**REPORT OF THE BOARD OF SELECTMEN ON THE
TOWN-WIDE FINANCIAL PLAN FOR 2015 ANNUAL TOWN MEETING**

March 11, 2015

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 (FY15), the proposed budget for FY16, and projected financial information for the years FY17-19.

Overview

At the time of this writing, the Board of Selectmen and other Town officials are considering how best to balance the budget for the next fiscal year (FY16, or the year beginning July 1, 2015). The current revenue assumptions and departmental budget requests yield a deficit of approximately $1.7 million. A proposal to balance the budget through further spending reductions is being considered. Concurrently, representatives of the Selectmen are meeting with representatives of the various unions and retirees to negotiate potential changes in the health insurance benefits provided to active employees and retirees. An agreement forthcoming from these negotiations would lessen the need for spending reductions in other areas.

Growth in the School budget and health insurance costs remain the biggest drivers of cost growth. The School budget is nearly twice the size of all of the other departmental budgets combined, and it is projected to continue growing at twice the annual rate. Health insurance costs represent 58% of the employee benefits budget, which now totals $28 million annually. After several years of modest growth in health insurance premiums, Wellesley and other municipalities are now facing renewed growth in premiums, and the cost impact of the Affordable Care Act. This has caused a number of municipalities to transition their health insurance coverage to the Group Insurance Commission (GIC), the entity that provides such benefits for State employees. This option is discussed later in this report.

The recurring growth in the School budget and employee benefit costs continue to outpace the growth in the Town's revenues from property taxes, State Aid and other sources, resulting in a recurring, structural deficit. For the current fiscal year (FY15) a Proposition 2½ override of $3.345 million was approved in order to address this imbalance. Looking forward, a change in health insurance benefits will provide short-term relief, but longer-term, additional overrides will likely be required.

Key Financial Planning Issues

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

- Growth in personnel costs

- Increasing employee benefit costs
- Facilities maintenance needs
- Other capital projects

A short discussion of each of these items follows.

Growth in personnel costs

The largest recurring item in the year-over-year growth of the Town budget is the cost of wage increases for existing employees. The vast majority of Town employees are unionized, and their annual wage increases are the subject of collective bargaining. The status of the Town's largest union contracts is summarized as follows:

Union	Employees	Settled Through	FY16 Increase
Teachers	519	6/30/16	1.5% + 1.5% midyear
DPW Production	77	6/30/17	2.25%
School Secretaries	34	6/30/16	2%
School Custodians	44	6/30/17	1%
Library Association	45	6/30/16	2%
Firefighters	53	6/30/17	2% + .5% midyear
Patrolmen	31	6/30/16	2%

In addition to the general wage increases noted above, the union contracts also provide for "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 Teachers contract provides for 16 steps and the value of each step increase is approximately 4.2%. The DPW Production, Patrolmen and Firefighters contracts provide for 4-6 steps, and an average step increase of 5.3-5.6%. 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%.

Each year the cost of step increases is partially offset by savings resulting from the retirement or termination of employees who are replaced by new employees at a lower step level. Thus, in departments with steps, the changing composition of the work force has an effect on the budget over time. In the case of the School Department, the average experience level of teachers has increased over the past ten years. In addition, the number of steps in the Teachers contract has increased, so even the most experienced teachers have received step increases in some years. These factors have contributed to the greater growth of the School budget in comparison to other departments' budgets.

Increasing employee benefit costs

Employee benefit costs total $28 million in FY16 (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 - $16.3 million
- Pension plan contribution - $6.2 million
- Other Post-Employment Benefits (OPEB) funding - $3 million

The Town procures health insurance for active employees and retirees through the West Suburban Health Group (WSHG), a consortium of 13 towns and 4 educational entities. Generally speaking, health insurance is a mandatory subject of collective bargaining, i.e., the Town cannot unilaterally make plan design changes. The health insurance premium rates for FY16, as established by the WSHG reflect increases ranging from 9-14%, which has put tremendous pressure on the budget.

The Municipal Health Insurance Reform legislation passed by the State in 2011 established a process by which municipalities could transition active employees and retirees to the GIC, without the need for traditional collective bargaining. By transitioning to the GIC, municipalities can take advantage of that entity's market leverage, greater flexibility (the GIC can make plan design changes without the burden of collective bargaining) and lower premium rates. The towns of Westwood and Ashland (current WSHG members) have elected to do this effective July 1, 2015, and other towns including Lexington, Weston and Sudbury have previously made this election. We estimate Wellesley could save approximately $4 million per year by transitioning to the GIC. The earliest date such a change could be effective is July 1, 2016. In light of these potential savings, and while remaining cognizant of the advantages of remaining a member of the WSHG, we entered into negotiations with the unions regarding the possibility of alternative changes to take effect July 1, 2015. These negotiations are ongoing and we will provide a further update at Town Meeting.

