

TOWN OF WELLESLEY



SUPPLEMENT #2

**TO THE REPORT OF THE ADVISORY COMMITTEE
TO THE 2011 ANNUAL TOWN MEETING**

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ARTICLE 3. To receive the Reports of the Board of Selectmen on the Five Year Capital Budget Program and Town Wide Financial Plan pursuant to Town Bylaw Sections 19.5.2 and 19.16; or take any other action relative thereto.

(Board of Selectmen)

*Please see the Report, page 75, for the **Town Wide Financial Plan** provided as a Report of the Board of Selectmen.*

While a Town Wide Financial Plan (TWFP) and Five Year Capital Budget have been reported and presented to Annual Town Meeting since 2004, the Board of Selectmen (BOS) has recently solicited input on ways to strengthen the Town's long-range financial planning process and to elevate the level of public discussion and debate on the TWFP. Last summer the BOS appointed a committee composed of former Advisory Committee Chairs (Committee) to review the Town's current approach to the TWFP and to recommend ways to make it a better financial tool. The Committee presented a formal recommendation to the BOS that has been extensively reviewed with all boards and departments. The recommendations include:

- Extend the planning cycle to a year-round process;
- Introduce a five-year forecasting horizon rather than the previous two-year model;
- Expect participation and buy-in by all Town Boards;
- Increase transparency and public discussion; and
- Evolve the role of the Advisory Committee.

The Committee also recommended that the BOS rather than the Advisory Committee be responsible for establishing budget guidelines starting in FY13.

Based on these recommendations, a five year financial plan has been developed. The results and implications of this plan will be discussed as part of this Article. The TWFP will continue to evolve but it has already added meaningful insight into the Town's decision making processes. The current TWFP, prepared based on the assumptions from each of the Town's Boards, shows an estimated deficit ranging from \$5-\$7.5 million in each year from FY13-FY16. The TWFP provides a tool to better understand the alternatives and possible options available to the Town in dealing with these deficits. This will include an increased level of analysis and discussion of the allocation of resources among varying priorities over a longer time horizon.

Advisory notes that the five year projection is based on a set of high level assumptions submitted by all the Town Boards. The resulting forecast indicates that if Wellesley wants to maintain its current service levels and operate as it currently does, additional revenue will be needed and we will need to periodically raise taxes more than currently allowed under Proposition 21/2. At Town Meeting Advisory will review some of the key assumptions in the TWFP and illustrate the consequences of adjusting some assumptions. It should be noted that a number of the drivers impacting this forecast are known including pension, employee benefits and OPEB.

Based on the current outlook in the TWFP submitted by the BOS, Town Meeting may want to begin to discuss all available options and alternatives. Some of these may include the following:

- Review of the current operating structure, organization and budgeting calendar of Town government;
- Explore regional collaborations and outsourcing opportunities;
- Explore ways to improve productivity;
- Challenge current service delivery models across all programs;
- Consider consolidation of various support functions town wide.

Advisory recognizes that the BOS must play a significant role in managing the planning process, but that each elected Board must also commit to its own rigorous process. The five-year spending projections provided by each Board must be further developed and refined as the planning process evolves. The TWFP will become a critical tool to help Wellesley deal with the financial challenges it faces.

Advisory endorses the efforts of the BOS to make the Town's long range financial planning process more robust and transparent. As the TWFP Committee articulated in its report to the BOS, "The real end product of the TWFP...is confidence on the part of the Town's elected officials, Town Meeting Members and citizens that the current spending priorities and taxation requests are appropriate and realistic in terms of what the future might look like. The Plan itself – created through an essentially iterative process that explores potential futures for the Town – is thus a form of linkage between the present and the future."

Town Meeting will be asked to acknowledge the presentation of the TWFP by the BOS pursuant to Town Bylaw 19.16.2.

Advisory recommends favorable action, 12 to 0.

