



## **Town-Wide Financial Plan for 2016 Annual Town Meeting Submitted by the Board of Selectmen**

March 7, 2016

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 (FY16), the proposed budget for FY17, and projected financial information for the years FY18-20.

### **Overview**

The Board of Selectmen, working with other Town officials, has developed a balanced-budget proposal for the next fiscal year (FY17, or the year beginning July 1, 2016). This proposal assumes modest levels of revenue and spending growth. Spending growth is approximately in line with prior TWFP projections and the budget guidelines issued last fall. Budget reductions approved by the School Committee earlier this month reduced the growth in the School Department's operating budget to 4.25%. The School Committee contributed further to the balancing of the budget by deferring some technology-related cash capital spending until FY18. The total growth in other departmental budgets is 2.6%.

The amount of reserves used to balance the budget (\$2.5 million) is consistent with previous projections, and despite this usage, the Town will see continued reserve growth. Additional savings arising from the Town's health insurance initiatives is the most significant contributor to the reserve growth.

At the time of this writing, negotiations are ongoing with a number of the Town's unions, including the Teachers, the Town's largest collective bargaining unit. The results from these negotiations may further impact the proposed FY17 budget and we will provide an update on this matter at Town Meeting.

Looking forward, we are projecting deficits in the range of \$4.0-4.2 million in each of the next three fiscal years (FY18-20). The projected FY18 deficit is primarily attributable to a \$2.4 million increase in cash capital spending, which in turn is largely due to the School Department's technology-related capital deferred from FY17. We are investigating opportunities to smooth fluctuations in cash capital spending between years, and our process for setting budget guidelines needs to better encompass cash capital spending, at least for those departments that have high, recurring levels of such spending.

Town Meeting will also be asked to appropriate funds for a number of debt-funded projects. The most significant of these projects is the Tolles Parsons Center, which will also be subject to a town-wide debt exclusion ballot question, to be considered at a special election in May. The other debt-funded projects are to be funded with inside-the-levy borrowing. Despite this additional borrowing, the Town's total debt service is projected to decline by \$830,000, as a result of the Town's conservative debt amortization approach.

Longer-term, we are continuing to monitor the scope, cost and timing of the work related to the renovation and/or replacement of the Hardy, Hunnewell and Upham elementary schools (also referred to as "HHU"). As with the Tolles Parsons Center, we are expecting the funding for the HHU project(s) to be subject to a debt exclusion, and our preliminary projections suggest the

peak median tax bill impact of this work could approach \$680 per year. No significant appropriation request related to HHU is anticipated for the upcoming Town Meeting, and it is highly unlikely that this project(s) will materially impact tax bills until FY20 at the earliest. It is also important to note that the impact of HHU debt service on property tax bills will be offset by ongoing declines in the level of debt service related to prior projects.

Absent any significant changes in projected spending, it is likely that a Proposition 2½ override will be required in FY18. Growth in the School budget, health insurance costs and cash capital 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.

Lastly, we do not believe there will be a negative financial impact related to staffing changes arising from a transition to a Selectmen – Town Manager form of government. Pending the outcome of the related ballot question to be considered at the March 15th election, and the subsequent implementation of the new form of government, we believe it is premature to incorporate any related changes in the FY17 budget.

### **Key Financial Planning Issues**

Each year, the Selectmen and their staff update the TWFP with input from all of the Town's departments, Boards and Committees. As part of this process, the Selectmen are particularly mindful of the need to:

- Pay the full cost of the Town's current operations
- Proactively address emerging issues
- Protect the Town against material risks
- Preserve the Town's assets
- Plan for the long-term

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

- Growth in personnel costs
- Employee benefit costs
- Facilities and other capital needs

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. At the time of this writing, Town officials are negotiating successor collective bargaining agreements with a number of the Town's unions. The following table summarizes the status of the Town's largest union contracts:

<b>Union</b>	<b>Employees</b>	<b>Settled Through</b>	<b>FY17 Increase</b>
Teachers	519	6/30/16	In negotiations
DPW Production	77	6/30/17	2% + 0.5% mid year
School Secretaries	34	6/30/16	In negotiations
School Custodians	44	6/30/17	0%
Library Association	45	6/30/16	In negotiations
Firefighters	53	6/30/17	2% + 0.5% midyear
Police Patrolmen	31	6/30/16	In negotiations

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, Police 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.

