

**UPDATES TO 2012 ANNUAL TOWN MEETING**  
**Advisory Committee**  
 March 23, 2012

The following updates are provided to Town Meeting Members in anticipation of the 2012 Annual Town Meeting.

**I. Article 8: Update in the allocation of funding under FACILITIES MAINTENANCE**

The sum under Total Operations remains the same as presented in the Report, but the allocation between Personal Services and Expenses has been updated as noted below. The allocation provided in the mailed *Motion* reflects this update already. We provide the information below to update the Advisory Report.

	Personal Services	Expenses	Total Operations
<b>FACILITIES MAINTENANCE - BOARD OF SELECTMEN</b>			
To the Board of Selectmen for Facilities Maintenance, \$3,105,601 for Personal Services and \$3,095,072 for Expenses. And it is recommended that the sums be allocated as follows:			
192 Facilities Maintenance	3,276,988	2,923,685	
	<b>3,105,604</b>	<b>3,095,072</b>	<b>6,200,673</b>

**II. Article 12: A correction is provided in both the table and in the discussion.**

It was determined after the Advisory Report went to press that the \$1.6 million borrowing authorization request should not be included in Article 12 (Water Enterprise Fund) since it will be taken up independently in Article 25. The totals provided in the mailed *Motion* reflect this update already. We provide this below to update the Advisory Report with the changes noted.

**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)**

Under this Article, the Board of Public Works (BPW) requests the appropriation of the Water Enterprise Fund's (Water Fund) FY13 receipts and cash on hand as of June 30, 2012, for payment of the Water Division operating and capital expenditures in FY13, provided that the total amount of expenditures in FY13 shall not exceed \$7,363,285 ~~\$9,043,285~~.

**Overview**

The Water Division provides water supply, storage and distribution to residential, commercial and institutional customers. The Town's water supply system includes wells, pumping stations, treatment facilities and a distribution system with two underground reservoirs. Water is supplied primarily from Town wells supplemented by the Massachusetts Water Resources Authority (MWRA). The principal expenses of the Water Division are for the maintenance and operation of the Town wells and distribution system, as well as for the purchase of supplemental water from the MWRA. In general, water purchased from the MWRA is more costly than water produced from Town wells.

The expenses of the Water Division are funded through the Water Fund, which is "non-tax impact." Revenues are received from rates charged to users.

The budget is designed to break-even on a cash flow basis in a "moderate" water usage year. Water usage is subject to unpredictable, weather-related variation, which can affect revenues and expenses. To offset this variability, the Water Division budget includes a substantial contingency. Overall, cash and equivalents in the Water Fund at the end of FY13 are projected to be \$1.7 million. Interest earned goes to the Town's General Fund.

**FY13 Operating Budget**

The following table shows the Water Fund's anticipated sources and uses of funds for FY13. The Water Fund's receipts in FY13 from rate-payers are projected to be \$5.66 million. This revenue is based on an estimated annual usage of 1.117 million CCF (or 835 million gallons) of water. The BPW has not yet set water rates for FY 2013; the projected revenue assumes a 3% rate increase effective July 1, 2012.

Operating expenses in FY13 are projected to be \$4,350,000, an increase of \$53,600 compared to the FY12 budget. Personal service costs are projected to be \$1,616,000, an increase of \$43,650, or 2.8%, while the net increase for

expenses is projected to be \$9,950, or 0.4%. Other (non-operating) charges are projected to increase by approximately \$38,684 from FY12 estimates, or 3.9%, due to increased depreciation expense, partially offset by decreased interest expenses. Overall, total expenses are projected to be \$5,369,251, an increase of 1.8% relative to FY12.