ARTICLE 8. To see what sums of money the Town will raise and appropriate, or otherwise provide, including transfer from available funds, or borrowing, for the following:

(a) for the operation of the several Town departments, including capital outlay, maturing debt and interest, and to provide for a Reserve Fund;

(b) for extraordinary maintenance, special capital projects and other capital outlay items for the several Town departments;

(c) for such purposes as may be voted contingent upon passage by the voters of referendum questions as authorized by the General Laws Chapter 59, Section 21c (m), as amended;

and among other resources to meet said appropriations, to authorize the Board of Assessors to use any monies paid to the Town from the Wellesley Municipal Light Plant as an estimated receipt when computing the Fiscal Year 2012 Tax Rate;

or take any other action relative thereto.

(Board of Selectmen)

Motions 1 and 2 as previously stated in the Report have been consolidated into a single motion (Motion 1) and discussed below.

MOTION 1 - Omnibus Budget

Since publication of the Report three weeks ago, the expected budget shortfall has been reduced from \$2.06 million to \$1.04 million. The Board of Selectmen will recommend funding the remaining balance with Free Cash. Therefore, Motion 1 has been re-stated proposing a balanced budget (see *Motion 1 detail* and revised *Sources and Uses*).

CLOSING THE GAP

It is typical for budget estimates to be refined as new information or improved estimates are received, primarily from the state. Additionally, in efforts to close the previous budget gap, Town boards worked to identify opportunities to reduce expenses. The following are the major changes that are now reflected in the revised *Article 8, Motion 1* and in the revised *Sources and Uses of Funds*.

Additionally, \$370,000 in expenses associated with the opening of the new High School, previously reported under Motion 2, are now included in the revised Article 8, Motion 1.

Adjustments to the previously reported budget, totaling \$1.02 million, are as follows:

| | |
|--|----------------------|
| Previously reported projected deficit | (\$2,064,974) |
| Adjustments: | |
| Board of Selectmen: | |
| MLP to fund streetlight LED retro-fit, resulting in energy savings to the Town | \$93,953 |
| Building Department revolving fund – return of funds in excess of required for building plan archiving | \$50,000 |
| Police Detail fees - in excess of costs to Town | \$30,000 |
| Town Hall HVAC-increase in projected FY12 debt service from \$42,000 to \$63,000 for proposed project based on bids received | (\$21,000) |
| Veterans' Services – to fund flags for Memorial Day | (\$2,500) |
| Department of Public Works: | |
| Projected FY12 debt service for replacement of Hunnewell Field restroom – project withdrawn under Article 21 | \$35,000 |
| Street Resurfacing reduction | \$65,000 |
| Town Clerk | |
| Reimbursement from West Suburban Veterans District for shared staff salary | \$11,700 |
| Schools | |
| Circuit Breaker – revised assumption | \$571,237 |
| Personnel turnover adjustment - Retirements | \$119,000 |
| Portion of MLP credit for utilities | \$50,000 |
| Utilities cost savings | \$10,000 |
| NRC | |
| Reduced personal services request | \$11,520 |
| Current projected deficit - (to be funded with Free Cash) | (\$1,041,064) |

Use of Free Cash for operating. The remaining budget gap of \$1,041,064 is proposed to be funded by Free Cash. This additional Source is now reflected in the revised *Sources and Uses of Funds*.

CONCLUSIONS - ARTICLE 8, MOTION 1

Summary conclusions for Motion 1 are provided on page 20 of the Report. Additionally, Advisory considered the following in drawing final conclusions:

1. **Use of Free Cash.** Advisory expressed concern about the potential use of Free Cash to fund on-going operating expenses as a continuing practice. Upon further discussion with Town Boards, efforts to reduce the gap have been fruitful. A significant portion of the remaining gap may be attributed to certain volatile expenses and the timing of funding certain expenses:
 - First, the significant and unforeseen increase in STTI expenses, compounded by the continued depression of estimated Circuit Breaker reimbursement.
 - Second, FY12 expenses due to the opening of the new High School early. The future, offsetting benefits of opening early are discussed below.

While Advisory is confident that the level of Free Cash after these and the other uses proposed in FY12 remains reasonable and financially prudent, there is increasing concern that Free Cash has declined significantly over the last few years. Decisions to use Free Cash at this time potentially limit our future flexibility.