The conclusion of bargaining with respect to the open union contracts may necessitate further budget adjustments. No provision for the potential cost of the non-School union settlements has been included in the current balanced budget proposal, as these settlements will require Town Meeting approval.

### **Employee benefit costs**

Employee benefit costs total \$26.3 million in FY17 (17% of the Town’s total budget) and during the past 10 years this has been the fastest growing component of the overall Town budget. The principal components of this cost are:

- Health insurance premium costs for active and retired employees - \$14.3 million
- Pension plan contribution - \$6.4 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 10 towns and 3 educational entities. Health insurance is a mandatory subject of collective bargaining, so the Town cannot unilaterally make plan design changes.

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 Group Insurance Commission (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 (prior WSHG members) elected to make this transition effective July 1, 2015, and other towns including Lexington, Weston and Sudbury have previously transitioned to the GIC.

Prior to the 2015 Annual Town Meeting, the Selectmen negotiated an agreement with all of the Town's unions, under the terms of which the Town's percentage contribution toward the cost of the plans offered by Fallon Health was increased to 80% and the Town's contribution toward the more expensive plans offered by Blue Cross Blue Shield, Harvard Pilgrim and Tufts was reduced to 71%. In addition, the Town introduced an "opt-out" option for employees, whereby an employee receives a cash payment in exchange for withdrawing from the Town's health insurance plans (some employees have the flexibility to enroll in their spouse's health insurance plan). In exchange for these plan changes, the Town agreed not to transition to the GIC for the 3 year term of the agreement, i.e., through June 30, 2018.

As a result of the 2015 agreement, the Town initially recognized \$2 million of health insurance budget savings in the FY16 budget. Given the high number of employees who either migrated to the Fallon plans, or opted-out of the Town's health insurance plans, the Town has recognized a greater level of savings. These additional savings have offset the cost impact of the FY17 premium rate increases.

The Board will continue to monitor health insurance cost trends and work with the other members of the WSHG to control health insurance costs, while meeting our obligations to our employees and retirees.

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 2015 totaled \$3.2 million. These contributions are in addition to the Town's contribution, which is expected to be \$6.4 million in FY17. During the years FY97-FY09 when the pension liability was fully funded, the Town made no contributions to the pension plan (employee contributions continued during this period).

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:

	<u>Pension</u>	<u>OPEB</u>
<i>Valuation Date</i>	<i>1/1/2015</i>	<i>6/30/2014</i>
Accrued Liability	\$ 207,928,237	\$ 111,075,197
Actuarial Value of Assets	152,955,923	32,806,387
Unfunded Liability	54,972,314	78,268,810
MV of Assets at 12/31/15	\$ 152,484,227	\$ 42,689,288

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 FY17 (exclusive of enterprise funds). The latest actuarial valuation of the pension plan performed as of January 1, 2015 reflected an investment return assumption of 6.75%, which is more conservative than the 7% assumption used in the previous valuation. Despite this more conservative assumption, the Town's unfunded pension liability continues to decline, consistent with the funding schedule.

A new actuarial valuation of the OPEB liability will be performed as of July 1, 2016. The actuarial funding schedule for the OPEB liability, which is intended to fully fund this liability by 2037, requires the Town to contribute \$3 million each year, in addition to the increasing pay-as-you-go costs (i.e., the premium subsidies for current retirees). The \$3 million additional contribution is funded by a combination of inside the levy funds and a Proposition 2½ funding exclusion. In anticipation of the expiration of the funding exclusion on June 30, 2017, the Town has been increasing the level of inside the levy funding, and reducing the funding exclusion by a similar amount, as seen in the following table:

	<u>OPEB Funding</u>			
	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>
Inside the levy	\$ 1,200,000	\$ 1,800,000	\$ 2,400,000	\$ 3,000,000
Exclusion	1,800,000	1,200,000	600,000	-
	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

While this funding transition will put pressure on the Town budget, the annual reductions in the amount of the exclusion are reducing the total tax rate.

