



TOWN-WIDE FINANCIAL PLAN FOR 2013 ANNUAL TOWN MEETING

Submitted by the Board of Selectmen

March 11, 2013

Dear Town Meeting Members:

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 (FY13), the proposed budget for FY14, and projected financial information for the years FY15-17.

Overview

The Board of Selectmen will present a balanced budget for FY14 at the upcoming Annual Town Meeting (see Exhibit A). This budget assumes the use of \$2.9 million of reserves, in lieu of a Proposition 2½ override as projected at Town Meeting last spring. In light of the leadership changes in the School Department and the continuing health of the Town's financial reserves, the Board decided to again constrain the growth in departmental budgets and use a higher level of reserves to balance the budget in order to defer an override request for another year. FY14 will be the seventh consecutive year without an operating budget override. (Wellesley voters approved six overrides during the period FY01-FY07.)

As this report goes to press, the Board of Selectmen and School Committee are negotiating contracts with several of the Town's largest collective bargaining units. The results of these negotiations will significantly impact the FY14 budget and future years' projections. The cost of employee benefits, including health insurance, other post-employment benefits (OPEB) and pension, continues to be the fastest growing component of the Town's budget. The actions being taken to mitigate the impact of these items are discussed later in this report.

The most significant capital appropriations envisioned in the Town's *Five Year Capital Budgeting Program* (immediately following this report) include:

- Tolles-Parsons Center (Senior Center)
- Fuller Brook Park
- Facilities renovation projects

Given the pressures on the Town's recurring budget, there is little flexibility to fund these items within the existing budget. Therefore, the TWFP continues to assume these items will be largely funded via Proposition 2½ debt exclusions.

The results of the assessment of the Town's school buildings performed by the firm Symmes Maini & McKee Associates ("SMMA") suggest that large-scale renovation work is required at five out of the seven elementary schools and the Middle School. It is expected that much of this work will be completed in a phased fashion over the next 10-15 years. The School Facilities Master Plan Task Force (see report elsewhere in this book), School Committee, Permanent Building Committee and Board of Selectmen are continuing to evaluate the scope, cost and timing of the initial phases of this work. We currently expect an appropriation request at Town

Meeting, primarily for design funds for a series of discrete maintenance projects to be undertaken in various schools and other Town buildings. Additional appropriations for the construction costs related to these projects will be sought at a subsequent Town Meeting(s). Further details regarding this request and preliminary estimates of the potential cost of the overall work will be presented at Town Meeting.

Looking forward, we are projecting deficits in the range of \$4.2 – 4.8 million in each of the years FY15-17, before consideration of any override(s). The assumptions underlying these projections are discussed later in this report. We will continue to explore opportunities for revenue enhancement and cost efficiencies; it is also possible that State aid, local revenue and other variables will evolve more favorably than assumed. However, the magnitude of the deficits clearly suggests some combination of override(s), efficiencies or cuts in services will be required.

We are continuing to refine the TWFP, as summarized in this report, and will provide further updates on these matters through the start of Town Meeting. Town Meeting feedback on the issues discussed in this report is critical to our ongoing planning process.

Key Financial Planning Issues

As in prior years, the key issues impacting the Town's financial planning include:

- Uncertainty regarding future levels of State aid
- Growth in personnel costs
- Continuing increases in employee benefit costs
- Facilities maintenance needs
- High School construction and related borrowing costs
- Funding of future capital projects

A short discussion of each of these items follows.

Uncertainty regarding future levels of State aid

State aid (\$8.9 million) comprises approximately 6.5% of the Town's total sources of funds. The largest component is Chapter 70 Aid for Education. The proposed FY14 State budget recently submitted by Governor Patrick provides for a significant increase in Chapter 70 Aid for Wellesley. However, this increase is predicated on a 19% increase in the State income tax rate. Given the uncertainty associated with this increase, we consider it premature to rely on the figures contained in the Governor's proposed budget. Accordingly, we have assumed level funding in FY14.

Growth in personnel costs

The largest recurring item in the year-over-year growth of the Town budget is the cost of pay increases for existing employees. The vast majority of Town employees are unionized, and as such, their increases are the subject of collective bargaining. Only five of the Town's twelve union contracts are settled beyond June 30, 2013. Thus, the general wage increases applicable to a large portion of the Town's work force for the next fiscal year have not yet been determined. Of greater significance to the FY14 budget, however, are the cost of "step" increases for teachers and other employees who have not yet reached the top step and "lane" increases for teachers as they achieve additional academic degrees.

The following table illustrates the key variables for a sample of the Town's union contracts.

	<u>Patrolmen</u>	<u>Superior Officers</u>	<u>Firefighters</u>	<u>DPW Production</u>	<u>Teachers</u>
Budgeted positions	32	9	53	80	461
Steps	4	1	4	6	16
Average step value	5.6%	N/A	5.6%	5.3%	4.2%
% of employees on steps	28%	N/A	11%	6%	53%
FY14 Contract increase	TBD	TBD	2.0%	2.0%	TBD

For employees who are not yet at the top step, the total annual wage increase is the sum of the step increase, which ranges from 4.2% - 5.6% for the bargaining units summarized in the above chart, plus the contract increase. Thus, it is not unusual for employees who have not reached the top step to receive total annual wage increases in the range of 7-8%.

It is important to note that the cost of step increases is offset by the savings resulting from the retirement or termination of employees who are subsequently replaced by new employees at a lower step level. Thus, each department must have a clear understanding of the composition of its workforce when developing its budget. In the case of the School Department, the higher percentage of employees on steps has contributed to the greater growth of the School budget in relation to the other departments' budgets.

Continuing increases in employee benefit costs

Employee benefit costs total \$22.1 million in FY14 (18% of the Town's total budget) and are the fastest growing component of the budget. The principal components of this cost are:

- Health insurance premium costs for active and retired employees - \$13 million
- Pension plan contribution - \$5 million
- Other Postemployment Benefits (OPEB) - \$3 million

Health insurance: The budgeted health insurance costs for FY14 reflect a 4% premium rate increase for employees and retirees enrolled in the "Rate Saver" plans and rate increases ranging from 6.2% - 19% for those enrolled in the older "Legacy" plans. Thus, the premium rates for the Rate Saver plans will be in the range of 18% - 36% lower than those for the Legacy plans in FY14. The only Town subscribers who remain enrolled in the Legacy plans are retirees who were grandfathered against the Section 18 election approved at the 2006 Annual Town Meeting and who are not eligible for Medicare. As required by the 2011 State health insurance legislation, the Town has transferred all retirees who are eligible for Medicare Part A onto Medicare supplement plans. The savings relating to these transfers is fully reflected in the FY14 budget request.