2. **Collective Bargaining.** Budgeted expenses due to increases in personal services expenses in FY12 are approximately \$1.7 million and therefore have significant impact on the current budget. It has been agreed that any departmental funds budgeted for wage increases but ultimately not needed to fulfill bargaining agreements will be returned to the Town's General Fund. Advisory is hopeful that the outcome of negotiations will be favorable for FY12 and subsequent years and the need to use Free Cash in FY12 will be minimized.
3. **Structural Change.** Advisory commends the Town Boards for the efforts to identify expense reductions to minimize the budget gap. However, the budget outlook for the coming years is daunting. The likelihood is high for an override to Proposition 2½ for FY13 to provide increased revenues. Even with this, it will be of paramount importance to identify and execute structural changes to yield lasting reductions in our Town budget. As discussed in the TWFP, a better understanding all possible options and alternatives over a longer horizon will help the Town address these potential challenges.

Advisory supports the proposed budget for departmental operations, employee benefits, cash capital and debt service.

Advisory recommends favorable action, 12 to 0.

Additional observations and conclusions regarding the School Department budget and budget process in particular are provided below.

UPDATE - SCHOOL BUDGET

The following table has been updated to reflect the new information and expense changes noted above:

| <i>Revised March 23, 2011 for Supplement #2</i> | FY10 Actual | FY11 Request | FY12 Request | FY11-12 Change |
|--|------------------------|-------------------------|-------------------------|---------------------------|
| Instruction | \$40,666,576 | \$41,549,788 | \$42,196,358 | 1.6% |
| Administration | 1,009,772 | 1,014,818 | 1,031,413 | 1.6% |
| Operations | 4,659,566 | 4,831,992 | 4,807,913 | 0.5% |
| General Operating Total | \$46,335,914 | \$47,396,598 | \$48,035,684 | 1.4% |
| Special Tuition, Transportation & Inclusion (STTI) | 9,123,803 | 9,985,412 | 11,318,128 | 13.3% |
| School Total | | | \$59,353,812 | |
| Opening of New High School | --- | --- | 370,080 | --- |
| TOTAL BUDGET | \$55,459,717 | \$57,382,010 | \$59,723,892 | 4.1% |

Early Opening of New High School

The High School Building Project has been proceeding at a remarkable pace affording the Town the opportunity to open earlier than the September 2012 date initially planned. The revised opening date for the new High School is February 2012.

The financial and non-financial benefits of opening the new High School in February have been reviewed by the Permanent Building Committee (PBC), School Committee and General Government.

Financial Impact

Expenses. A discussion of the incremental expenses to be incurred are provided in Supplement #1, page S-8, and summarized below:

| Expenses Associated with Early Opening | Incremental in FY12 |
|---|--------------------------------|
| Personnel, on-going | \$208,600 |
| Expenses, on-going including Utility | \$119,645 |
| Expense, one-time | \$41,835 |
| TOTAL | \$370,080 |

It is important to note that there would have been expenses totaling approximately **\$82,700** incurred in FY12 related to the new High School *even if it were not to open early*. These costs are related to the utilities (electric, natural gas, trash, sewerage, telephone and water) of the new building that would be assumed as of January 2012.

Savings. The net savings to the construction project budget is estimated to be **\$400,000**, primarily on the Guaranteed Maximum Price (GMP). Specifically, there are significant cost savings associated with fewer months of *general conditions* (these include temporary office space, supplies, utilities, communication equipment, insurance, administrative tasks, and other related expenses).

The non-financial benefits of the early move to the new High School building have also been considered. With the early move, demolition of the existing building will take place during the summer which will dramatically reduce the noise and interference with the high school, which would be in session during demolition under the original schedule. The neighbors will endure approximately six months less of the construction inconveniences. The students will have less disruption and distraction from construction, an advantage particularly for those students who have experienced construction projects at Bates and the Middle School as well. The teachers, staff and students will benefit from dramatically improved working conditions that much sooner.