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. As new accounting rules applicable to municipalities take effect, which will require municipalities to report pension and OPEB liabilities on their balance sheet, Wellesley's proactive funding approach will favorably distinguish our community.

### **Facilities and other capital needs**

At the upcoming 2016 Annual Town Meeting, appropriations will be requested for the following capital projects:

- Hunnewell Field Restrooms - \$300,000 (Article 18)
- High School Stadium - \$1,057,000 (tax impact portion) (Article 20)

- Park & Highway Garage roof replacement - \$700,000 (Article 21)
- Police Station roof and other building envelope repairs - \$2 million (Article 23)
- Tolles Parsons Center - \$6.7 million (Article 24)
- Route 9 / Kingsbury Street intersection reconfiguration - \$700,000 (Article 26)

The cost amounts shown for the above projects are detailed estimates. With the exception of the Rte 9 / Kingsbury St. intersection work, bids for all of the projects are currently being solicited and the final appropriation amounts will be presented at Town Meeting.

As further background regarding the Rte 9 / Kingsbury St. intersection project, the Massachusetts Department of Transportation (MassDOT) is planning to resurface the entire length of Route 9 in Wellesley in 2017. Reconfiguration of this intersection, to eliminate the eastbound and westbound turnarounds and install a full traffic signal system, has been a high priority public safety issue for the Town for a number of years. Following a series of discussions between Town and MassDOT officials on this and other roadway issues, MassDOT has agreed to reconfigure the intersection as part of their resurfacing project, subject to the Town's willingness to fund this piece of the project. The Town is currently vetting the proposed new design for the intersection, and this vetting will include meetings with neighbors and other interested parties. MassDOT currently estimates the Town's portion of the cost to be \$633,000 and we are requesting an appropriation of \$700,000 to provide a small contingency.

The Tolles Parsons, Police Station and Park & Highway Garage Roof projects will be managed by the PBC, whereas the High School Stadium and Hunnewell Field Restrooms projects will be managed by the DPW. The appropriation for the Tolles Parsons Center will be subject to a town-wide debt exclusion question. All of the other projects will be funded with inside the levy borrowing.

The situation with respect to other facilities needs is summarized as follows:

- School security upgrades – The planning for these upgrades is continuing and it is currently expected that an appropriation for construction funds will be requested at either a fall 2016 Special Town Meeting or at the 2017 Annual Town Meeting. Pending further clarity regarding the scope and cost of this work, we are carrying an estimate of \$2,455,000.
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- Renovation/replacement of Hardy, Hunnewell and Upham elementary schools - Multiple Statements of Interest (SOI's) have been filed with the Massachusetts School Building Authority (MSBA) 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 TWFP, we are projecting the total cost of this work to be approximately \$96 million, to be incurred during the period FY18-22.
- Middle School Infrastructure (\$7.3 million) - A recent study of the Middle School identified the need to replace significant portions of the HVAC secondary 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.

Further details regarding these and other capital projects are detailed in the Five Year Capital Budget Program attached as Exhibit C.

### **FY17 Budget**

The proposed FY17 budget request is summarized in the following table (more complete versions of the FY17 Sources & Uses are presented in Exhibit I and Appendix B, which appears later in this book):

