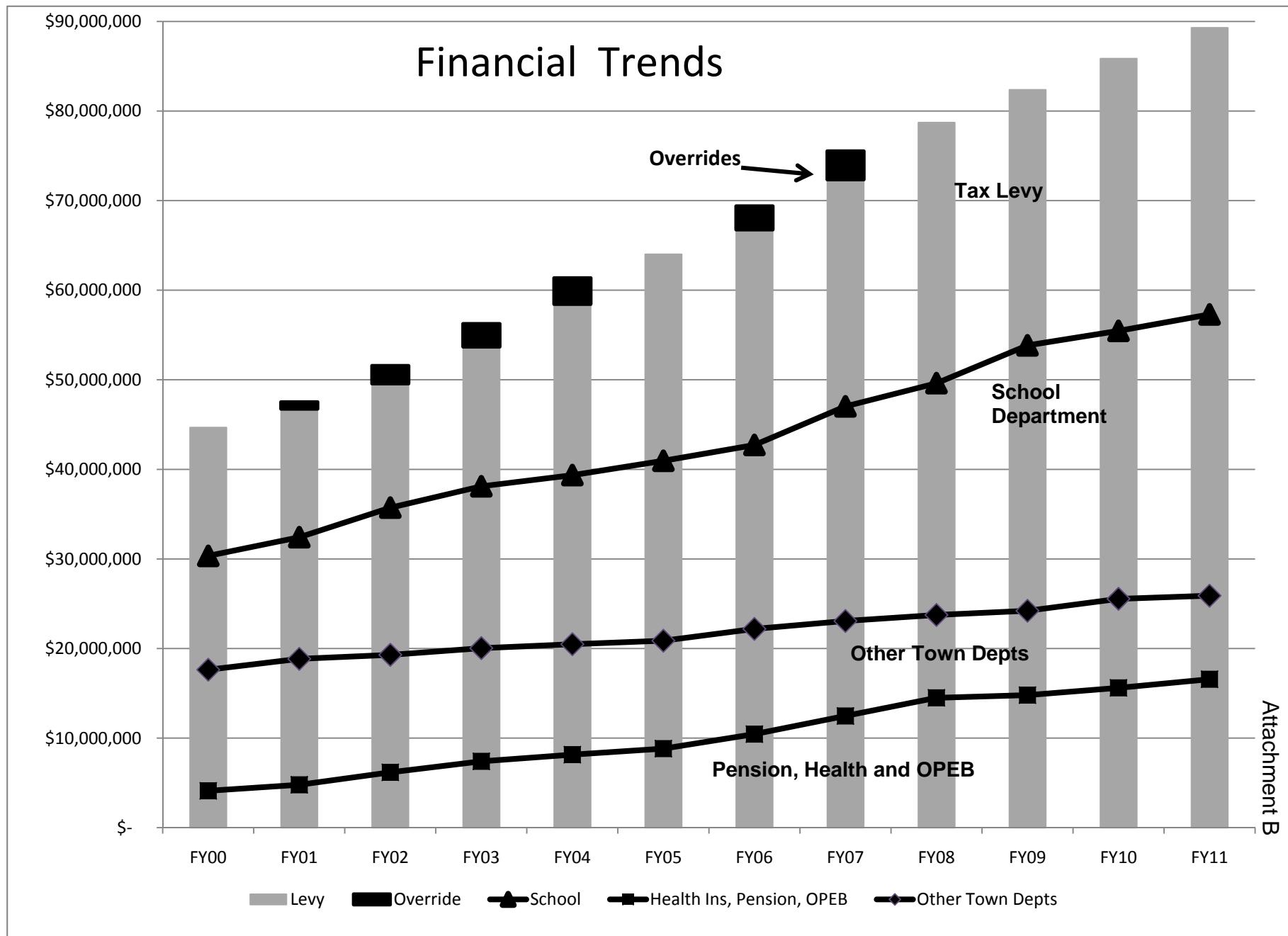
Attachments:

- A - FY11 Working Sources & Uses
- B - Financial Trends
- C - Fully Allocated FY11 Uses
- D - Facility Maintenance Funding
- E - Tax Rate and Median Tax Bill Projections

**TOWN OF WELLESLEY- SOURCES AND USES OF FUNDS**

Attachment A

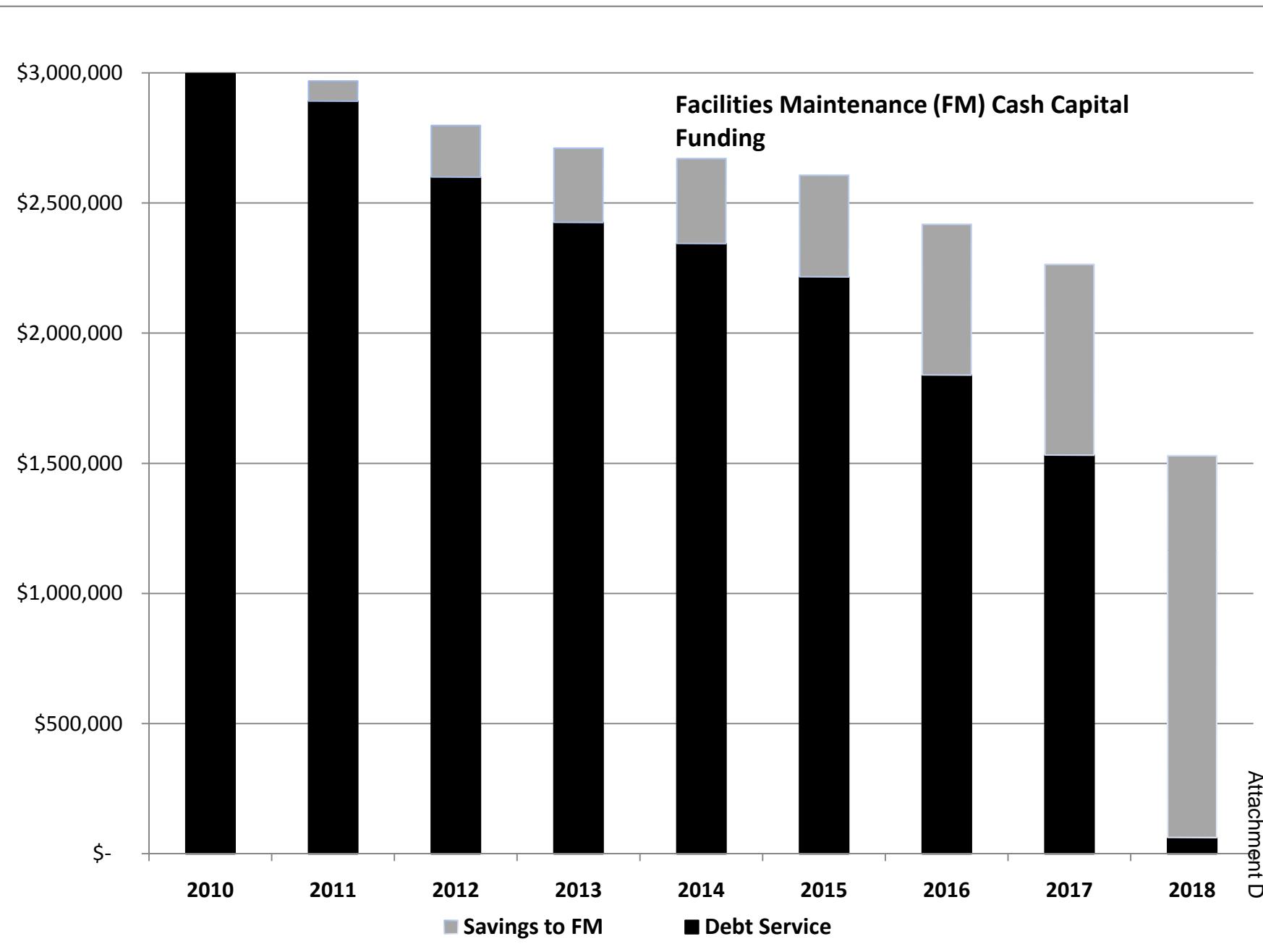
	<u>FY2010 Tax Rate</u>	<u>FY2011 Request</u>	<u>% Change</u>
<b>*** SOURCES OF FUNDS ***</b>			
Tax & Other Current Revenues			
Within Levy Limits			
Real Estate & Per. Prop. Tax	85,826,267	89,271,924	4.01%
From the Commonwealth	9,071,816	8,592,618	-5.28%
Local Revenue	10,136,785	9,947,390	-1.87%
<b>    Sub-Total (Tax &amp; Cur. Rev.)</b>	<b>105,034,868</b>	<b>107,811,932</b>	<b>2.64%</b>
Outside Levy Limits			
Real Estate & Pers. Prop. Tax	6,504,369	9,607,009	47.70%
OPEB	1,800,000	1,800,000	0.00%
Available Funds			
Chapter 70 formula distributed as grant	-1,220,173	-	-100.00%
Parking Meter Receipts	546,733	538,661	-1.48%
Amortize premium	73,212	-	-100.00%
Appropriated/Reserved CPA Surcharge	1,623,400	1,136,500	-29.99%
Free Cash- balance budget	1,029,353	-	-100.00%
Direct free cash items - S&I, dpw bldg, fire station	1,829,619	853,000	-53.38%
School Construction Aid & Set-Asides	621,838	621,838	0.00%
Unencumbered/Transfers from other funds	190,000	334,500	76.05%
<b>    Sub-Total (Available Funds)</b>	<b>4,693,982</b>	<b>3,484,499</b>	<b>-25.77%</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>118,033,219</b>	<b>122,703,440</b>	<b>3.96%</b>
<b>*** USE OF FUNDS ***</b>			
Personal Services (Non-School)	20,429,320	20,883,728	2.22%
Expenses (Non-School)	7,402,209	7,362,357	-0.54%
Subtotal (Non-School)	27,831,529	28,246,085	1.49%