Some Advisory members have expressed concern that the early move presents a mid-year major disruption and added stress to the High School community. In addition, some on Advisory think the personnel costs associated with the early opening are higher than necessary and have suggested that School Committee revisit these assumptions.

Advisory concludes that the opening of the new High School in February 2012, six months earlier than planned, will provide financial benefit to the Town. In general, Advisory feels that the decision to open the new High School early makes good sense and applauds the PBC and the construction team for the efforts that made this possible.

Additional Observations - School Budget

At the conclusion of the FY11 budgeting process and town-wide financial plan discussions in the Spring of 2010, the Town was forewarned that the FY12 budget season would be difficult. A more comprehensive town-wide financial planning process, undertaken in the Fall of 2010, compelled Advisory and all the Town boards to look at budgets with an increased attention to planning beyond FY12. For the School Department, FY12 has proven even more difficult than anticipated due to many factors, including: the end of federal stimulus money; the expiration of existing collective bargaining agreements at the end of FY11; large increases in the STTI budget in FY12 and the opportunity to move to the new high school building earlier than anticipated.

Early in the budget process the Board of Selectmen and the Advisory Committee recognized the challenges presented by unanticipated pressures in the STTI budget and agreed that the Schools needed assistance to fund these obligations in FY12. At the time of this writing, the details of the agreement between the School Committee and the Board of Selectmen on STTI funding issues are being finalized. Additionally, bringing the new high school building online early is a tremendous milestone for the Town and the Schools, and the proposed budget would make that possible in spite of the unexpected costs in FY12.

The largest portion by far of the School budget is personal services and the largest piece of personal services is the cost of teacher contracts. Negotiations have begun on new contracts for all union employees of the Schools, but it is unlikely that any contract will be finalized prior to the end of Town Meeting. Unlike all other Town departments, school employee contracts are not subject to Town Meeting approval. Some funds are included in the FY12 budget to meet funding obligations of possible settlements and it is difficult for Advisory to discern what assumptions have been made for salary increases and what impact they will have on the budget.

Wellesley Public Schools have an excellent teaching staff. Below is the most recent data for average teacher salaries in Wellesley and the communities with which Wellesley typically compares itself. It is important to remember that impacting the average teacher salary in any community is the education level and years of experience of the members of the staff. (Newer, less experienced teachers will bring about a lower average salary while a staff of more experienced and/or more educated teachers results in a higher average salary.) The experience and education profiles of Wellesley teachers have remained fairly constant over the last few years. The current three year contracts with teachers and other employees entered into in FY09, before the severity of the economic downturn was apparent, has allowed Wellesley to remain competitive with peer communities while giving the Town the benefit of the shift to Rate Saver health insurance plans as well as the equalization of steps on the salary schedules. With an eye to what contracts have been recently negotiated in other communities, it is highly important that the new contracts negotiated in Wellesley bear in mind the current fiscal reality facing the Town and the impact any negotiated contracts will have in the coming years.

| FY10 AVERAGE TEACHER SALARY <i>as reported by the MA Dept. of Elementary and Secondary Education</i> | |
|--|-----------------|
| Wayland | \$83,865 |
| Brookline | \$81,403 |
| Weston | \$79,051 |
| Newton | \$77,905 |
| Needham | \$75,811 |
| Wellesley | \$73,927 |
| Belmont | \$72,285 |
| Lexington | \$69,764 |
| Westwood | \$69,138 |
| Winchester | \$68,917 |
| Natick | \$65,823 |

The School Department typically budgets for retirements and turnover in staff which generally produce a cost savings to the School budget as new teachers are usually hired at a lower salary than more experienced teachers. The FY 12 budget made an allowance for retirement savings of \$45,312. Recently, the School Department learned of additional planned retirements that will allow for further savings to the FY 12 budget, and the budget request has been reduced by \$119,000 as a result.

The Special Education Programs of the Wellesley Public Schools have an excellent reputation. Special Education services provided to students with mild to moderate disabilities are carried under the general education portion of the school budget and for FY12, these costs are slightly lower than in recent years. The implementation of the Response to Intervention (RTI) program in the elementary schools indicates the focus on supporting student needs early in an effort to reduce the number of SPED students.