Pension: The Town maintains a defined benefit pension plan for retired employees other than teachers (teachers participate in a similar plan operated by the State). The benefits provided by the plan are identical to those offered by other cities and towns in Massachusetts. Municipal employees in Massachusetts are not eligible for Social Security as a result of their employment with a municipality. Thus, the pension benefit is provided in lieu of a retirement allowance provided under Social Security. Unlike a defined benefit pension plan in the private sector, municipal employees contribute toward the cost of their pension. Any municipal employee hired after 1996 is required to contribute 9% of pay plus 2% of pay over \$30,000 to the plan.

Employee contributions to the Town of Wellesley's pension plan during calendar 2012 totaled \$3 million. These contributions are in addition to the Town's contribution, which is expected to be \$5 million in FY14. During the years FY97-FY09 when the pension liability was fully funded, the Town made no contributions to the pension plan.

OPEB: The Town is obligated to subsidize a portion of the health insurance premiums for retirees. Eligible retirees are required to enroll in Medicare and the Town pays 50% of the cost of a Medicare supplement plan and 50% of the Medicare Part B premium.

The following table summarizes the Town's unfunded liabilities related to pension and OPEB, based on employee service to-date:

	Pension	OPEB
Valuation date	1/1/12	7/1/12
Accrued liability	\$ 164,809,666	\$ 127,911,942
Actuarial value of assets	125,424,614	21,315,461
Unfunded liability	\$ 39,385,052	\$ 106,596,481

The actuarial funding schedule for the pension plan, which is intended to fully fund the plan by 2030, calls for a \$2.1 million increase in pension funding in FY14 (inclusive of enterprise funds) and more modest increases thereafter. The latest actuarial valuation of the pension plan (and thus, the current funding schedule) used an investment return assumption of 7.75%. The Retirement Board is performing a new actuarial valuation of the pension liability as of 1/1/13, which will provide a new funding schedule for FY15. As part of that valuation, the actuaries are reassessing all of the assumptions. We expect this will entail the lowering of the investment return assumption, which will result in an increase in the unfunded liability. In the event Town Meeting acts favorably on the proposed increase in the base used to determine cost of living adjustments to retirement allowances (see Article 6), it has been estimated the Town's annual contribution will also need to be increased by \$250,000. In anticipation of the new funding schedule reflecting all of these changes, we have added \$1 million to the previously approved schedule for FY15 and later years.

The actuarial funding schedule for the OPEB liability, which is intended to fully fund the plan by 2037, requires the Town to contribute \$3 million each year (funded currently by \$1.2 million inside the levy and a \$1.8 million Proposition 2½ funding exclusion authorized at the May 2007 Special Election) in addition to the increasing pay-as-you-go costs (i.e., the premium subsidies for current retirees). Despite this funding, the unfunded OPEB liability is projected to continue growing until 2019. Similar to the pension liability, future OPEB valuations may reflect a lower investment rate assumption (currently 7.5%). However, it is possible that the adverse impact of such a change will be offset by the impact of legislative initiatives at the State level to reform municipal obligations with respect to OPEB (see "An Act Providing Retiree Healthcare Benefits Reform" filed by Governor Deval Patrick February 12, 2013).

Facilities maintenance needs

The 2012 Annual Town Meeting approved the establishment of a Town-wide Facilities Maintenance Department and funding for 11.5 additional personnel (full-time equivalents) to bring staffing levels closer to industry benchmarks and execute a more rigorous maintenance program. The additional personnel are now in place and the new organization is maturing.

The firm Symmes Maini & McKee Associates ("SMMA") recently completed an assessment of the Town's school buildings, which identified the need for approximately \$86 million of

renovation work to such buildings. A Schools Facilities Master Plan Task Force (SFMP) was formed to review the results of SMMA's assessment and develop recommendations in terms of how to proceed with the further planning for such work. The SFMP initially proposed to seek an appropriation at the 2013 Annual Town Meeting for design funds related to a large-scale renovation of the Schofield and Fiske elementary schools. In light of the ongoing enrollment study and strategic planning work being undertaken by the School Department, a decision was made to defer consideration of this request to a subsequent Town Meeting.

As this report goes to press, the SFMP is continuing to work with the School Committee, PBC and Selectmen to develop a long-term plan for tackling the large scope of school renovation work called for by the SMMA assessment. The Town has initiated discussions with the Massachusetts School Building Authority (MSBA) regarding the availability of MSBA grants to fund a portion of the cost of this work. Given the perceived urgency of some elements of the proposed work, we expect a significant request for design funds will be made at a Special Town Meeting to be held later this fall.

We currently plan to fund the cost of much of this facilities work via debt exclusion(s). The first such exclusion might be timed to coincide with the next operating budget override discussed later in this report.

In the meantime, the Facilities Maintenance Department has worked with the School Committee and Board of Selectmen to develop a request, primarily for design funds, to be appropriated at the upcoming Town Meeting related to a series of smaller, discrete facilities projects including:

- Middle School – Donizetti entrance repairs and replacement of auditorium seating
- Sprague School – Partial roof replacement and repairs to Oak Street entrance
- Hunnewell School – Roof repairs
- Schools - District-wide security upgrades and phone system replacement
- Fire Station #2 – Resurfacing of apparatus floor and HVAC renovations
- Police Station – HVAC renovations
- Warren Building – Flooring replacement and other miscellaneous repairs

The current estimates of the cost of these projects total \$1,115,000, which includes \$704,000 for the design work on the various projects and \$411,000 for the actual replacement of the Schools' phone system. The PBC is continuing to evaluate the scope and estimated cost of these projects, and additional information will be provided at Town Meeting.