	<b><u>FY16</u></b>	<b><u>FY17</u></b>	<b><u>\$</u></b>	<b><u>%</u></b>
<b><i>Sources of Funds</i></b>	<b><u>Budget</u></b>	<b><u>Request</u></b>	<b><u>Inc/(Dec)</u></b>	<b><u>Inc/(Dec)</u></b>
Taxes	\$ 113,458,735	\$ 117,895,203	\$ 4,436,468	3.9%
State Aid	9,201,364	9,386,000	184,636	2.0%
Local Revenue	10,908,415	11,205,000	296,585	2.7%
Free Cash ( balance)	2,624,169	2,498,871	(125,298)	-4.8%
Free Cash other	132,000	-		
Other Sources	987,971	1,056,874	68,903	7.0%
CPA Funds	891,950	1,615,400	723,450	81.1%
CPA to offset debt	580,000	548,944	(31,056)	-5.4%
Exempt Debt	12,803,348	12,374,727	(428,621)	-3.3%
Capital Exclusion	1,200,000	600,000	(600,000)	-50.0%
<b>Total Sources</b>	<b>\$ 152,787,952</b>	<b>\$ 157,181,020</b>	<b>\$ 4,393,068</b>	<b>2.9%</b>
<b><i>Uses of Funds</i></b>				
School	\$ 66,689,159	\$ 69,524,634	\$ 2,835,475	4.3%
Facilities Maintenance	6,901,668	7,059,340	157,672	2.3%
Other Town Departments	27,445,278	28,181,940	736,662	2.7%
Employee Benefits	26,133,432	26,304,938	171,506	0.7%
Cash Capital	4,501,752	5,167,179	665,427	14.8%
Debt Service (inside Levy)	3,970,125	4,274,282	304,157	7.7%
Other Uses	3,763,190	3,745,036	(18,154)	-0.5%
Exempt Debt	13,383,348	12,923,671	(459,677)	-3.4%
<b>Total Uses</b>	<b>\$ 152,787,952</b>	<b>\$ 157,181,020</b>	<b>\$ 4,393,068</b>	<b>2.9%</b>
<b><i>Surplus/(Deficit)</i></b>	<b><u>\$ 0</u></b>	<b><u>\$ (0)</u></b>		

**Sources of Funds:** The 3.9% increase in Taxes reflects the allowed growth in the levy limit (2.5%) and \$1.6 million of new growth. The 2% increase in State Aid reflects the ongoing concern regarding the State's fiscal situation. The 2.7% increase in Local Revenue reflects increases in licensing and permitting fees, and parking fines. The large increase in Other Sources is largely attributable to increases in utilization of CPA (Community Preservation Act) funds. The decrease in Exclusions & Exemptions reflects a further reduction in the OPEB funding exclusion and a decrease in excluded debt service arising from the Town's practice of amortizing most debt on a "level principal" basis.

**Uses of Funds:** The 4.3% increase in the School budget reflects the cost of contractual step, lane and cost of living increases and higher special education costs. The 2.6% increase in Other

Town Departments is consistent with the wage increases levels recommended by the Human Resources Board. The 14.8% increase in cash capital is largely attributable to increased road resurfacing funds within the DPW budget and a further increase in Facilities Maintenance capital.

The Town is also anticipating appropriation requests to fund the following items using Free Cash:

- Supplemental FY16 appropriations (Article 7)
  - \$250,000 for current year snow and ice removal costs
  - \$75,000 for legal costs associated with the work of the Town Government Study Committee and the planned transition to a Selectmen – Town Manager form of government
- \$91,950 appropriation to the Special Purpose Stabilization Fund for injured-on-duty medical costs incurred by Police and Fire Department personnel (Article 9)
- \$200,000 for further study of traffic and enrollment issues related to the replacement and/or renovation of the Hardy, Hunnewell and Upham elementary schools (Article 22)

### 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 total of Stabilization Fund balances as of June 30, 2015 was \$3.5 million and we do not anticipate any requests for appropriations from this fund. The level of Free Cash, as certified by the DOR, was \$8.8 million as of July 1, 2015.

The following chart summarizes the changes in Free Cash for the years FY11-15:

<b><i>Free Cash</i></b>	<b><u>FY11</u></b>	<b><u>FY12</u></b>	<b><u>FY13</u></b>	<b><u>FY14</u></b>	<b><u>FY15</u></b>
<b><i>Beginning of year</i></b>	\$ 9,471,751	\$ 8,439,070	\$ 10,499,623	\$ 10,950,782	\$ 10,336,925
<b><i>Uses</i></b>	(3,715,184)	(3,112,757)	(3,630,881)	(3,987,715)	(4,867,591)
<b><i>Net Free Cash generated</i></b>	2,682,503	5,173,310	4,082,040	3,373,858	3,362,166
<b><i>End of year</i></b>	<u>\$ 8,439,070</u>	<u>\$10,499,623</u>	<u>\$ 10,950,782</u>	<u>\$ 10,336,925</u>	<u>\$ 8,831,500</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 FY16 is an important factor in our evaluation of the proposed use of these reserves to help balance the FY17 budget.