The STTI portion of the budget continues to be a major driver of the school budget. While the School Department has taken many steps to control costs, such as maintaining its own van program for special transportation, building a vibrant Inclusion program to keep Wellesley students within district, and retaining an attorney with expertise in Special Education law, the costs for educating the portion of the student population with the most profound needs continues to balloon.

In FY11, Wellesley introduced a Therapeutic Inclusion program at the Hunnewell elementary school and FY12 will see the expansion of that program to the early elementary grades. These

programs save the cost of out of district placements and transportation, and they allow Wellesley students to be educated in Wellesley. While inclusion programs are less expensive than out of district placements, they are not without cost and the STTI budget is seeing a steady increase in personal services and expenses associated with these programs. These programs, which are located in existing schools in Wellesley, are highly labor intensive and low occurrence of certain needs require more contracted services. Wherever possible, Wellesley has worked to provide program and services within house and these efforts are commendable.

Out of district tuitions are a tremendous cost to the Town. When the FY12 School budget was prepared, the expected rate of reimbursement for circuit breaker was 40%. As the State budget process has progressed and more information has become available, the School Department has adjusted the assumption on this reimbursement rate resulting in a reduction in the School budget request of \$571,000. This provides great relief to the FY12 budget but does not fully fund the circuit breaker legislation as originally enacted and a significant burden to the School budget remains. Out of district tuitions can range from \$18,725 for a vocational program to \$344,521 for a residential program and the in-migration of, or change in programs for, a few students can profoundly affect a district's tuition costs. This has been Wellesley's experience in recent years and, combined with a lifting of the freeze on some tuitions, has made out of district costs nearly impossible to control.

Rising STTI costs are not unique to Wellesley and the issue is receiving more attention at the State level. Wellesley's representatives to the State legislature met recently with Wellesley's Board of Selectmen and School Committee and funding special education was a topic of discussion. One positive response by the State is the recent projected increase in circuit breaker reimbursement. While the increase will not restore the program to its original 75% reimbursement rate, it is a step in the right direction. For cities and towns in the Commonwealth to realize serious budgetary relief in this area, there will need to be greater recognition of the budgetary consequences of mandated STTI programs at the State level which may only come about from a significant concerted effort on the part of school committees and other elected boards, as well as citizens, from all over the Commonwealth.

The end of federal stimulus funds has left a sizeable funding cliff for the schools. In recent years, almost \$3 million in federal funds has been used to offset out of district tuitions, fund new positions in Wellesley's growing Inclusion program, and purchase equipment and supplies. These costs are now the responsibility of the Town. The proposed FY12 budget includes spending balances in revolving funds to offset some of these funding cliffs. In addition, the fees charged for tuition to non-SPED students in the integrated pre-school program have been raised to be comparable with other pre-school programs in the area. While these offsets to ease the gaps left by the federal stimulus funds are available in FY12, these costs will carry forward to FY13 and beyond and funding cliffs will continue to exist. The Federal Education Jobs grant being applied to the FY12 budget will leave a \$528,000 funding cliff in FY13.

Wellesley continues to experience a drop off in the number of elementary school students, easing some of the space pressures and allowing for the addition of new Inclusion classrooms. FY 11 saw the reduction of three elementary sections; FY12 will see an additional reduction of 2 sections as well as a reduction in average class sizes, given the expected geographic and grade distribution of elementary students. However, the recently completed study of the condition of elementary modular classrooms has raised some concerns and pushed the need for a more comprehensive study of the schools with an eye toward developing a full facilities maintenance plan. Advisory believes this planning process needs to include looking at elementary districting and the potential for closing an elementary school building. Wellesley's seven neighborhood elementary schools make it difficult for the School Department to realize any savings or efficiencies as a result of the decline in enrollment.

In addition, while the elementary enrollment declines, the bubble of students is moving through the middle school and high school, where it costs incrementally more to educate each student, due to the more complex educational program and electives and the expenses connected to them. Thus, the schools will not experience a significant easing of budget pressure from decreasing enrollment in the near future.