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 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. Employee contributions to the Town of Wellesley's pension plan during calendar 2014 totaled $3.2 million. These contributions are in addition to the Town's contribution, which is expected to be $6.2 million in FY16. During the years FY97-FY09 when the pension liability was fully funded, the Town made no contributions to the pension plan.

The Town is also 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. This obligation is the basis for the Town's Other Post-Employment Benefits (OPEB) liability.

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

	Pension	**OPEB**
Valuation date	*1/1/13*	*6/30/14*
Accrued liability	$ 186,235,650	$111,075,197
Actuarial value of assets	125,714,763	32,806,387
Unfunded liability	$ 60,520,887	$ 78,268,810
MV of assets at 12/31/14	$ 152,812,147	$ 38,950,394

The actuarial funding schedule for the pension plan, which is intended to fully fund the plan by 2030, calls for a $.2 million increase in pension funding in FY16 (exclusive of enterprise funds). The latest actuarial valuation of the pension plan performed as of January 1, 2013 reflected an investment return assumption of 7.0%, which is more conservative than the 7.75% assumption used in the previous valuation. The actual investment return during 2014 exceeded the amount assumed in the valuation, but this does not justify a change in the funding schedule. A new actuarial valuation of the pension plan is being performed as of January 1, 2015, but the results of that valuation are not yet available.

A new actuarial valuation of the OPEB liability was performed as of July 1, 2014. Several of the key assumptions used in this valuation (e.g., interest rate) were more conservative than those used in prior valuations. Despite these changes, the unfunded liability at July 1, 2014 was $28 million lower than in the prior valuation (July 1, 2012), as a result of the Town's ongoing funding program, and actuarial gains with respect to the interest rate and health care cost trend rate assumptions.

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 through FY16. The $1.8 million annual OPEB Funding Exclusion is scheduled to expire June 30, 2017. In anticipation of this, the Board is proposing to shift funding from the Exclusion to inside the levy, as summarized in the following table:

	OPEB Funding		
	FY16	**FY17**	**FY18**
Inside the levy	$ 1,200,000	$ 2,100,000	$ 3,000,000
Exclusion	1,800,000	900,000	-
	$ 3,000,000	$ 3,000,000	$ 3,000,000

While this funding change will put pressure on the Town budget, the annual reductions in the amount of the Exclusion will serve to reduce the tax rate. In addition, we expect to achieve some level of health insurance savings by FY17, which will serve to offset the pressure on the budget.

Unlike many other communities, Wellesley is fully funding the ARC (Annual Required Contribution), as defined in the Government Accounting Standards Board pronouncements related to OPEB. As a result, the Town is allowed to discount the unfunded OPEB liability using an assumed market rate of return, whereas communities that are not funding the ARC are required to use a risk-free rate of return. Looking forward, as the accounting rules evolve to require municipalities to record pension and OPEB liabilities in their financial statements (as opposed to just footnote disclosure), the Town's proactive funding approach will favorably distinguish it.

Facilities maintenance needs

At the October 2014 Special Town Meeting, funds were appropriated for renovation of the Fiske and Schofield Elementary Schools and to replace the windows at the Middle School. A debt exclusion ballot question to facilitate the funding of this work was approved by the voters at a special election on December 9, 2014.

At the December 2013 Special Town Meeting, the School Facilities Committee, a committee jointly sponsored by the Selectmen and School Committee, presented a ten year plan for renovation of the Town's elementary schools and the Middle School. The largest components of this plan are:

- Renovation/replacement of Hardy, Hunnewell and Upham elementary schools - Multiple Statements of Interest (SOIs) have been filed with the Massachusetts School Building Authority with respect to these schools, but to-date, the Town has not received a favorable response. At some future date, Town officials may elect to begin addressing the needs of these schools without MSBA support. For purposes of the Town-Wide Financial Plan, we are projecting the total cost of this work to be in the range of $90 million, to be incurred during the period FY18-20.