High School construction and related borrowing costs

The Permanent Building Committee is working to resolve the final punch list items for the High School project and finalize the related contractor invoices and Massachusetts School Building Authority (MSBA) reimbursement. Spending to-date on the project totals \$103.9 million and reimbursements from the MSBA total \$34.8 million (the total cost incurred to-date includes certain costs not eligible for MSBA reimbursement, such as the purchase of the Seaver Street properties). Borrowings to-date for this project total \$72 million, and we do not foresee a need to borrow any additional funds. This level of borrowing is approximately \$14.1 million lower than the amount originally approved by Town Meeting. In addition, the weighted average interest rate on the borrowings to-date is approximately 3.7%, which compares favorably to the 4.5% rate used in the original projections presented at Town Meeting. The debt service cost for the project is currently projected to peak in FY14, and decline each year thereafter. The budgeted FY14 and projected FY15 debt service cost related to the High School project are \$5.5 million and \$5.4 million, respectively.

Funding of future capital projects

We continue to assume the following two projects will be at least partially funded via debt exclusions, subject to favorable action at Town Meeting:

- Tolles-Parsons Center (\$5.8 million) – Further planning with respect to the construction of a new Senior Center (the Tolles-Parsons Center) at 496 Washington Street, the site of the former American Legion building, has recently been completed. A preliminary plan for developing additional parking for the Center on Wellesley Housing Authority land adjacent to the Police Station has been prepared, and we expect a request at the upcoming Town Meeting for \$165,313 of additional funds to complete the design and permitting of this project. It is currently envisioned that an appropriation for construction costs will be requested at the 2014 Annual Town Meeting.
- Fuller Brook Park (\$6.0 million) – Considerable planning has been done on the Fuller Brook Park Preservation Project. No appropriation of funds will be sought for this project at the 2013 Annual Town Meeting. As seen in the *Five Year Capital Budgeting Program*, the total cost of this potential project is currently estimated to be \$6 million, with \$3.6 million of the cost to be funded with CPA funds, and the balance (\$2.4 million) to be funded by the Town. Similarly, it is envisioned that an appropriation of construction costs will be requested at the 2014 Annual Town Meeting.

In addition, significant planning work has been done on the following project:

- 900 Worcester Street – At the Special Town Meeting in June 2012, a total of \$4.16 million was appropriated to acquire this property, demolish the church and fund other costs incidental to the acquisition. \$2.6 million of this cost is to be funded by Community Preservation Act (CPA) funds and the balance of \$1.56 million is to be funded by a General Fund borrowing. Pending resolution of the ongoing canon law appeal, the Town's due diligence related to this acquisition is on-hold, and any action related to this project at the 2013 Annual Town Meeting is increasingly unlikely. The projected Sources & Uses of Funds shown elsewhere in this report includes the debt service associated with the funds appropriated to date. Otherwise, the *Five Year Capital Budgeting Program* does not include any estimate of additional costs to be incurred on this project.

The FY14 Budget

At the 2012 Annual Town Meeting, we projected deficits of \$4.9 million and \$7 million in FY14 and FY15, respectively, and suggested an override of \$5 million in FY14 to offset these deficits. Less growth in the School budget and lower health insurance costs have reduced the projected deficits. In light of the leadership changes in the School Department, the current economic climate and the healthy condition of the Town's financial reserves, the Board chose to use reserves to offset this deficit and defer an override request to the following year.

The proposed FY14 budget is summarized in the following table (a more complete FY14 Sources & Uses is presented in Exhibit A).

	FY13 Budget		FY14 Request		\$ Inc/(Dec)	% Inc/(Dec)
Sources of Funds						
Taxes	\$ 97,314,836	\$ 101,297,707	\$ 3,982,871	4.1%		
State Aid	8,872,646	8,872,646	-	0.0%		
Local Revenue	9,913,713	10,339,123	425,410	4.3%		
Free Cash	2,837,757	3,073,269	235,512	8.3%		
Other Sources	1,674,310	1,730,303	55,993	3.3%		
Exclusions & Exemptions	11,677,988	11,362,520	(315,468)	-2.7%		
Total Sources	\$ 132,291,250	\$ 136,675,568	\$ 4,384,318	3.3%		
Uses of Funds						
School	\$ 58,115,123	\$ 60,133,158	\$ 2,018,035	3.5%		
Facility Maintenance	6,186,673	6,388,995	202,322	3.3%		
Other Town Departments	25,517,269	25,984,234	466,965	1.8%		
Employee Benefits	20,577,517	22,134,678	1,557,161	7.6%		
Cash Capital	3,526,073	3,869,341	343,268	9.7%		
Debt Service (inside Levy)	3,109,135	3,179,465	70,330	2.3%		
Other Uses	3,581,472	3,623,177	41,705	1.2%		
Exclusions & Exemptions	11,677,988	11,362,520	(315,468)	-2.7%		
Total Uses	\$ 132,291,250	\$ 136,675,568	\$ 4,384,318	3.3%		
Surplus/(Deficit)	\$ -	\$ 0				

Sources of Funds: The 4.1% increase in Taxes reflects the allowed growth in the levy limit (2.5%) and \$1.55 million of new levy growth. The 4.3% increase in Local Revenue reflects modest increases in excise taxes and permit fees. The increase in Other Sources is due to increases in non-recurring sources. The decrease in Exclusions and Exemptions reflects the continuing pay down of the Town's excluded debt.

Uses of Funds: The 3.5% increase in the School budget primarily reflects the cost associated with contractual step and lane increases. The 3.3% increase in Facilities Maintenance and 1.8% increase for Other Town Departments reflect wage increases for non-union employees to be considered under Article 4 and increases in property and liability insurance premiums. The 7.6% increase in Employee Benefits is primarily due to a \$1.8 million increase in pension funding (excluding enterprise funds). Facilities maintenance accounts for \$248,000 (72%) of the increase in Cash Capital, consistent with the plan to raise the recurring level of facilities maintenance capital spending. Debt Service inside-the-levy is up modestly as a result of additional borrowing for previously approved projects. Other Uses include CPA fund requests and other self-funding items, as well as provisions for state and county assessments and property tax abatements.