During the FY 12 budget planning process, an error was discovered in the calculation of electricity costs for the Middle School. The error has resulted in a Municipal Light Plant credit of \$193,000 for the Schools. Also after the budget process was underway, an energy audit of the Middle School was completed. The audit indicated a number of projects with relatively small costs that could reap immediate energy and cost savings for the Schools such as better controls on systems, retrofitting light fixtures, and installing timers on various electricity using items (e.g. lights, vending machines, etc.) These projects have been analyzed and prioritized by the Permanent Building Committee. The cost of these projects is estimated to be \$143,000 and the remaining \$50,000 will be applied to the FY 12 budget. In addition, the reduction in electricity costs and other utility savings allow the School Department to realize an additional \$10,000 in savings for FY12. The net result is a \$60,000 reduction in the FY 12 budget request.

Conclusions - School Budget

Advisory has expressed considerable concern related to increases in the School budget, for FY12 and going forward. With the two significant drivers of the budget being personnel costs and STTI costs, the one thing the Schools Department can exert any substantial control over is the personal services portion of the budget. Personal services continues to grow at a rate that will be difficult to sustain given the projected rate of revenue growth and other demands on Town funds. Advisory believes the importance of a fair and reasonable settlement of the teachers' contract is essential to the financial health of the Town going forward.

Advisory continues to be concerned over reductions to the Schools' budget request achieved through one-time events such as offsets from revolving accounts or fee increases and encourages the Schools to examine all program levels and areas for any efficiencies that can be achieved to bring structural changes to the budget that will carry forward.

Budget Process (School Department) – Looking Forward

The FY12 budget process has proven to be difficult for many of the same reasons as in the past. Wellesley's Annual Town Meeting takes place relatively early in the year, requiring budget building to begin before the State budget process has progressed and forcing assumptions about State funding that can impact budget decisions. The Town by-law requirements for publication of the Advisory Report in advance of Town Meeting imposes an earlier than desirable deadline, and thereby, added pressure on the process.

From the Schools' standpoint, budgeting traditionally begins approximately one third of the way into the school year making it difficult to build the budget on current year realities. Additionally, the School budget is the largest and most complicated of the Town budgets and receives the most interest from the public with a fair amount of scrutiny and public input.

Advisory believes a different budget process and presentation are essential for clear and effective financial management of the schools. Following the submission to Advisory of the Department's budget book in early December, there were multiple rounds of questions and answers, as well as extensive discussions, among Advisory members, School Committee members and the School Administration, all with a goal of achieving a common understanding of the financial underpinnings of the budget. As the Advisory Report was being prepared for

publication in early March, several of Advisory's questions and requests for information remained unanswered. This is not a new phenomenon, and Advisory is concerned that this approach to budgeting and budget analysis does not optimally serve Town Meeting or the Town.

Following last year's Town Meeting, an ad hoc school budget working group was formed to examine options for improving the School budget presentation and process. With few of the working group's recommendations implemented this year, Advisory looks to the School Committee for a renewed commitment to improving the process. With that in mind we offer the following comments:

A clear and transparent budget presentation is essential for the School Committee as well as the Advisory Committee to have a full understanding of the budget. The School Committee should request a budget presentation from the School Department that is self-explanatory, one that "ties out" top to bottom with little difficulty and provides data from prior years so year-to-year comparison to actual numbers is straightforward and less follow-up questioning is necessary.

We recommend the School Department implement a routine long-term planning process spanning five years as a standard operating practice and work with the Board of Selectmen on the development of the Town Wide Financial Plan. As the largest portion of the Town budget, the School Department's ability to plan for and model even highly uncertain events and cost drivers of the future is essential.

The School Department does a commendable job in studying enrollment trends and anticipating growth and requirements to increase physical capacity in view of growing populations. Advisory believes that the Schools should now effectively bring this expertise to bear on planning for the opposite dynamic: how to proactively plan for the consequences of declining elementary enrollments, such as the reallocation of resources and the timing and financial implications of redistricting or a possible school closure.