Personal Services (School)	44,898,314	46,731,833	4.08%
Expenses (School)	8,385,189	8,299,580	-1.02%
Subtotal (School)	53,283,503	55,031,413	3.28%
<b>    Sub-Total (Pers. Svcs. &amp; Exp)</b>	<b>81,115,032</b>	<b>83,277,498</b>	<b>2.67%</b>
Capital & Debt:			
Within Levy Limits			
Capital/Extraord./Special Items	2,987,410	2,793,025	-6.51%
Debt Service - Issued	3,639,310	3,491,273	-4.07%
Debt Service - To be Issued	-	100,000	100.00%
<b>    Sub-Total (Within Levy Limits)</b>	<b>6,626,720</b>	<b>6,384,298</b>	<b>-3.66%</b>
Outside Levy Limits			
Debt Service - Issued	7,199,625	7,050,847	-2.07%
Debt Service - To be Issued	-	3,178,000	100.00%
<b>    SUB-TOTAL (CAPITAL &amp; DEBT)</b>	<b>13,826,345</b>	<b>16,613,145</b>	<b>20.16%</b>
Employee Benefits:			
Ins./Group Ins., etc.	13,993,178	14,079,499	0.62%
Pension Contribution	866,000	1,732,000	100.00%
OPEB Liability Fund	3,000,000	3,000,000	0.00%
<b>    Sub-Total (Shared Costs)</b>	<b>17,859,178</b>	<b>18,811,499</b>	<b>5.33%</b>
<b>SUB-TOTAL (OPERATIONS)</b>	<b>112,800,555</b>	<b>118,702,142</b>	<b>5.23%</b>
Special Items:			
Traffic & Parking Management	488,233	520,386	6.59%
Appropriated/Reserved CPA Surcharge	1,623,400	1,136,500	-29.99%
State & County Assessments	1,061,412	1,061,412	0.00%
Property Tax Abatements	430,000	430,000	0.00%
Other ( Snow & Ice, Senior Center, Contracts)	1,629,619	853,000	
<b>    Sub-Total (Special Items)</b>	<b>5,232,664</b>	<b>4,001,298</b>	<b>-23.53%</b>
<b>TOTAL USE OF FUNDS</b>	<b>118,033,219</b>	<b>122,703,440</b>	<b>3.96%</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>118,033,219</b>	<b>122,703,440</b>	<b>3.96%</b>
<b>SURPLUS (DEFICIT)</b>	<b>124</b>	<b>0</b>	<b>(0)</b>