The Town is also anticipating requests to fund the following additional amounts from Free Cash, subject to appropriation at Town Meeting:

- \$450,000 supplemental FY13 appropriation for Snow & Ice Removal costs (Article 7)
- \$165,313 for additional design costs related to the Tolles-Parsons Center (Article 18)
- \$55,000 for a portion of the cost of the Hills Branch Library chimney repair (Article 20)

Debt Capital

The Town's Five-Year Capital Budget Program is presented elsewhere in this book. The following debt capital projects will be considered at the 2013 Annual Town Meeting:

- Park & Highway Garage HVAC repair - \$1,000,000 (Article 14)
- Wales Street Bridge improvements - \$400,000 (Article 15)
- School phone system replacement - \$411,000 (Article 17)
- Design costs for various facilities maintenance projects – Current estimate is \$704,000; the PBC is continuing to analyze the scope and cost of this work. (Article 17)

The debt service cost for these projects will first impact the Town budget in FY15.

Reserves

Mindful of the need to maintain sufficient financial reserves to support the Town's favorable AAA bond rating, we continue to carefully monitor the level of revenues and expenses versus budget, and the resulting impact on reserve levels.

Of particular concern are the balances in the Town's Stabilization Fund (a separate reserve fund) and the balance of Free Cash. Under Massachusetts Department of Revenue (DOR) rules, these are the reserve balances specifically available for appropriation by Town Meeting for any lawful purpose. 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, 2012 was \$3.1 million and we do not anticipate any requests for appropriations from this fund. The level of Free Cash, as certified by the DOR, was \$10.5 million as of July 1, 2012.

The following chart summarizes the changes in Free Cash for the years FY08-12:

<i>Free Cash</i>	<i>FY08</i>	<i>FY09</i>	<i>FY10</i>	<i>FY11</i>	<i>FY12</i>
<i>Beginning of year</i>	\$ 6,786,366	\$10,692,354	\$ 9,145,674	\$ 9,471,751	\$ 8,439,070
<i>Uses</i>	(2,475,512)	(4,007,626)	(982,734)	(3,715,184)	(3,112,757)
<i>Net Free Cash generated</i>	6,381,500	2,460,946	1,308,811	2,682,503	5,173,310
<i>End of year</i>	<u>\$10,692,354</u>	<u>\$ 9,145,674</u>	<u>\$ 9,471,751</u>	<u>\$ 8,439,070</u>	<u>\$10,499,623</u>

Free Cash is “generated” by revenues in excess of budget, budget “turn-back” (amounts budgeted but not spent), and other timing differences. The Town's ability to generate Free Cash has enabled the rebuilding of the Town's financial reserves, and funded a number of operating and capital investments, as reflected in the “Uses” quantified above. The potential for generating additional Free Cash in FY13 is an important factor in our evaluation of the proposed use of these reserves to balance the FY14 budget.

The following chart summarizes an initial projection of the Town's reserve balances at June 30, 2013:

Reserve balances at June 30, 2012	
Free Cash	\$10,499,623
Stabilization Fund	<u>3,071,289</u>
	13,570,912
FY13 Revenue (calculated per policy)	119,305,603
<i>Reserve %</i>	11.37%
Projected FY13 changes in reserves	
FY13 Budget turnback	1,000,000
2013 Annual Town Meeting appropriations	
- Snow & ice (Article 7)	(450,000)
- FY14 operating budget (Article 8)	(2,852,956)
- Tolles-Parsons Ctr. (Article 18)	(165,313)
- Hills Branch Chimney (Article 20)	<u>(55,000)</u>
	(2,523,269)
Projected reserves at June 30, 2013	\$11,047,643
<i>Reserve %</i>	9.26%

(Note: Amounts appropriated at the 2013 Annual Town Meeting for expenditure during FY14 will reduce the amount of Free Cash at June 30, 2013.)

During the past year, the Selectmen developed a new Financial Reserves Policy to establish guidelines regarding the appropriate level and use of financial reserves. The policy provides that the sum of the balance in the Stabilization Fund and Free Cash be maintained in the range of 8-12% of budgeted operating revenues. Generally speaking, reserves in excess of 8% but less than 12% may be used to stabilize tax rates, meet anticipated capital needs, and to avoid or defer an override. The Board believes the use of Free Cash in the proposed FY14 budget is consistent with this policy.

DOOR 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%. Based on the above projection, Wellesley's reserves at June 30, 2013 would be approximately 9.26%. It is also important to note that the Town's financial position is reinforced by the Town's proactive approach to funding the pension and OPEB liabilities.

Looking Ahead to FY14-17

For purposes of projecting the Town's Sources and Uses of funds for the years FY15-17, we have used the following annual growth rate assumptions:

• Levy growth	2.5% plus \$1.4 million of new growth
• State aid	2%
• Local revenue	2%
• Departmental budgets	
◦ Schools	4%
◦ Other Town depts.	2%
• Pension	Per approved funding schedule, as adjusted (see above)
• Health insurance	5%
• Other employee benefits	2.5%

Given the relative size of the School budget, the assumptions regarding the growth in School spending has the greatest impact. It is important to note that this assumption is contingent on the outcome of the current round of collective bargaining with the Teachers union and on the agreement by the School Committee to this number.

Based on these assumptions and assuming no overrides, the projected deficits for the years FY15-17 are summarized as follows:

	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>
<i>Projected Deficit</i>	\$ (4,232,228)	\$ (4,513,156)	\$ (4,766,457)

We will continue to refine these projections over the next few weeks and will provide an update at Town Meeting. Ultimately, the projected deficits underscore the need for further planning in order to balance service expectations against taxpayers' willingness to pay. They also provide a clear context for the current round of collective bargaining with several of the Town's large unions. Reducing or eliminating these deficits without an override would require some combination of the following:

- Lower rates of spending growth achieved through:
 - Service or staff reductions
 - Structural change in union salary or wage schedules; e.g., a reduction in the number or value of "step" wage increases
 - Operational efficiencies from outsourcing and/or consolidation
 - Further energy conservation measures
 - Deferral of planned capital projects
- Further growth in revenues, such as:
 - New and/or increased permit fees
 - Incremental payments in lieu of taxes (PILOT's)

Absent a significant reduction in the pace of spending growth, an override will be required next year. For initial discussion purposes only, the Board has discussed the possibility of \$3.5 million override in FY15 as one element of a broader plan for addressing the deficits.