The growing complexities and the size and scope of the school budget along with the ongoing need for continuous improvements in financial management processes indicate the need to evaluate the business office organization as it relates to how it supports the Town Budget process. Advisory believes additional high level professional resources would help alleviate the persistent pressures in this department, particularly in the time crunched budget season when responsiveness to inquiries is of increased importance. Given the significance of the School budget, the advancement of the Schools financial management processes is vital to the Town's continued long-term strengths in quality education and sound fiscal health.

Members of Advisory have also expressed concerns around the Schools cash capital and facilities maintenance budgets, specifically regarding the Schools' commitment to maintaining the physical assets on a dedicated, annual basis. The findings of the MLP audit of the Middle School and the study of the elementary modular classrooms indicate lack of maintenance at several of the school buildings. Underfunding facilities maintenance over an extended period may result in more frequent capital renovation programs, funded via debt issuance, property tax overrides or free cash. Advisory encourages the School Committee to continue moving towards budgets that will balance the schools' physical assets with growth in operating expenses. We support the School Committee decision to push forward to FY12 the comprehensive study of the condition of all the elementary schools as well as the Middle School and see this as a major step toward a long-term facilities maintenance plan.

Many Advisory members believe that there must be some changes in timing and approach in order for the School budget process to work more effectively and smoothly. Advisory recognizes the excellence of the Wellesley Public Schools and the efforts it takes to maintain that level. Advisory is responsible for thoroughly understanding all aspects of the departmental budgets as part of its responsibility to make recommendations to Town Meeting. Recognizing the difficulties of maintaining the Schools' level of excellence in challenging financial times when scrutiny of all expenditures is extremely high, Advisory is seeking better communication and cooperation of all those involved in the budget process going forward.

MOTION 2 - MLP Annual Payment Acceptance

This Motion authorizes acceptance of a \$1 million payment from the Municipal Light Plant (MLP) in FY12. The MLP Board has approved this payment to the Town for FY12. The Board of Assessors must receive annual authorization to incorporate the receipt of these funds from the MLP into the tax rate; passage of this Article provides the needed authorization for FY12.

Annual passage of this Article permits the Town's taxpayers to continue receiving the benefit of their ownership of the MLP. The \$1 million payment to the Town incorporated into the FY12 budget is at the same level it has been for the past nine years. This contribution is significantly higher than that of other similarly-sized, municipally-owned light plants in Massachusetts (in both dollar terms and as a percent of revenues), and is estimated to be at least twice the amount that a privately-owned utility would pay in property taxes to the Town.

Advisory recommends favorable action, 12 to 0.

ARTICLE 12. To see what sum of money the Town will raise and appropriate, or otherwise provide, including transfer from available funds, to the Board of Public Works for the Water Program; or take any other action relative thereto.

(Board of Public Works)

Please see the Report, page 44, for a summary for the proposed authorization/appropriation. Advisory recommendations are below.

Since the time that Advisory Committee recommended favorable action on Article 12 – the FY12 Water Enterprise Fund budget – the Board of Public Works has received revised estimated budget numbers from the Massachusetts Water Resources Authority (MWRA) with respect to the charges related to water to be purchased from the MWRA for FY12. Specifically, the MWRA is now estimating a \$162,701 reduction in the water charges from \$1,198,000 previously estimated to a revised figure of \$1,035,399. While this is not yet the final FY12 water charge to be assessed, the MWRA has indicated that it is confident that this budgeted charge should be close to the final FY12 number that it will release in June 2011. This budgeted number is significantly lower than earlier projections and has allowed the Water Enterprise Fund to revise downward its FY12 budgeted costs. The net result of this anticipated favorable change is a reduction in the projected FY12 water rate increase from 5% to 3%.

Based on this change, which is favorable to the rate payers, Advisory re-voted Article 12.

Advisory recommends favorable action, 12 to 0.

ARTICLE 13. To see what sum of money the Town will raise and appropriate, or otherwise provide, including transfer from available funds, to the Board of Public Works for the Sewer Program; or take any other action relative thereto.