## *Fully Allocated FY11 Uses of Funds*

	<u>School</u>	<u>DPW</u>	<u>Police &amp; Fire</u>	<u>Other Selectmen</u>	<u>Library</u>	<u>Other Town Departments</u>	<u>Total Tax Impact</u>
Personal Services & Expense	55,031,413	6,178,588	9,892,651	1,985,340	2,300,932	3,724,725	79,113,649
Cash Capital	569,714	1,300,000	233,499	20,000	34,215	101,000	2,258,428
Facilities	2,504,086	253,000	596,304	138,395	278,769	568,321	4,338,875
Debt Service (Inside the Levy)	1,163,713	563,531	143,880	18,275	752,363	949,511	3,591,273
Employee Benefits	10,710,375	1,296,030	3,042,495	506,878	578,319	877,402	17,011,499
Legal and Risk Management	239,244	86,776	71,320	30,022	32,121	124,877	584,360
Supplemental Snow & Ice		300,000					300,000
Street Lighting				328,211			328,211
Exclusions							
- OPEB	1,191,979	125,059	293,582	48,911	55,804	84,664	1,800,000
- Sprague	1,223,732						1,223,732
- Bates	596,338						596,338
- Elementary Infrastructure	1,486,188						1,486,188
- Middle School	2,236,151						2,236,151
- High School	4,064,600						4,064,600
Subtotal	10,798,988	125,059	293,582	48,911	55,804	84,664	11,407,009
Total Uses	\$ 81,017,533	\$ 10,102,984	\$ 14,273,732	\$ 3,076,032	\$ 4,032,523	\$ 6,430,500	\$ 118,933,304

Attachment C



## Tax Rate and Median Tax Bill Projections

	<u>Tax Rate</u>		<u>Tax Projections</u>		
	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	
Prior Year Levy	\$ 82,351,885	\$ 85,826,267	\$ 89,271,924	\$ 92,803,722	
2.5% Increase	2,058,797	2,145,657	2,231,798	2,320,093	
New Growth	1,415,585	1,300,000	1,300,000	1,300,000	
Current Year Levy	85,826,267	89,271,924	92,803,722	96,423,815	
Existing Exclusions					
OPEB	1,800,000	1,800,000	1,800,000	1,800,000	
Sprague	1,288,887	1,223,732	497,007	456,967	
Bates	610,088	596,338	581,900	566,500	
Elementary	1,131,761	1,486,188	1,450,888	1,422,863	
Middle School	2,273,988	2,236,151	2,196,901	2,155,851	
Morses Pond & Drainage	-	-	273,840	266,016	
High School	1,273,063	4,064,600	6,114,600	7,070,800	
	8,377,787	11,407,009	12,915,136	13,728,397	
Proposed Exclusions*	-	-	1,113,500	1,086,075	
Levy plus exclusions	<u>\$ 94,204,054</u>	<u>\$ 100,678,933</u>	<u>\$ 106,832,358</u>	<u>\$ 111,238,287</u>	
		(year to year increase)	6.9%	6.1%	4.1%
Assessed value	\$ 8,981,931,000	\$ 9,105,880,127	\$ 9,223,458,292	\$ 9,335,695,057	
Tax rate	\$ 10.49	\$ 11.06	\$ 11.58	\$ 11.92	
		(year to year increase)	5.4%	4.8%	2.9%
Median value	\$ 810,000	\$ 810,000	\$ 810,000	\$ 810,000	
Median tax bill	\$ 8,489	\$ 8,956	\$ 9,382	\$ 9,651	