- Middle School Infrastructure ($7 million) - A study of the mechanical systems in this school was recently completed and identified the need to replace significant portions of the HVAC distribution system. In addition, a number of classroom doors and certain cabinetry need to be replaced, and portions of the brick masonry need to be re-pointed.

Other capital projects

A brief update with respect to the Town's significant other capital projects is as follows:

- Tolles-Parsons Center ($6.9 million) – In October, 2013, the Planning Board denied the application for a special permit pursuant to the Zoning Bylaws governing Projects of Significant Impact. Following the acquisition of the adjacent property at 494 Washington Street in June, 2014, the Board of Selectmen and Permanent Building Committee revised the proposed building design and in October, 2014 filed a request to the Planning Board for determination of a Substantial and Material Change to the prior application. The Planning Board denied this request and the Board of Selectmen has appealed this decision via a lawsuit in Land Court. For purposes of the Town-Wide Financial Plan, we are assuming this project will not be considered by Town Meeting until 2016, at the earliest. It is intended that the appropriation for this project will be the subject of a debt exclusion vote.

- High School - The Permanent Building Committee is working to complete the restoration of the exterior basketball courts and close out this project with the Massachusetts School Building Authority. The debt service cost for this project peaked in FY14, and declines each year thereafter. The budgeted FY16 debt service cost related to the High School project is $5.4 million.

- Acquisition of 900 Worcester Street – At the Special Town Meeting in October, 2014, a total of $5.1 million was appropriated to acquire this property, demolish the church and fund other costs incidental to the acquisition. In November, the Town completed its due diligence and closed on this acquisition. The 900 Worcester Street Committee is investigating options for private development of the property for recreational purposes. 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 Budget Program does not include any additional costs to be incurred on this project.

- Acquisition of North 40 – At the Special Town Meeting in January, 2015, a total of $35.3 million was appropriated to acquire this property from Wellesley College and fund the costs of the Town's related due diligence. At the Annual Town Election on March 3rd, the voters approved a debt exclusion ballot question to support the financing of this acquisition. Pending development of a comprehensive plan for the future utilization and development of this property, the Five Year Capital Budget Program does not include any additional costs to be incurred with respect to this property.

FY16 Budget

The proposed FY16 budget request is summarized in the following table (more complete versions of the FY16 Sources & Uses are presented in Exhibit I on page 21 and Appendix B on page 161):

	FY15 Budget	FY16 Request	$ Inc/(Dec)	% Inc/(Dec)
Sources of Funds				
Taxes	$109,124,603	$ 113,452,719	$ 4,328,116	4.0%
State Aid	9,025,642	9,206,155	180,513	2.0%
Local Revenue	10,380,324	10,884,000	503,676	4.9%
Free Cash	2,802,533	3,697,946	895,413	32.0%
Other Sources	6,081,481	1,714,343	(4,367,138)	-71.8%
CPA Funds	-	580,000	580,000	
Exclusions & Exemptions	10,958,514	14,603,348	3,644,834	33.3%
Total Sources	$148,373,097	$ 154,138,510	$ 5,765,413	3.9%
Uses of Funds				
School	$ 63,524,619	$ 67,114,816	$ 3,590,197	5.7%
Facilities Maintenance	6,655,781	6,887,560	231,779	3.5%
Other Town Departments	26,698,171	27,520,514	822,343	3.1%
Employee Benefits	24,037,021	26,105,114	2,068,093	8.6%
Cash Capital	4,282,768	4,501,752	218,984	5.1%
Debt Service (inside Levy)	3,728,096	3,970,125	242,029	6.5%
Other Uses	8,488,127	4,512,918	(3,975,210)	-46.8%
Exclusions & Exemptions	10,958,514	15,183,348	4,224,834	38.6%
Total Uses	$148,373,097	$ 155,796,147	$ 7,423,050	5.0%
Surplus/(Deficit)	$ -	$ (1,657,636)		

Sources of Funds: The 4% increase in Taxes reflects the allowed growth in the levy limit (2.5%) and $1.6 million of new levy growth. The 2% increase in State Aid reflects the ongoing concern regarding the State's fiscal situation. The 4.9% increase in Local Revenue reflects increases in excise taxes and permit fees. The large decrease in Other Sources is due to decreases in the utilization of CPA (Community Preservation Act) funds (FY15 included a large appropriation of CPA funds for the Fuller Brook project). The increase in Exclusions & Exemptions reflects the increased debt service costs associated with renovation of the Fiske and Schofield elementary schools, replacement of the Middle School windows and acquisition of the North 40.