(Board of Public Works)

Please see the Report, page 46, for a summary for the proposed authorization/appropriation. Advisory recommendations are below.

Since the time that Advisory Committee recommended favorable action on Article 13 – the FY12 Sewer Enterprise Fund budget – the Board of Public Works has received revised estimated budget numbers from the Massachusetts Water Resources Authority (MWRA) with respect to the charges related to estimated sewage volume to be sent and processed by the MWRA for FY12. Specifically, the MWRA is now estimating a \$361,233 reduction in the sewage charges from \$5,405,000 previously estimated to a revised figure of \$5,043,767. While this is not yet the final FY12 sewage charge to be assessed, the MWRA has indicated that it is confident that this budgeted charge should be close to the final FY12 number that it will release in June 2011. This budgeted number is significantly lower than earlier projections and has allowed the Sewer Enterprise Fund to revise downward its FY12 budgeted costs. The net result of this anticipated favorable change is a reduction in the projected FY12 sewage rate increase from 16% to 10%.

Based on this change, which is favorable to the rate payers, Advisory re-voted Article 13.

Advisory recommends favorable action, 12 to 0.

ARTICLE 16. To act on the report of the Community Preservation Committee on the fiscal year 2012 community preservation budget and, pursuant to the provisions of General Laws Chapter 44B, to appropriate or reserve for later appropriation monies from Community Preservation Fund annual revenues or available funds for the administrative expenses of the Community Preservation Committee, the payment of debt service, the undertaking of community preservation projects and all other necessary and proper expenses for the year; and further, to see if the Town will vote to authorize the Fuller Brook Park Coordinating Committee to implement the next phase of the Fuller Brook Restoration Project including the responsibility to receive and expend appropriations for the same; or take any other action relative thereto.

(Community Preservation Committee)

Please see the Report, page 50, for a summary for the proposed authorization and appropriation. Advisory's additional considerations and recommendation is below.

Motion 3 – Fuller Brook Park Coordinating Committee

This motion requests that Town Meeting continue the Fuller Brook Park Coordinating Committee (FBPCC) as the body to plan the Fuller Brook Park project and authorize it to receive and expend funds, if appropriated, and directs the FBPCC to report back to the next Town Meeting with a proposed action plan.

Advisory recommends favorable action, 12 to 0.

Motion 4 – Fuller Brook Park Coordinating Committee Funding

The CPC requests that \$23,000 be appropriated from the Community Preservation Fund Historic Resources Reserve to the Fuller Brook Park Coordinating Committee for further review and study of the Phase 2 - Preliminary Design of the Fuller Brook Park Improvement Project. The FBPCC will review the Phase 2 recommendations to identify potential savings from possible reductions in project scope and the elimination and/or phasing of tasks before requesting the funding to proceed with Phase 3. The \$23,000 will provide funds for additional consulting support in the review process of how the scope may be adjusted, the installation of demonstration segments of the path surface recommended in Phase 1 report, and the preparation and bidding of a Request for Proposal so that when the FBPCC returns to the CPC and Town Meeting they will have a firm price for the proposed action plan (i.e. for potentially adjusted or modified Phase 3)

The 2010 Annual Town Meeting approved \$250,000 in CPC funding for Phase 2 of the Fuller Brook Park Project. What is now described as Phase 1 was the Master Plan completed previously without CPC funds. Phase 2 was completed in January and the final presentation is available on the Fuller Brook Page of the Town Website

The Phase 2 study concluded that the Phase 3 design and permitting costs for the Fuller Brook Park project could be as high as \$770,000. The construction phase of the project is comprised of four segments with an initial estimated cost of \$5,400,000.

These costs are more than was anticipated.

Advisory believes Fuller Brook Park is a significant asset to the Town and agrees with the CPC that, given the costs identified in the Phase I report, it is prudent of the Town to appropriate \$23,000 in CPC funds to the Fuller Brook Park Coordinating Committee, as proposed.

Advisory recommends favorable action, 12 to 0.