The following table illustrates the potential impact of a \$3.5 million override in FY15 and the planned debt exclusions on the median tax bill (i.e., the tax bill for a home valued at \$844,000):

	<u>Median Tax Bill</u>			
	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>
Prior fiscal year	\$ 9,833	\$ 10,050	\$ 10,602	\$ 10,854
2.5% increase	246	251	265	271
\$3.5 million override	-	316	8	8
Decrease in excluded debt service	(28)	(15)	(21)	(46)
Facilities projects for				
2013 Annual Town Mtg.	-	13	62	(2)
Tolles-Parsons Center	-		40	(1)
Fuller Brook Park	-	-	30	(1)
	<u>\$ 10,050</u>	<u>\$ 10,602</u>	<u>\$ 10,854</u>	<u>\$ 11,087</u>
% Increase	2.2%	5.5%	2.4%	2.1%

Further details regarding the projections for FY15-17 inclusive of the potential override are provided in Exhibit C.

This Town-Wide Financial Plan is a continual work-in-progress. As in prior years, we will provide further updates on these matters through the start of 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,

Terri Tsagaris, Chair
 Ellen F. Gibbs, Vice Chair
 Barbara D. Searle, Secretary
 Katherine L. Babson, Jr.
 Donald S. McCauley

Exhibits:

- A - FY14 Summary Sources & Uses of Funds
- B - FY14 Detail Sources & Uses of Funds
- C - Projected Sources & Uses of Funds

TOWN OF WELLESLEY- SOURCES AND USES OF FUNDS

Exhibit A

	<u>FY2013 Tax Rate</u>	<u>FY2014 Request</u>	<u>% Change</u>
*** SOURCES OF FUNDS ***			
Tax & Other Current Revenues			
Within Levy Limits			
Real Estate & Per. Prop. Tax	97,314,836	101,297,707	4%
From the Commonwealth	8,872,646	8,872,646	0%
Local Revenue	9,913,713	10,339,123	4%
Sub-Total (Tax & Cur. Rev.)	116,101,195	120,509,476	4%
Outside Levy Limits			
Real Estate & Pers. Prop. Tax	9,877,988	9,562,520	-3%
OPEB	1,800,000	1,800,000	0%
Available Funds			
Parking Meter Receipts	833,864	855,846	3%
Appropriated/Reserved CPA Surcharge	765,446	748,000	-2%
Free Cash- balance budget	2,837,757	2,852,956	1%
Free Cash- Park Hwy HVAC	75,000	220,313	100%
Unencumbered/Transfers from other funds	-	126,457	
Sub-Total (Available Funds)	4,512,067	4,803,572	6%
TOTAL SOURCES OF FUNDS	132,291,250	136,675,568	3%
*** USE OF FUNDS ***			
Personal Services (Non-School)	19,033,119	19,349,118	2%
Expenses (Non-School)	6,484,150	6,635,116	2%
Subtotal (Non-School)	25,517,269	25,984,234	2%
Personal Services (Facilities Maintenance)	3,276,988	3,465,927	6%
Expenses (Facilities Maintenance)	2,909,685	2,923,068	0%
Subtotal (Facilities Maintenance)	6,186,673	6,388,995	3%
Personal Services (School)	51,006,508	52,764,096	3%
Expenses (School)	7,108,615	7,369,062	4%
Subtotal (School)	58,115,123	60,133,158	3%
Sub-Total (Pers. Svcs.& Exp)	89,819,065	92,506,387	3%
Capital & Debt:			
Within Levy Limits			
Capital/Extraord./Special Items	3,526,073	3,869,341	10%
Debt Service	3,109,135	3,179,465	2%
Sub-Total (Within Levy Limits)	6,635,208	7,048,806	6%
Outside Levy Limits			
Debt Service	9,877,988	9,562,520	-3%
SUB-TOTAL (CAPITAL & DEBT)	16,513,196	16,611,326	1%
Employee Benefits:			
Ins./Group Ins., etc.	16,167,673	15,926,473	-1%
Pension Contribution	3,209,844	5,008,205	56%
OPEB Liability Fund	3,000,000	3,000,000	0%
Sub-Total (Shared Costs)	22,377,517	23,934,678	7%
SUB-TOTAL (OPERATIONS)	128,709,778	133,052,391	3%
Special Items:			
Traffic & Parking Management	833,864	843,846	1%
Appropriated/Reserved CPA Surcharge	765,446	748,000	-2%
State & County Assessments	1,153,350	1,211,018	5%
Property Tax Abatements	753,812	600,000	-20%
Free Cash- Park Hwy	75,000	220,313	100%
Sub-Total (Special Items)	3,581,472	3,623,177	1%
TOTAL USE OF FUNDS	132,291,250	136,675,568	3%
TOTAL SOURCE OF FUNDS	132,291,250	136,675,568	3%
SURPLUS (DEFICIT)	-	(0)	

Exhibit B

TOWN OF WELLESLEY - TOWN MEETING APPROVED ALLOCATION OF FUNDS

SOURCES OF FUNDS	FY 2013	FY 2014	\$ Change	% Change
Real Estate & Personal Property Tax				
Within the Levy Limit	97,314,836	101,297,707	3,982,871	4.1%
Outside the Levy Limit - OPEB	1,800,000	1,800,000	0	0%
Outside the Levy Limit	9,562,520	9,562,520	(315,468)	-3.2%
Subtotal	108,992,824	112,660,227	3,667,403	3.4%
 From the Commonwealth				
Chapter 70 Aid	7,402,108	7,402,108	0	0.0%
Lottery Aid	1,095,717	1,095,717	0	0.0%
Regional Public Libraries	270,000	270,000	0	0.0%
Other Aid	104,821	104,821	0	0.0%
 Local Revenue				
Motor Vehicle Excise	4,176,000	4,300,000	124,000	3.0%
Licenses and Permits	1,500,000	1,775,000	275,000	18.3%
MLP Payment In Lieu of Taxes	1,000,000	1,000,000	0	0.0%
Interest Earnings	325,300	275,000	(50,300)	-15.5%
RDF Revenue	800,000	664,000	(136,000)	-17.0%
Fines & Forfeits	575,000	575,000	0	0.0%
Recreation	100,000	124,123	24,123	24.1%
Meals Tax	520,000	546,000	26,000	5.0%
Pilot Payments	270,083	270,000	(83)	0.0%
Other Local Revenues	647,330	810,000	162,670	25.1%
 Other Sources				
Parking Meter Receipts	833,864	855,846	21,982	
Free Cash to balance budget	2,837,757	2,852,956	15,199	
Free Cash (2013) Park Hwy design, (2014) Tolles Parsons design, Hill Ch	75,000	220,313	(17,446)	-2.3%
Appropriated CPA Surcharge	765,446	748,000	126,457	
Police detail	0	126,457		
 Subtotal	132,291,250	136,675,568	4,384,318	3.3%