Uses of Funds: The 5.7% increase in the School budget reflects the cost of contractual step, lane and cost of living increases and higher Special Education costs. The 3.5% increase in Facilities Maintenance is attributable to costs associated with the leasing of new office space

($70,000) and higher electricity costs ($76,000). The 3.1% increase in Other Town Departments includes the cost of wage increases and increased services at the Council on Aging and Health Department. The 8.6% increase in Employee Benefits is primarily due to increased health insurance costs. Debt Service inside-the-levy is up as a result of additional borrowing related to the Town's acquisition of the 900 Worcester Street property. The decline in Other Uses reflects the decreased utilization of CPA funds.

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

- Supplemental FY15 appropriations (Article 7)
    - $800,000 for current year snow and ice removal costs
    - $472,344 for higher than anticipated Special Education costs
    - $100,000 for higher than anticipated legal costs
- $40,946 appropriation to Special Purpose Stabilization Fund for injured-on-duty medical costs (Article 10)
- $50,000 for a feasibility study of expansion of the PAWS Pre-School (Article 16)
- Funds to pay for the design costs associated with School security improvements (amount not yet determined)
- $50,000 for further scenario analysis with respect to the replacement/renovation of the Hardy, Hunnewell and Upham elementary schools (Article 18)
- $32,000 for costs associated with the continuing work of the Town Government Study Committee (Article 25)

Debt Capital

The Town's Five-Year Capital Budget Program is presented in Appendix C, which appears later in this book. Currently, we are not anticipating any debt capital authorization requests at the 2015 Annual Town Meeting.

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, 2014 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 $10.3 million as of July 1, 2014.

The following chart summarizes the changes in Free Cash for the years FY10-14:

Free Cash	FY10	FY11	FY12	FY13	FY14
Beginning of year	$ 9,145,674	$ 9,471,751	$ 8,439,070	$ 10,499,623	$ 10,950,782
Uses	(982,734)	(3,715,184)	(3,112,757)	(3,630,881)	(3,987,715)
Net Free Cash generated	1,308,811	2,682,503	5,173,310	4,082,040	3,373,858
End of year	$ 9,471,751	$ 8,439,070	$10,499,623	$ 10,950,782	$ 10,336,925

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 FY15 is an important factor in our evaluation of the proposed use of these reserves to help balance the FY16 budget.

The following chart summarizes an initial projection of the Town's reserve balances at June 30, 2015:

	Amount
Reserves as of 6/30/2014	
Free Cash	$ 10,336,925
Stabilization Fund	3,134,152
	$ 13,471,077
Potential Sources and (Uses) of Free Cash in FY15	
Fall 2014 Special Town Meeting uses	(473,132)
Supplemental FY15 appropriations (Article 7)	
- Snow & Ice	(800,000)
- Special Education costs	(472,344)
- Legal costs	(100,000)
Balance FY16 budget (Article 8)	(2,625,000)
Injured-on-duty Stabilization Fund (Article 10)	(40,946)
PAWS Preschool expansion (Article 16)	(50,000)
School Security Study (Article 17)	TBD
Hardy/Hunnewell/Upham scenario analysis (Article 18)	(50,000)
Town Government Study Committee (Article 25)	(32,000)
Estimated FY15 Turnback	1,500,000
	(3,143,422)
Estimated Reserves as of 6/30/15	**$ 10,327,655**
% of Revenue	**7.86%**

(Note: Amounts appropriated from Free Cash serve to reduce the Free Cash balance during the year of appropriation vs. the year of the related expenditure.)

The Town's Financial Reserves Policy calls for the sum of the balances in the Stabilization Fund and Free Cash to be maintained in the range of 8-12% of budgeted operating revenues. 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.

Based on the above projection, Wellesley's reserves at June 30, 2014 would be slightly below 8%. Under the current budget circumstances, the Selectmen believe a temporary shortfall relative to the floor established in the Reserves Policy is acceptable. 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.

<u>Looking Ahead to FY17-19</u>

For purposes of projecting the Town's Sources and Uses of funds for the years FY17-19, we have used the following annual growth rate assumptions:

- Levy growth 2.5% plus $1.5 million of new growth
- State Aid & Local Revenue 2%
- Use of Free Cash $2.5 million/year
- School budget 5.0%
- Other Town departments. 2.5%
- Pension Per approved funding schedule
- 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.