<b>Water Enterprise Fund</b>	<b>FY12 Plan</b>	<b>FY13 Plan</b>	<b>Change</b>
<b>Sources</b>			
<b>Water Fund Receipts</b>			
Water Charges	5,548,185	5,661,194	113,009
Other Charges	-	-	-
Subtotal - Operating Revenues	5,548,185	5,661,194	113,009
<b>Other Cash Sources</b>			
Depreciation	946,000	1,010,500	64,500
Non-Operating Income	220,000	220,000	-
Interest Received	5,000	Incl in revenue	(5,000)
Contribution in Aid of Construction	40,000	40,000	-
Loan Proceeds	200,000	335,000	135,000
Rate Stabilization	66,192	(218,790)	(284,982)
Contingency - From Available Cash	321,780	315,381	(6,399)
Subtotal - Other Cash Sources	1,798,972	395,381	(1,403,591)
Subtotal - Other Cash Sources	1,798,972	1,702,091	(96,881)
<b>Total Sources</b>	<b>7,347,157</b>	<b>7,363,285</b>	<b>16,128</b>
<b>Uses</b>			
<b>Operating Expenses</b>			
Operating Expenses	4,296,266	4,349,884	53,618
Non-Operating Expenses (Depreciation & Interest)	980,683	1,019,367	38,684
Other Non-Operating Expenses (House Service Connections)	220,000	220,000	-
<b>Capital Expenses &amp; Debt Obligations</b>			
Capital Outlay	758,000	693,000	(65,000)
Expenditures of Contrib. in Aid of Construction	40,000	2,293,000	4,535,000
Debt (Principal)	730,428	40,000	(690,428)
Subtotal - Capital & Debt	1,528,428	725,653	(802,775)
Subtotal - Capital & Debt	1,528,428	1,458,653	(69,775)
Contingency	321,780	315,381	(6,399)
Subtotal - Capital & Debt	1,528,428	395,381	(1,133,047)
<b>Total Uses</b>	<b>7,347,157</b>	<b>7,363,285</b>	<b>16,128</b>

### FY13 Projected Capital Budget

The Board of Public Works projects capital expenditures of \$693,000 ~~\$2,293,000~~ in FY13, (not including \$1,600,000 for Morses Pond Wellfield Improvements which will be considered under Article 25 because the work will be funded through borrowing). The balance of the FY13 capital program includes \$50,000 for water supply improvements; \$350,000 for distribution system improvements; \$50,000 for hydrants; \$30,000 for meter maintenance; \$133,000 for equipment maintenance and replacement; \$70,000 for building maintenance; and \$10,000 for GIS system mapping and modeling.

### Outlook

The BPW expects that expenses of the Water Division will continue to increase in future years, primarily because of expected increases in MWRA rates. The Water Division is continuing a number of steps to improve local well yields to reduce the Town's reliance on MWRA water.

Advisory believes the operating and capital budgets proposed in this Article are appropriate.

**Advisory recommends favorable action, 12 to 0.**

III. Community Preservation Report (page R-44 of Advisory Committee Report):  
 The following table was inadvertently omitted from the CPC Report.

## Wellesley CPA Financial Plan: June 30, 2010 to June 30, 2016

*February 14, 2012*

REVENUE	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
Local Surcharge	\$895,556	\$946,000	\$992,250	\$1,041,863	\$1,093,956	\$1,148,654
State Match (match %)	\$227,925 25.5%	\$236,724 25.0%	\$234,720 25.0%	\$246,196 25.0%	\$258,505 25.0%	\$271,431 25.0%
Interest	\$25,000	\$32,800	\$21,931	\$27,383	\$21,124	\$16,932
<b>Total</b>	<b>\$1,148,481</b>	<b>\$1,215,524</b>	<b>\$1,248,901</b>	<b>\$1,315,441</b>	<b>\$1,373,586</b>	<b>\$1,437,017</b>

*Assumptions: No change to State CPA status; tax levy increases per Financial Director guidelines with no overrides; interest rate 0.0%*

APPROPRIATIONS	<u>FY11</u>	<u>FY12</u>	<u>FY13<sup>(1)</sup></u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
Administrative	\$60,000	\$57,500	\$60,776	\$62,445	\$65,772	\$68,679
WHDC	\$375,000	\$450,000	\$330,000	\$225,000	\$225,000	\$225,000
St. James	\$0	\$0	\$3,500,000	\$0	\$0	\$0
Fuller Brook Park	\$250,000	\$688,000	\$0	\$3,600,000	\$0	\$0
Electric Substation	\$0	\$0	\$500,000	\$0	\$0	\$0
Other Historic	\$57,500	\$0	\$137,500	\$137,500	\$137,500	\$137,500
Other	\$10,000	\$0	\$137,500	\$137,500	\$137,500	\$137,500
<b>Total</b>	<b>\$752,500</b>	<b>\$1,195,500</b>	<b>\$4,665,776</b>	<b>\$4,162,445</b>	<b>\$565,772</b>	<b>\$568,679</b>
<i>(memo: Debt Service)<sup>(2)</sup></i>				<b>\$567,857</b>	<b>\$546,429</b>	<b>\$525,000</b>

*Notes:*

*(1) FY 13 appropriations for St. James and Electric Substation assumed to occur at either the 2013 ATM or STM. Fuller Brook is assumed to be appropriated in FY14.*

*(2) Assumes borrowing of \$3 million on June 30, 2013 at 5.0% interest with 64 month (7 year) level principal repayment beginning July 31, 2013*