Exhibit B

Funding Item	USES OF FUNDS			FY13 USE OF FUNDS (Tax Rate)			FY14 USE OF FUNDS (Request)			CHANGE - FY13 to FY14		
	FY13 Pers Svcs	FY13 Expenses	FY13 Total Ops	FY14 Pers Svcs	FY14 Expenses	FY14 Total Ops	Variance Pers Svcs	Variance Expenses	Variance Total Ops	Variance Total \$	Variance Total %	
GENERAL GOVERNMENT												
Board of Selectmen - Administration												
Executive Director's Office	402,331	30,250	432,581	406,257	30,550	436,807	3,926	300	4,226	1,0%		
Sustainable Energy	18,960	6,000	24,960	0	15,033	15,033	(18,960)	9,033	(9,927)	-39.8%		
Central Administrative Services	0	37,500	37,500	0	38,500	38,500	0	1,000	1,000	2.7%		
Finance Department	350,834	9,125	350,959	356,878	8,000	364,878	6,044	(1,125)	4,919	1.4%		
Network & Information Systems	460,925	214,127	675,052	460,950	215,563	676,513	25	1,436	1,461	0.2%		
Treasurer & Collector	259,407	122,150	381,557	262,222	123,863	386,085	2,815	1,713	4,528	1.2%		
Parking Fines Processing												
Town Report	0	4,000	4,000	0	4,000	4,000	0	0	0	0.0%		
Board of Selectmen - Human Services												
Council on Aging	181,595	134,318	315,913	219,226	112,533	331,759	37,631	(21,785)	15,846	5.0%		
Fair Housing Committee	0	200	200	0	200	200	0	0	0	0.0%		
West Suburban Veterans District	0	85,818	85,818	0	107,261	107,261	0	21,443	21,443	25.0%		
Youth Commission	71,147	17,190	88,337	73,309	17,190	90,499	2,162	0	2,162	2.4%		
Board of Selectmen - Maintenance Services												
Facilities Maintenance	3,276,988	2,909,685	6,186,673	3,465,927	2,923,068	6,388,995	188,939	13,383	202,322	3.3%		
Board of Selectmen - Other Services												
Housing Development Corporation	0	3,500	3,500	0	6,000	6,000	0	2,500	2,500	71.4%		
Historical Commission	0	750	750	0	750	750	0	0	0	0.0%		
Historical District Commission	0	250	250	0	250	250	0	0	0	0.0%		
Memorial Day	0	2,500	2,500	0	2,500	2,500	0	0	0	0.0%		
Celebrations Committee	0	4,700	4,700	0	4,700	4,700	0	0	0	0.0%		
Zoning Board of Appeals	48,401	7,115	55,516	48,587	7,115	55,702	186	0	186	0.3%		
Board of Selectmen - Shared Services												
Law	0	272,360	272,360	0	300,000	300,000	0	27,640	27,640	10.1%		
Audit Committee	0	56,250	56,250	0	56,250	56,250	0	0	0	0.0%		
Risk Management	0	407,000	407,000	0	479,000	479,000	0	72,000	72,000	17.7%		
Street Lighting	0	225,300	225,300	0	225,300	225,300	0	0	0	0.0%		
Subtotal - Board of Selectmen - General Government	5,070,588	4,550,088	9,620,676	5,293,356	4,677,626	9,970,982	222,768	127,538	350,306	3.6%		

