

# TOWN OF WELLESLEY



## REPORT OF THE ADVISORY COMMITTEE TO THE SPECIAL TOWN MEETING, December 6, 2010 —9:15 P.M.

**ARTICLE 1. To choose a Moderator to preside over said meeting.**

**(Board of Selectmen)**

**Advisory expects no motion under this Article.**

**ARTICLE 2. To see if the Town will vote to amend the sum and/or allocation of money appropriated to the Board of Public Works under Article 12 of the Warrant for the 2010 Annual Town Meeting for the purposes of funding the Water Program during the fiscal year ending June 30, 2011; or take any other action relative thereto.**

**(Board of Public Works)**

**Advisory expects no motion under this Article.**

**ARTICLE 3. To see if the Town will vote to amend the sum and/or allocation of money appropriated to the Board of Public Works under Article 13 of the Warrant for the 2010 Annual Town Meeting for the purposes of funding the Sewer Program during the fiscal year ending June 30, 2011; or take any other action relative thereto.**

**(Board of Public Works)**

Under this article, the Board of Public Works, in its capacity as the Board of Sewer Commissioners, seeks to amend the appropriation of funds made at the 2010 Annual Town Meeting (ATM) from the Sewer Enterprise Fund (the Sewer Fund) to the Sewer Division. The amendment will amend the FY11 Sewer Fund budget to reduce the use of retained earnings to no more than \$877,170 and reallocate sources and uses to balance the budget.

The Sewer Division provides for the construction, operation and maintenance of the Town's sanitary sewer system. The expenses of the Sewer Division are funded through the Town's Sewer Fund which is funded through rates charged to users. Town Meeting authorizes the appropriation of funds from the Sewer Fund to the Sewer Division annually based on its projected operating budget for its next fiscal year.

In April 2010, Town Meeting authorized the Sewer Division's FY11 budget. In Article 13, Motion 1, Town Meeting authorized the Sewer Division to use the Sewer Fund's FY11 *Receipts and*

*Free Cash* to fund the Sewer Division's *FY11 Operating and Capital expenditures* as follows, provided that the total in FY11 did not exceed \$8,467,918:

<b>2010 Annual Town Meeting, Article 13, Motion 1</b>	
That the sum of \$8,467,918 be appropriated for the Sewer Enterprise Fund, to be expended as follows:	
Salaries	\$ 702,757
Expenses (incl. interest, and all non-op exp)	5,824,603
OPEB	23,974
Depreciation	337,700
Capital Outlay	660,000
Debt	326,482
Emergency Reserve	<u>592,402</u>
Total Authorized Use of Funds	\$8,467,918
And that \$8,467,918 be raised as follows:	
Department Receipts	\$7,002,787
Depreciation	337,700
Retained Earnings (free cash)	<u>1,127,431</u>
Total Sources of Funds	\$8,467,918

Based on this authorization, a total of \$1,127,431 was appropriated from the Sewer Fund's free cash to the Sewer Division. This amount was based on operating budget and balance sheet projections.

However, during the recent Department of Revenue (DOR) review of the Town's Sewer Fund free cash, it was discovered that the appropriation was not consistent with DOR regulations. The DOR stipulates that an appropriation from an enterprise fund's free cash for a given fiscal year should not exceed the amount of the last certified level of free cash. At the time of the 2010 ATM appropriation, the last certified balance was \$877,170 (certified on June 30, 2009). Therefore, the 2010 ATM appropriation from the Sewer Fund's free cash to the Sewer Division exceeded the DOR limit by \$250,261.

At the time of this report, the Sewer Commissioners are reviewing the options to remedy this error which will include amending the Sewer Fund's FY11 budget to reduce the use of retained earnings from \$1,127,918 to \$877,170.

Advisory supports the Sewer Division and the Sewer Commissioners in their efforts to identify and propose a remedy for this issue. Details of the proposed remedy will be presented at the 9:15 Special Town Meeting.

**Advisory will make its recommendation at the 9:15 Special Town Meeting.**