### \* Proposed Debt Exclusions

	<u>Amort.</u>	<u>Pd.</u>	<u>Interest Rate</u>	<u>FY11</u>		<u>FY12</u>		<u>FY13</u>	
				<u>Cost</u>	<u>Debt Service</u>	<u>Median Tax Bill Impact</u>	<u>Debt Service</u>	<u>Median Tax Bill Impact</u>	<u>Debt Service</u>
Senior Center	20	4.0%	\$ 5,200,000	\$ 468,000	\$ 41	\$ 457,600	\$ 40		
Middle School Modulars	8	4.0%	2,500,000	412,500	36	400,000	35		
DPW Office Building	20	4.5%	3,300,000	313,500	28	306,075	27		
			\$ 11,000,000	\$ 1,194,000	\$ 105	\$ 1,163,675	\$ 101		

## Report of the Board of Selectmen on the Capital Budgeting Schedule

March 12, 2010

### **Town of Wellesley Capital Overview**

As part of the annual budget process, boards and departments submit detailed capital requests for the upcoming fiscal year, and the following four fiscal years. The Board of Selectmen, through the Executive Director, gains an understanding of individual board needs and facilitates discussions about funding the current budget, as well as the longer term Town-Wide Financial Plan (TWFP). Capital requests are subject to multi-year discussion and analysis, and may not, ultimately be funded. Projects are categorized by funding source: cash capital, other sources of funding, debt financed inside the levy, and debt capital exclusions. Following are the capital project requests for FY2011 by funding source:

<b>FY2011 Recommended Capital Projects by Funding Source</b>		
<b>Department</b>	<b>Project</b>	<b>Amount</b>
<b>Cash Capital</b>		
Fire	Master Box, vehicle & radio equipment	152,800
NIS	Server	20,000
Police	Radio equipment & touch screen booking station	80,699
Facilities-town	Roofs, shed, vehicle	255,850
Facilities	Facilities Reserve Fund	35,000
Library	Computers, server	34,215
Morses Pond	Watershed Education, Stormwater Management	50,500
NRC	Tree Planting & park repairs	50,500
DPW	Vehicles, Street Improvements	1,300,000
School	Technology, copiers, furnishings	569,714
Facilities - School	Roof repairs, lighting retrofits, vehicles	243,747
	Total Cash Capital	<b>\$ 2,793,025</b>
<b>Other Funding Sources:</b>		
NRC	NRC - Fuller Brook Planning (CPC funds)	250,000
Facilities-town	Fire Station Floor Repair (free cash)	300,000
DPW	DPW New Building Study (free cash)	253,000
DPW	DPW Salt Shed (Chapter 90 funds)	300,000
	Total Other Sources	<b>\$ 1,103,000</b>
<b>Debt Capital Exclusion:</b>		
School	Middle School Additional Space Needs	2,500,000
DPW	New DPW Administrative Building	3,300,000
COA	New Senior Center	5,200,000
	Total Capital Exclusion	<b>\$ 11,000,000</b>
	Grand Total	<b>\$ 14,896,025</b>

\* To be requested at Fall 2010 Special Town Meeting

Exhibit A (attached) is a Summary and Detail Schedule of prior year Capital authorizations and a five year schedule of Capital requests for FY2011 – FY2015.

### **Cash Capital**

Cash capital is defined as investments/assets not normally included in a department's operating budget. Cash capital may include items such as equipment replacement (vehicles and computers), street improvements, facilities maintenance and building repairs. Cash capital is not synonymous with fixed assets, because the Town does not capitalize items under \$25,000 (such as computers).