Exhibit B

Funding Item	USES OF FUNDS						CHANGE - FY13 to FY14					
	FY13 USE OF FUNDS (Tax Rate)			FY14 USE OF FUNDS (Request)			Variance			Variance		
	FY13 Pers Svcs	FY13 Expenses	FY13 Total Ops	FY14 Pers Svcs	FY14 Expenses	FY14 Total Ops	Pers Svcs	Expenses	Total \$	Pers Svcs	Expenses	Total \$
Other General Government												
Town Clerk/Election & Registration	249,986	50,300	300,286	226,880	48,090	274,970	(23,106)	(2,210)	(25,316)	0	0	-8.4%
Board of Assessors	245,856	81,950	327,806	248,776	82,770	331,546	2,920	820	3,740	0	0	-1.1%
Planning Board	214,190	42,600	256,790	220,191	42,600	262,791	6,001	0	6,001	0	0	2.3%
Advisory Committee	8,782	14,000	22,782	8,782	14,000	22,782	0	0	0	0	0	0.0%
Reserve Fund	0	175,000	175,000	0	175,000	175,000	0	0	0	0	0	0.0%
Permanent Building Committee	12,834	6,450	19,284	15,074	6,450	21,524	2,240	0	2,240	0	0	11.6%
Human Resources Board	270,236	19,650	289,886	273,227	18,803	292,030	2,991	(847)	2,144	NA	NA	0.7%
HR Salary adjustments	43,525	0	43,525	130,000	0	130,000	NA	NA	NA	NA	NA	NA
Subtotal - Other General Government	1,045,409	389,950	1,435,359	1,122,930	387,713	1,510,643	(8,554)	(2,237)	(11,191)	0	0	-0.8%
GENERAL GOVERNMENT TOTAL	6,115,987	4,940,038	11,056,035	6,416,286	5,065,339	11,481,625	213,814	125,301	339,115	0	0	3.1%
PUBLIC SAFETY - BOARD OF SELECTMEN												
Police Department	4,664,991	619,903	5,284,894	4,710,339	630,094	5,340,433	45,348	10,191	55,539	0	0	1.1%
Injured on Duty	98,998	2,897	101,895	99,950	see Risk Management Dept 945	99,950	0	0	0	0	0	0
Special School Police	4,451,006	260,112	4,711,118	4,570,007	262,749	4,832,756	102,876	29	29	981	0	1.0%
Fire Department	92,423	0	92,423	0	0	0	0	0	0	121,638	0	2.6%
Radio Masterbox	415,572	26,350	441,922	418,901	26,350	445,251	(92,423)	0	0	(92,423)	0	-100.0%
Building Department	0	0	0	0	0	0	0	0	0	3,329	0	0.8%
Emergency Medical Services	15,660	2,800	18,460	15,660	2,800	18,460	0	0	0	0	0	0.0%
Sealer of Weights & Measures	9,738,650	912,062	10,650,712	9,814,857	924,919	10,739,776	76,207	12,857	89,064	0	0	0.8%
PUBLIC SAFETY TOTAL - BOARD OF SELECTMEN	3,914,715	2,516,438	6,431,153	3,995,942	2,525,782	6,521,724	81,227	9,344	90,571	0	0	1.4%
DEPARTMENT OF PUBLIC WORKS												
Engineering	471,999	79,788	551,787	483,024	67,639	560,663	11,025	(12,149)	(1,124)	0	0	-0.2%
Highway	997,675	446,202	1,443,877	1,017,113	455,762	1,472,875	19,438	9,560	28,998	0	0	2.0%
Fleet Maintenance	130,942	56,462	187,404	133,561	56,462	190,023	2,619	0	2,619	0	0	1.4%
Park	1,042,991	271,477	1,314,468	1,070,589	287,770	1,358,359	27,598	16,293	43,891	0	0	3.3%
Recycling & Disposal	936,859	1,260,893	2,197,752	948,486	1,269,693	2,218,179	11,627	8,800	20,427	(4,240)	0	0.9%
Management	334,249	52,913	387,162	343,169	39,753	382,922	8,920	(13,160)	(4,240)	0	0	-1.1%
Winter Maintenance	0	348,703	348,703	0	348,703	348,703	0	0	0	0	0	0.0%
PUBLIC WORKS TOTAL	3,914,715	2,516,438	6,431,153	3,995,942	2,525,782	6,521,724	81,227	9,344	90,571	0	0	1.4%
WELLESLEY FREE LIBRARY												
Library Trustees	1,576,538	429,998	2,006,536	1,593,711	458,557	2,052,268	17,173	28,559	45,732	0	0	2.3%
Regional Services (Non-Tax Impact)	157,889	112,111	270,000	157,889	112,111	270,000	0	0	0	0	0	0.0%
LIBRARY TOTAL	1,734,427	542,109	2,276,536	1,751,600	570,668	2,322,268	17,173	28,559	45,732	0	0	2.0%

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Exhibit B

Funding Item	USES OF FUNDS			FY13 USE OF FUNDS (Tax Rate)			FY14 USE OF FUNDS (Request)			CHANGE - FY13 to FY14		
	FY13 Pers Svrs	FY13 Expenses	FY13 Total Ops	FY14 Pers Svrs	FY14 Expenses	FY14 Total Ops	Variance Pers Svrs	Variance Expenses	Variance Total \$	Variance Total - %		
RECREATION												
Recreation Commission	284,438	23,800	308,238	297,937	20,000	317,937	13,499	(3,800)	9,699	3.1%		
RECREATION TOTAL	284,438	23,800	308,238	297,937	20,000	317,937	13,499	(3,800)	9,699	3.1%		
HEALTH												
Board of Health	341,497	66,838	408,335	343,684	68,540	412,224	2,187	1,702	3,889	1.0%		
Mental Health Services	0	213,555	213,555	0	215,691	215,691	0	0	2,136	2,136		
HEALTH TOTAL	341,497	280,393	621,890	343,684	284,231	627,915	2,187	3,638	6,025	1.0%		
NATURAL RESOURCES												
Natural Resources Commission	180,383	18,625	199,008	182,994	18,575	201,569	2,611	(50)	2,561	1.3%		
Morses Pond Project - (NRC, DPW, Rec)	0	160,370	160,370	11,745	148,670	160,415	11,745	(11,700)	45	0.0%		
NATURAL RESOURCES TOTAL	180,383	178,995	359,378	194,739	167,245	361,984	14,356	(11,750)	2,606	0.7%		
NON-SCHOOL TOTAL	22,310,107	9,393,835	31,703,942	22,815,045	9,558,184	32,373,229	418,463	164,349	582,812	1.8%		
WELLESLEY PUBLIC SCHOOLS												
Instruction	44,138,715	1,458,511	45,597,226	48,383,377	1,818,235	48,201,612	2,244,662	359,724	2,604,386	5.7%		
Administration	891,418	147,700	1,039,118	894,780	149,168	1,043,948	3,362	1,468	4,830	0.5%		
Operations	683,241	322,900	1,006,141	753,821	366,357	1,120,178	70,580	43,457	114,037	11.3%		
Special Tuition/Transportation/Inclusion	5,293,134	5,179,504	10,472,638	4,732,118	5,035,302	9,767,420	(561,016)	(144,202)	(705,218)	(6.7%)		
SCHOOL TOTAL	51,006,508	7,108,615	58,115,123	52,764,096	7,369,062	60,133,158	1,757,588	260,447	2,018,035	3.5%		
EMPLOYEE BENEFITS												
Group Insurance	0	15,796,768	15,796,768	0	15,619,773	15,619,773	0	(176,995)	(176,995)	(-1.1%)		
OPEB Liability Fund	0	3,000,000	3,000,000	0	3,000,000	3,000,000	0	0	0	0.0%		
Retirement Contribution	0	3,209,844	3,209,844	0	5,008,205	5,008,205	0	1,798,361	1,798,361	56.0%		
Unemployment Compensation	0	250,000	250,000	0	200,000	200,000	0	(50,000)	(50,000)	(-20.0%)		
Compensated Absences	0	90,000	90,000	0	90,000	90,000	0	0	0	0.0%		
Non-Contributory Pensions	0	30,905	30,905	0	16,700	16,700	0	(14,205)	(14,205)	(-46.0%)		
EMPLOYEE BENEFITS TOTAL	-	22,377,517	22,377,517	0	23,934,678	23,934,678	0	1,557,161	1,557,161	7.0%		
ALL PERSONAL SERVICES & EXPENSES	73,316,615	38,879,967	112,196,582	75,579,141	40,861,924	116,441,065	2,262,526	1,981,957	4,244,483	3.8%		