The following chart summarizes an initial projection of the Town's reserve balances at June 30, 2016:

	<u><b>Amount</b></u>
<b><i>Reserves as of 6/30/2015</i></b>	
Free Cash	\$ 8,831,500
Stabilization fund	3,170,851
Injured-on-duty Stabilization Fund	292,471
	<b>\$ 12,294,822</b>
<b><i>Sources and (Uses) of Reserves in FY16</i></b>	
Supplemental FY16 appropriations (Article 7)	
- TGSC legal costs	(75,000)
- Snow & ice removal	(250,000)
Balance FY17 budget (Article 8)	(2,498,871)
Injured-on-duty Stabilization Fund (Article 9)	(91,950)
HHU study (Article 22)	(200,000)
Estimated FY16 reserve growth	2,600,000
<b><i>Estimated Reserves as of 6/30/16</i></b>	<b><u>\$ 11,779,001</u></b>
<b>FY16 Revenue</b>	<b>\$ 136,414,988</b>
<b><i>% of Revenue</i></b>	<b>8.63%</b>

(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, 2016 would remain slightly above 8%. The estimated FY16 reserve growth is largely attributable to the Town's conservative budgeting and greater than anticipated savings from recent health insurance initiatives. 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 FY18-20**

For purposes of projecting the Town's Sources and Uses of funds for the years FY18-20, we have used the following annual growth rate assumptions:

- Levy growth 2.5% plus \$1.6 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 assumption regarding the growth in School spending has the greatest impact.

Based on these assumptions and assuming no overrides, we are projecting deficits in the range of \$4.0-4.2 million in each of the years' FY18-20. 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 ongoing 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 is a roll-forward projection of the median tax bill (i.e., the tax bill for a home valued at \$991,000) for the period FY16 – FY20:

	<b><u>Median Tax Bill</u></b>				
	<b><u>FY16</u></b>	<b><u>FY17</u></b>	<b><u>FY18</u></b>	<b><u>FY19</u></b>	<b><u>FY20</u></b>
Prior year median tax bill	\$ 11,098	\$ 11,723	\$ 11,919	\$ 12,424	\$ 12,820
Levy growth	277	293	298	311	320
Override	-	-	276	-	-
Schofield/Fiske	121	45	(3)	(4)	(4)
Middle School Windows	18	26	(1)	(1)	(1)
North 40	133	(0)	(0)	(0)	(0)
Tolles-Parsons Center	-	9	46	(1)	(1)
Hardy/Hunnewell/Upham	-	-	-	82	329
Middle School Infrastructure	-	-	-	69	(2)
Other debt exclusions	(34)	(122)	(56)	(59)	(26)
OPEB funding exclusion	(55)	(55)	(55)	-	-
Other	165				
Current year median tax bill	<u>\$ 11,723</u>	<u>\$ 11,919</u>	<u>\$ 12,424</u>	<u>\$ 12,820</u>	<u>\$ 13,435</u>
% Increase	5.6%	1.7%	4.2%	3.2%	4.8%

For discussion purposes, we have included a \$3 million Proposition 2½ override in FY18 to help reduce the projected deficits. No decisions have been made regarding such an override, and further planning work and discussions need to be held in the coming months on this issue.

This Town-Wide Financial Plan is a continual work-in-progress and we will provide further updates on these matters 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 cursive script, reading "David L. Murphy".