#### **DPW FY2011**

The Board of Public Works has recommended a FY2011 cash capital budget of \$1,300,000. Highlights of the DPW FY2011 capital requests are as follows:

- Replacement or refurbishment of nine vehicles including a Street sweeper, Park Maintenance trucks, Winter Vehicles and other equipment - \$ 692,000
- Resurfacing 4-6 miles of streets for street improvements- \$385,000. Note, that the DPW is using a variety of pavement preservation techniques to maintain the Town's roadways in a more cost effective manner.
- Athletic Field Playground Improvements - \$101,000

#### **DPW FY2012 – FY2015**

In recent years the Department of Public Works capital requests have been reduced during the process of balancing the budget. As material costs escalate, the DPW has been able to maintain less road miles with a level or reduced budget. The Board of Public Works highly recommends returning the Street Resurfacing program to full funding in the FY12 capital budget to avoid costly repairs. The average annual (recurring) cost to maintain the Town's streets on a 16 to 20 year cycle is \$725,000. The other major cash capital expense for DPW is the periodic replacement of 135 vehicles and 220 pieces of equipment, which have a total value of \$11.6m. With an average vehicle life of 15 years, the average annual (recurring) cost to replace this equipment is \$784,000.

#### **School FY2011 – FY2015**

The School Committee requests a \$569,714 capital budget for FY2011. The School capital request includes an average of \$620,000 per year for Technology. This technology includes the purchase of computers through a regular replacement cycle that has been reduced from six years to five years. Also included is an average spending request of \$143,000 per year for furnishings and/or furniture.

#### **Facilities FY2011**

The Town's facilities are a major component of its financial assets and must continue to be maintained. The Town demonstrated its commitment to reinvesting in the community's capital infrastructure by approving a combined Town/School Facilities Maintenance department as of FY2009. The Facilities Maintenance department oversees maintenance and grounds for 10 schools, 3 public safety buildings, Main Library, Recreation building and Town Hall. The FY2011 capital request of \$499,597 includes \$200K in roof and/or repairs; construction/electrical/plumbing of over \$100k and the balance for continued maintenance to buildings.

### Facilities FY2012-FY2015

An estimate of \$2.4 million will be required between FY2012 and FY2015 for both Town (\$.5 Million) and School (\$1.9 Million) facility projects. Some known items include the following capital projects:

- School parking lot replacements in FY2013 & FY2015 - \$700,000
- Replacement of slate portion of Sprague roof in FY2013 - \$402,900
- Replacement of Middle School Auditorium seats in FY2012- \$155,000

The Town is in the process of benchmarking to determine an appropriate level of Facilities Maintenance funding - as is further described in the Town Wide Financial Plan. Only known projects are included in the current capital plan, but it is expected that the Facilities request will increase as needs are better determined.

### Other Sources of Funding

Fuller Brook - The Natural Resources Commission (NRC) requests implementation of the Fuller Brook Park Preservation Master Plan, which remedies erosion and disrepair of pathways, bridges, and brooks. This has been included in the NRC's Capital Plan since FY2004. This funding request is submitted as follows:

- Planning & design work in FY2011-\$250,000 & FY2012-\$300,000 funded by the Community Preservation Committee (CPC)
- Implement Fuller Brook plan in FY2014 –50% funded by CPC funds & 50% by Town funds.

Fire Station Floor Repair - the Central Street fire station was renovated in the 1990's. As part of the renovation, an epoxy surface was installed on the apparatus floor, where the fire engines are parked. As part of the FY2010 capital budget plan, the Facilities Maintenance department engaged a structural engineer to evaluate the structural integrity of the floor in response to leaks and concrete deterioration observed in the basement below apparatus floor. The analysis revealed that the epoxy floor protection had failed, separating from the concrete floor and eroding the slab under the truck. In response to the structural engineer's analysis, the Town issued a Request for Qualifications for a design firm to prepare construction specifications to rebuild/repair the floor. Article 16 on the Annual Town Meeting Warrant seeks an appropriation from free cash for the costs of the construction work in the amount of \$300,000 in FY2011.