Exhibit B

Funding Item	USES OF FUNDS			FY13 USE OF FUNDS (Tax Rate)			FY14 USE OF FUNDS (Request)			CHANGE - FY13 to FY14		
	FY13 Pers Svcs	FY13 Expenses	FY13 Total Ops	FY14 Pers Svcs	FY14 Expenses	FY14 Total Ops	Variance Pers Svcs	Variance Expenses	Variance Total \$	Variance - %		
CAPITAL & DEBT												
<i>Departmental/Cash Capital</i>												
Public Works Capital	0	1,322,500	1,322,500	0	1,524,000	1,524,000	0	201,500	201,500	15.2%		
School Capital	0	962,554	962,554	0	803,134	803,134	0	(159,420)	(159,420)	-16.6%		
Facilities Capital - School	0	611,250	611,250	0	811,200	811,200	0	199,950	199,950	32.7%		
Facilities Capital - Town	0	282,333	282,333	0	330,000	330,000	0	47,967	47,967	16.9%		
Selectmen Capital	0	231,936	231,936	0	206,457	206,457	0	(25,479)	(25,479)	-11.0%		
Library Capital	0	40,500	40,500	0	40,000	40,000	0	(500)	(500)	-1.2%		
Town Clerk	0	0	0	0	79,550	79,550	0	79,550	79,550	100.0%		
NRC Capital	0	75,000	75,000	0	75,000	75,000	0	0	0	0.0%		
Morres Pond Capital	0	0	0	0	0	0	0	0	0	0.0%		
Subtotal - Cash Capital	0	3,526,073	3,526,073	0	3,869,341	3,869,341	0	343,268	343,268	9.7%		
 <i>Debt Service</i>												
Current Inside Levy Debt Service - Issued	0	2,903,335	2,903,335	0	2,796,845	2,796,845	0	(106,490)	(106,490)	-3.7%		
New Debt Service - Inside Levy	0	205,800	205,800	0	382,620	382,620	0	176,820	176,820	46.2%		
Current Outside Levy Debt Service - Issued	0	9,877,988	9,877,988	0	9,106,389	9,106,389	0	(771,599)	(771,599)	-7.8%		
New Debt Service - Outside Levy	0	0	0	0	456,131	456,131	0	456,131	456,131			
Subtotal - Debt Service	0	12,987,123	12,987,123	0	12,741,985	12,741,985	0	(245,138)	(245,138)	-1.9%		
 CAPITAL & DEBT TOTAL												
 SPECIAL ITEMS												
<i>Receipts Reserved for Appropriation</i>												
Traffic & Parking Operations	229,014	604,850	833,864	235,396	608,450	843,846	6,382	3,600	9,982	1.2%		
Community Preservation Appropriated	0	765,446	765,446	0	748,000	748,000	0	(17,446)	(17,446)	-2.3%		
Free Cash - (13) Park Hwy Design, (14) Tolles Parsons, +	0	75,000	75,000	0	220,313	220,313	0	145,313	145,313			
Property Tax Abatements	0	753,812	753,812	0	600,000	600,000	0	(153,812)	(153,812)	-20.4%		
State & County Assessments	0	1,153,350	1,153,350	0	1,211,018	1,211,018	0	57,668	57,668	5.0%		
SPECIAL ITEMS TOTAL	229,014	3,352,458	3,581,472	235,396	3,387,781	3,623,177	6,382	35,323	41,705	1.2%		
 TOTAL USES OF FUNDS												
TOTAL SOURCES OF FUNDS												
SURPLUS (DEFICIT)								(0)				

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Projected Sources & Uses of Funds

Exhibit C

	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>
Sources				
Property Taxes	\$ 101,297,707	\$ 105,230,150	\$ 109,260,903	\$ 113,392,426
Override		3,500,000	3,587,500	3,677,188
State Aid	8,872,646	9,050,099	9,231,101	9,415,723
Local Revenue	10,339,123	10,545,905	10,756,824	10,971,960
Free Cash	3,073,269	-	-	-
Other	126,457	85,647	93,547	66,976
	<u>123,709,202</u>	<u>128,411,801</u>	<u>132,929,875</u>	<u>137,524,272</u>
Uses				
Schools	60,133,158	62,538,484	65,040,024	67,641,625
Facilities	6,388,995	6,516,775	6,647,110	6,780,053
Other Town Depts.	25,984,234	26,503,919	27,033,997	27,574,677
	<u>92,506,387</u>	<u>95,559,178</u>	<u>98,721,131</u>	<u>101,996,354</u>
Cash Capital	4,089,654	4,502,782	5,330,882	5,834,211
Debt Service (Inside)	3,167,465	3,329,050	2,918,256	2,634,494
Pension	5,008,205	6,040,398	6,361,546	6,775,982
Health Insurance	13,267,744	13,931,131	14,627,688	15,359,072
OPEB	1,200,000	1,200,000	1,200,000	1,200,000
Other Employee Benefits	2,658,729	2,725,197	2,793,327	2,863,160
State & County Assessments	1,211,018	1,241,293	1,272,326	1,304,134
Property Tax Abatements	600,000	615,000	630,375	646,134
Other				
	<u>123,709,202</u>	<u>129,144,029</u>	<u>133,855,531</u>	<u>138,613,542</u>
Surplus/(Deficit)	<u>\$ -</u>	<u>\$ (732,228)</u>	<u>\$ (925,656)</u>	<u>\$ (1,089,269)</u>
Exclusions				
High School	\$ 5,473,598	5,393,938	5,285,694	5,185,093
Other Existing Debt	3,632,791	3,491,380	3,378,629	2,978,909
Authorized Borrowings				
- Stormwater Drainage	49,000	111,440	108,216	104,992
- Morses Pond Dredging	75,000	73,440	71,280	69,120
- DPW Office Building	332,131	323,828	315,525	307,222
Projected Borrowings				
- Tolles-Parsons Center		441,000	431,200	421,400
- Fuller Brook Park			336,000	326,400
- Facilities		TBD	TBD	TBD
OPEB	1,800,000	1,800,000	1,800,000	1,800,000
Total Exclusions	<u>\$ 11,362,520</u>	<u>\$ 11,635,026</u>	<u>\$ 11,726,544</u>	<u>\$ 11,193,136</u>