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

Exhibits:

- I - FY17 Summary Sources & Uses of Funds, page 24
- II - Projected Sources & Uses of Funds, page 25

Appendices appearing later in this book:

- B – FY17 Detail Sources & Uses of Funds, page 176
- C – Five Year Capital Budget Program, page 182

## Exhibit I – FY17 Summary Sources & Uses of Funds

	<b>FY2016 Tax Rate</b>	<b>FY2017 Request</b>	<b>% Change</b>
<b>*** SOURCES OF FUNDS ***</b>			
Tax & Other Current Revenues			
Within Levy Limits			
Real Estate & Per. Prop. Tax	113,458,735	117,895,203	3.91%
From the Commonwealth	9,201,364	9,386,000	2.01%
Local Revenue	10,908,415	11,205,000	2.72%
<b>Sub-Total (Tax &amp; Cur. Rev.)</b>	<b>133,568,514</b>	<b>138,486,204</b>	<b>3.68%</b>
Outside Levy Limits			
Real Estate & Pers.Prop.Tax	12,803,348	12,374,727	-3.35%
OPEB	1,200,000	600,000	-50.00%
Available Funds			
Parking Meter Receipts	912,971	906,874	-0.67%
Appropriated/Reserved CPA Surcharge	891,950	1,615,400	81.11%
CPA Funds for North 40	580,000	548,944	
Free Cash- balance budget	2,624,169	2,498,871	-4.77%
Free Cash- Park Hwy HVAC/ STM items & LIB 2015	132,000		100.00%
Unencumbered/Transfers from other funds	75,000	150,000	100.00%
<b>Sub-Total (Available Funds)</b>	<b>5,216,090</b>	<b>5,720,089</b>	<b>9.66%</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>152,787,952</b>	<b>157,181,020</b>	<b>2.88%</b>
	<b>FY2016 Request</b>	<b>FY2017 Request</b>	<b>% Change</b>
<b>*** USE OF FUNDS ***</b>			
Personal Services (Non-School)	20,600,975	21,177,642	2.80%
Expenses (Non-School)	6,844,303	7,004,298	2.34%
Subtotal (Non-School)	27,445,278	28,181,940	2.68%
Personal Services (Facilities Maintenance)	3,820,393	3,951,660	3.44%
Expenses (Facilities Maintenance)	3,081,275	3,107,680	0.86%
Subtotal (Facilities Maintenance)	6,901,668	7,059,340	2.28%
Personal Services (School)	58,223,703	61,371,111	5.41%
Expenses (School)	8,465,456	8,153,523	-3.68%
Subtotal (School)	66,689,159	69,524,634	4.25%
<b>Sub-Total (Pers. Svcs. &amp; Exp)</b>	<b>101,036,105</b>	<b>104,765,914</b>	<b>3.69%</b>
Capital & Debt:			
Within Levy Limits			
Capital/Extraord./Special Items	4,501,752	5,167,179	14.78%
Debt Service	3,970,125	3,599,282	-9.34%
<b>Sub-Total (Within Levy Limits)</b>	<b>8,471,877</b>	<b>8,766,461</b>	<b>3.48%</b>
Outside Levy Limits			
Debt Service	13,383,348	12,923,671	-3.43%
<b>SUB-TOTAL (CAPITAL &amp; DEBT)</b>	<b>21,855,225</b>	<b>21,690,132</b>	<b>-0.76%</b>
Employee Benefits:			
Health Insurance & other	16,982,677	16,914,824	-0.40%
Pension Contribution	6,150,755	6,390,114	3.89%
OPEB Liability Fund	3,000,000	3,000,000	0.00%
<b>Sub-Total (Shared Costs)</b>	<b>26,133,432</b>	<b>26,304,938</b>	<b>0.66%</b>
<b>SUB-TOTAL (OPERATIONS)</b>	<b>149,024,762</b>	<b>152,760,984</b>	<b>2.51%</b>
Special Items:			
Traffic & Parking Management	868,721	862,924	-0.67%
Appropriated/Reserved CPA Surcharge	891,950	1,615,400	81.11%
State & County Assessments	1,220,044	1,266,712	3.83%
Property Tax Abatements	650,475	675,000	3.77%
Free cash - Snow & Ice			
Free Cash- Park Hwy/Tolles/Contracts/other	132,000	-	100.00%
<b>Sub-Total (Special Items)</b>	<b>3,763,190</b>	<b>4,420,036</b>	<b>17.45%</b>
<b>TOTAL USE OF FUNDS</b>	<b>152,787,952</b>	<b>157,181,020</b>	<b>2.88%</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>152,787,952</b>	<b>157,181,020</b>	<b>2.88%</b>
<b>SURPLUS (DEFICIT)</b>	<b>0</b>	<b>(0)</b>	