Based on these assumptions and assuming no overrides, the projected deficits range from $5.2 million in FY17 to $7.2 million in FY19. Further details regarding these projections are provided in Exhibit II. We will continue to refine these projections over the next few weeks and provide an update at Town Meeting. The projected deficits underscore the need for further planning to better balance service expectations against taxpayers' willingness to pay. They also provide a clear context for the next 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 lower rates of spending growth and/or further growth in revenues.

The following table illustrates the projected median tax bill (i.e., the tax bill for a home valued at $960,000) for the period FY15 – FY19:

	Median Tax Bill				
	FY15	**FY16**	**FY17**	**FY18**	**FY19**
Prior year	$10,340	$11,098	$11,729	$11,974	$12,126
Levy growth	259	277	293	299	303
Override	309	-	-	-	-
Schofield/Fiske		137	40	(4)	(4)
Middle School Windows		64	(3)	(2)	(2)
North 40		141			
Tolles-Parsons Center		10	41	(1)	(1)
Hardy/Hunnewell/Upham					135
Middle School Infrastructure					58
Other debt exclusions	(21)	2	(45)	(57)	(58)
OPEB funding exclusion			(83)	(83)	
Other	211				
Current year	$11,098	$11,729	$11,974	$12,126	$12,557
% Increase	*7.3%*	*5.7%*	*2.1%*	*1.3%*	*3.6%*

For purposes of the above projections, we have made no assumption regarding any further override(s) during the period FY16 – FY19.

This Town-Wide Financial Plan is a continual work-in-progress and 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,

Barbara D. Searle

Barbara D. Searle, Chair
Ellen F. Gibbs, Vice Chair
Marjorie R. Freiman
Jack Morgan
David Murphy

Exhibits:
I - FY16 Summary Sources & Uses of Funds, page 21
II - Projected Sources & Uses of Funds, page 22

Appendices appearing later in this book:
B – FY16 Detail Sources & Uses of Funds, page 161
C – Five Year Capital Budget Program, page 166

EXHIBIT I: FY16 SUMMARY SOURCES & USES OF FUNDS

	FY2015 Tax Rate	FY2016 Request	% Change
***** SOURCES OF FUNDS *****			
Tax & Other Current Revenues			
Within Levy Limits			
Real Estate & Per. Prop. Tax	109,124,603	113,452,718	3.97%
From the Commonwealth	9,025,642	9,206,155	2.00%
Local Revenue	10,380,324	10,884,000	4.85%
Sub-Total (Tax & Cur. Rev.)	128,530,569	133,542,873	3.90%
Outside Levy Limits			
Real Estate & Pers.Prop.Tax	9,158,514	12,803,348	39.80%
OPEB	1,800,000	1,800,000	0.00%
Available Funds			
Parking Meter Receipts	905,341	913,393	0.89%
Appropriated/Reserved CPA Surcharge	5,049,140	725,950	-85.62%
CPA Funds for North 40	-	580,000	
Free Cash- balance budget	2,250,000	2,625,000	16.67%
Free Cash- Park Hwy HVAC/ STM items & LIB 2015	552,533	900,000	100.00%
Free Cash items		172,946	100.00%
Unencumbered/Transfers from other funds	127,000	75,000	100.00%
Sub-Total (Available Funds)	8,884,014	5,992,289	-32.55%
TOTAL SOURCES OF FUNDS	**148,373,097**	**154,138,510**	3.89%