DPW Building Study - The Board of Public Works is requesting \$253,000 in FY2011 (free cash) for the design of a new DPW Operations Building. The total cost of the new DPW building (excluding this design work) is included below under Debt Capital Exclusion.

DPW Salt Shed – The Board of Public Works is requesting \$300,000 in FY2011 for the construction of a new salt shed which will increase the storage capacity for winter road salt. This will have significant financial, environmental and operational benefits to the Town. The total cost will be funded by Chapter 90.

## **Debt Capital inside the Levy FY2011-FY2015**

The Town borrows for larger (capitalized) assets having a longer useful life; typically ten years or more. The Town has employed a prudent fiscal practice of amortizing this debt as rapidly as practical within the levy limit.

The Fire Department estimates that two trucks past their lifecycle of 15 – 20 years will need to be replaced: 1996 Ladder truck - \$900,000 in FY2013 & 1998 Fire Engine - \$600,000 in FY2015.

DPW borrowing capital requests include the following:

- Additional Facility renovation projects (Fleet maintenance area, storage building and site work) - \$ 1.5 million between FY2013 & FY2015.
- Street Reconstruction of Kingsbury, Bacon, and Cliff roads- \$2.1 Million from FY2012 – FY2015
- Hunnewell Field Master Plan –During FY04, the Playing Field Task Force prepared a master plan that included site analysis, athletic grounds master plans, along with a maintenance program for new facilities. Following are the four Hunnewell field projects involved: new ADA accessible restrooms, football field fencing, renovation of baseball/softball fields, and a new multi-use field at the High School. The total cost of these projects is estimated to be \$1.975 million.

## **Debt Capital Exclusion FY2011 – FY2015**

Sometimes very large capital needs outstrip the Town's taxing authority. The Town has recently had a series of significant initiatives: a Middle School upgrade, Elementary Infrastructure improvements, Pond Dredging, Drainage Construction, and, most recently, a new High School. All of these projects were financed with exempt debt. The Town also approved a capital exclusion to fund 10 years of contributions to funding its Other Post Employment Benefits (OPEB) liability.

The Town's facilities needs have been apparent in recent years – the largest issue being that of the new High School facility. Other significant facilities needs have included the MLP/Water/Sewer garage (offices funded entirely by these Enterprise Funds and therefore not part of this schedule) and the Elementary School Infrastructure project.

The most significant borrowing request in the next several years are the proposed construction of a new DPW Administration Building and new Senior Center, along with meeting the additional space needs at the Middle School

Middle School Additional Space Needs – The School Committee will present a proposal to address middle school space needs at a fall 2010 Special Town Meeting. It is expected that the project will require a debt exclusion at an estimated cost of \$2.5 million.

DPW Building - The objectives of this building project are to provide adequate space for the DPW Management Services and Engineering Divisions, improve operational efficiencies for the department, and provide a working environment that is ADA compliant, energy efficient and will meet all state and local safety and building codes. The construction cost is estimated to be \$3.3 million and would require a debt exclusion.

Senior Center - At the 2009 Annual Town Meeting, the Selectmen sought, and received approval to demolish the former American Legion building and design a new building to house a Senior Center. There is an article on the Special Town Meeting warrant (to be held within the Annual Town Meeting) to acquire land adjacent to the Senior Center site along Washington Street, which will facilitate parking at the Senior Center, once it is built. This land purchase may be funded by temporary borrowing. The Selectmen and PBC anticipate making a request for construction funds of \$5.2 Million at a Special Town Meeting, to be convened this fall. A debt exclusion would be required and it is possible that the land purchase could also be considered for exclusion.