## Exhibit II -- Projected Sources & Uses of Funds

Exhibit II

### Projected Sources & Uses of Funds

	<u>FY16</u>	<u>Assumed Growth</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>
<b>Sources</b>						
Property Taxes	\$ 113,458,735		\$ 117,895,203	\$ 122,442,583	\$ 127,103,648	\$ 131,881,239
Override	-		-	-	-	-
State Aid	9,201,364	2.0%	9,386,000	9,573,720	9,765,194	9,960,498
Local Revenue	10,908,415	1.5%	11,205,000	11,373,075	11,543,671	11,716,826
Free Cash	2,624,169		2,498,871	2,500,000	2,500,000	2,500,000
OPEB exclusion	1,200,000		600,000	-	-	-
Other	119,250		193,951	43,250	222	43,250
	<u>137,511,933</u>		<u>141,779,025</u>	<u>145,932,628</u>	<u>150,912,736</u>	<u>156,101,814</u>
<b>Uses</b>						
Schools	66,689,159	5.0%	69,524,634	73,000,866	76,650,909	80,483,454
Facilities Maintenance	6,887,560	2.5%	7,059,340	7,235,824	7,416,719	7,602,137
Other Town Departments	27,459,386	2.5%	28,181,940	28,886,489	29,608,651	30,348,867
	<u>101,036,105</u>		<u>104,765,914</u>	<u>109,123,178</u>	<u>113,676,279</u>	<u>118,434,458</u>
Cash Capital	4,501,752		5,167,179	7,527,174	6,850,472	6,225,563
Debt Service (Inside)	3,970,125		3,599,282	4,000,000	4,000,000	4,000,000
Pension	6,150,755		6,390,114	6,621,863	6,861,373	7,108,887
Health Insurance	14,481,761	5.0%	14,335,304	15,052,069	15,804,673	16,594,906
OPEB	3,000,000		3,000,000	3,000,000	3,000,000	3,000,000
Other Employee Benefits	2,500,916	2.5%	2,579,520	2,644,008	2,710,108	2,777,861
State & County Assmts.	1,220,044	2.5%	1,266,712	1,298,380	1,330,839	1,364,110
Abatements	650,475	2.5%	675,000	691,875	709,172	726,901
Other	-		-	-	-	-
	<u>36,475,828</u>		<u>37,013,111</u>	<u>40,835,369</u>	<u>41,266,637</u>	<u>41,798,229</u>
	<u>137,511,933</u>		<u>141,779,025</u>	<u>149,958,547</u>	<u>154,942,916</u>	<u>160,232,687</u>
<b>Projected Surplus/(Deficit)</b>	<u>\$ -</u>		<u>\$ 0</u>	<u>\$ (4,025,918)</u>	<u>\$ (4,030,180)</u>	<u>\$ (4,130,873)</u>
<b>Exclusions</b>						
OPEB	1,200,000		600,000	-	-	-
Schofield/Fiske	1,317,463		1,812,128	1,777,608	1,735,339	1,693,069
Middle School Windows	197,556		476,252	463,865	450,028	436,190
North 40	1,444,313		1,442,975	1,440,725	1,437,325	1,433,202
Tolles Parsons	-		100,000	603,000	589,600	576,200
HHU	-		-	-	888,000	4,470,200
Middle School Infrastructure	-		-	-	750,400	728,960
Other Exempt Debt	9,873,288		8,543,372	7,935,073	7,297,998	7,014,015
	<u>14,032,620</u>		<u>12,974,727</u>	<u>12,220,271</u>	<u>13,148,690</u>	<u>16,351,836</u>