	FY2015 Request	FY2016 Request	% Change
***** USE OF FUNDS *****			
Personal Services (Non-School)	20,041,957	20,676,211	3.16%
Expenses (Non-School)	6,656,214	6,844,303	2.83%
Subtotal (Non-School)	26,698,171	27,520,514	3.08%
Personal Services (Facilities Maintenance)	3,734,243	3,806,285	1.93%
Expenses (Facilities Maintenance)	2,921,538	3,081,275	5.47%
Subtotal (Facilities Maintenance)	6,655,781	6,887,560	3.48%
Personal Services (School)	55,683,960	58,581,252	5.20%
Expenses (School)	7,840,659	8,533,564	8.84%
Subtotal (School)	63,524,619	67,114,816	5.65%
Sub-Total (Pers. Srvcs.& Exp)	96,878,571	101,522,890	4.79%
Capital & Debt:			
Within Levy Limits			
Capital/Extraord./Special Items	4,282,768	4,501,752	5.11%
Debt Service	3,728,096	3,970,125	6.49%
Sub-Total (Within Levy Limits)	8,010,864	8,471,877	5.75%
Outside Levy Limits			
Debt Service	9,142,965	13,383,348	46.38%
SUB-TOTAL (CAPITAL & DEBT)	17,153,829	21,855,225	27.41%
Employee Benefits:			
Health Insurance & other	16,893,644	18,754,359	11.01%
Pension Contribution	5,943,377	6,150,755	3.49%
OPEB Liability Fund	3,000,000	3,000,000	0.00%
Sub-Total (Shared Costs)	25,837,021	27,905,114	8.00%
SUB-TOTAL (OPERATIONS)	139,869,421	151,283,229	8.16%
Special Items:			
Traffic & Parking Management	850,591	868,721	2.13%
Appropriated/Reserved CPA Surcharge	5,049,140	725,950	-85.62%
State & County Assessments	1,170,049	1,195,300	2.16%
Property Tax Abatements	913,764	650,000	-28.87%
Free cash - Snow & Ice		900,000	
Free Cash- Park Hwy/Tolles/Contracts/other	520,132	172,946	100.00%
Sub-Total (Special Items)	8,503,676	4,512,917	-46.93%
TOTAL USE OF FUNDS	**148,373,097**	**155,796,146**	5.00%
TOTAL SOURCE OF FUNDS	**148,373,097**	**154,138,510**	3.89%
SURPLUS (DEFICIT)	**-**	**(1,657,636)**	

EXHIBIT II: PROJECTED SOURCES & USES OF FUNDS

	FY15	FY16	Assumed Growth	FY17	FY18	FY19
Sources						
Property Taxes	$105,779,603	$113,452,718		$117,789,036	$122,233,762	$126,789,606
Override	3,345,000	-		-	-	-
State Aid	9,025,642	9,206,155	*2.0%*	9,390,278	9,578,084	9,769,645
Local Revenue	10,380,324	10,884,000	*2.0%*	11,101,680	11,323,714	11,550,188
Free Cash	2,250,000	2,625,000		2,500,000	2,500,000	2,500,000
Other	229,700	119,672		87,000	86,750	86,250
	131,010,269	136,287,545		140,867,994	145,722,309	150,695,689
Uses						
Schools	63,524,619	67,114,816	*5.0%*	70,470,557	73,994,085	77,693,789
Facilities Maintenance	6,655,781	6,887,560	*2.5%*	7,059,749	7,236,243	7,417,149
Other Town Departments	26,698,171	27,520,514	*2.5%*	28,208,527	28,913,740	29,636,584
	96,878,571	101,522,890		105,738,833	110,144,067	114,747,521
Cash Capital	4,282,768	4,501,752		6,363,735	5,950,435	5,971,878
Debt Service (Inside)	3,728,096	3,970,125		3,899,440	3,898,185	3,853,440
Pension	5,943,377	6,150,755		6,365,574	6,587,912	6,818,034
Health Insurance	14,401,250	16,253,443	*5.0%*	17,066,115	17,919,421	18,815,392
OPEB (Inside)	1,200,000	1,200,000		2,100,000	3,000,000	3,000,000
Other Employee Benefits	2,492,394	2,500,916	*2.5%*	2,611,518	2,674,418	2,739,623
State & County Assmts.	1,170,049	1,195,300	*2.5%*	1,225,183	1,255,812	1,287,207
Abatements	913,764	650,000	*2.5%*	666,250	682,906	699,979
Other		-		-	-	-
	131,010,269	137,945,181		146,036,648	152,113,157	157,933,074
Projected Deficit	$ -	$ (1,657,636)		$ (5,168,654)	$ (6,390,848)	$ (7,237,385)
Exclusions						
High School	$ 5,404,295	$ 5,285,693		$ 5,185,092	$ 5,091,253	$ 4,981,683
Other Existing Debt	3,754,219	3,642,608		3,275,143	2,760,082	2,246,177
Authorized Borrowings						
- Surface Drainage #3		69,240		61,200	59,400	57,600
- Schofield/Fiske		1,477,280		1,910,017	1,864,400	1,821,200
- MS Windows		695,672		666,400	646,800	627,200
- North 40		1,530,000		1,531,800	1,532,700	1,532,700
Projected Borrowings						
- Tolles-Parsons Center				102,855	551,280	538,200
- MS Infrastructure						663,875
- Hardy/Hunnewell/Upham						1,463,000
OPEB	1,800,000	1,800,000		900,000		
	$ 10,958,514	$ 14,500,493		$ 13,632,507	$ 12,505,915	$ 13,931,635