



Advisory Committee
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Wellesley, MA 02482

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TOWN OF WELLESLEY



**ADVISORY COMMITTEE LETTER
ANNUAL TOWN MEETING
March 30, 2015, at 7:30 p.m.
Wellesley Middle School Auditorium**

Key features of articles to be considered:

- Approve a balanced budget for FY16 (Article 8);
- Appropriate \$800,000 in supplemental funds to the FY15 Budget for snow and ice removal with this appropriation to come from Free Cash (Article 7);
- Appropriate \$472,344 in supplemental funds to Wellesley Public Schools for extraordinary Special Education expenses incurred during FY15, a percentage of which will be eligible for State reimbursement (Article 7);
- Appropriate \$50,000 for a feasibility study for the possible expansion of P.A.W.S. (Preschool At Wellesley Schools) to support increased enrollment (Article 16);
- Appropriate design funds for a security plan for the Wellesley Public Schools (Article 17);
- Appropriate \$50,000 for further study of the future uses and possible renovations or replacement of Hardy, Hunnewell, and Upham Schools (Article 18);
- Extend the life of The Town Government Study Committee and appropriate \$32,000 to continue its work as set forth at the 2014 Annual Town Meeting (Article 25);
- Amend various Zoning Bylaws including recodification of various bylaw sections, clarification of Single Residence districts as separate districts, authorization of outdoor restaurant dining, regulation of the location of residential driveways, modification of regulations related to window signs, and amendment of the Zoning Bylaw to allow for or exempt certain historical information signs typically found on residential properties in the Town (Articles 27-34).

TOWN OF WELLESLEY



**ADVISORY COMMITTEE LETTER
ANNUAL TOWN MEETING
March 30, 2015, at 7:30 p.m.
Wellesley Middle School Auditorium**

TERM ENDS 2015

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John Hussey
Lucy Kapples
Andy Patten, Chair
Ann Rappaport, Vice Chair

TERM ENDS 2016

Mary Crown
Tom Frisardi
John Hartnett, Vice Chair
Mason Smith, Secretary
Scott Tarbox

TERM ENDS 2017

Chad Harris
Michael Mastrianni
Frank Pinto
Sara Raveret
Kathleen Woodward

To the Citizens of the Town of Wellesley:

March 13, 2015

This year's Annual Town Meeting will convene on Monday, March 30, 2015, at 7:30 p.m. in the Auditorium at the Wellesley Middle School. All residents are welcome to attend the meetings in person, or to follow the proceedings on Wellesley Media Corporation's Government Channel (Comcast Channel 8, Verizon Channel 40 or @wellesleymedia.org). The Advisory Committee encourages citizen participation in Town Meeting, as there are many issues with broad implications, financial and otherwise, being presented this year.

This letter presents the Advisory Committee's perspective on key features of the FY16 budget and Town-Wide Financial Plan (TWFP). The letter also highlights other significant issues on the Warrant for the Annual Town Meeting, which include requests for authorization to:

- Approve a balanced budget for FY16 including both operating and capital items (Article 8);
- Appropriate \$800,000 from Free Cash as a supplement to the FY15 budget for snow and ice removal (Article 7, Motion 1);
- Appropriate \$472,344 from Free Cash as a supplement to the FY15 school budget for extraordinary expenses incurred related to Special Education expenses, a percentage of which may be eligible for State reimbursement (Article 7, Motion 2);
- Appropriate \$100,000 from Free Cash as a supplement to the FY15 budget for unforeseen legal costs (Article 7, Motion 3);
- Appropriate \$50,000 for a feasibility study for the possible expansion of the current PAWS (Preschool At Wellesley Schools) building to support increased enrollment (Article 16);
- Appropriate design funds for a security plan for the Wellesley Public Schools with cost still to be determined (Article 17);
- Appropriate \$50,000 for further study of the future uses and possible renovation, replacement or consolidation of the Hardy, Hunnewell, and Upham Schools (Article 18);
- Extend the life of the Town Government Study Committee to continue its work as set forth at the 2014 Annual Town Meeting and appropriate \$32,000 for its use (Article 25);
- Amend various Zoning Bylaws to recodify sections of the Bylaw; authorize outdoor restaurant dining in the Wellesley Square Commercial District; regulate the location of residential driveways; modify regulations related to window signs; and exempt size restrictions on Wellesley Historic Commission signs typically found on certain residential properties in the Town (Articles 27-34).

As of the printing of the *Advisory Report*, the Town's budget is not yet balanced and the Town continues to negotiate with its employees regarding potential changes to the current healthcare plans of active employees and retirees. Health insurance costs were projected to grow 5% in FY16, but the actual premium increases are between 9% and 14%, making healthcare one of the single largest drivers of budget increases in FY16. There are a variety of plans to eliminate the budget deficit, but any decision hinges on whether the Town can achieve healthcare savings. Advisory expects to issue a supplement to Article 8 before the start of Annual Town Meeting describing the steps the Town has taken to close the current \$1.66 million budget deficit. The Selectmen do not anticipate that an override of Proposition 2 ½ will be used to create a balanced budget.

A comprehensive *Reports to the Annual Town Meeting* containing the Advisory Committee's recommendations and all related committee reports to the 2015 Annual Town Meeting will be mailed to all Town Meeting Members and delivered to all Town departments. The Report will also be posted on the Town's website at www.WellesleyMA.gov. Copies of the Report will be available at the Town Clerk's Office and at the Wellesley Free Library no later than seven days prior to the meeting and any resident may request the Town Clerk to mail him or her a copy. Recommendations made by the Advisory Committee

subsequent to the publication of the *Advisory Report* and the opening of Annual Town Meeting will be sent to Town Meeting Members by e-mail, and posted on the Town's website.

The Advisory Committee extends its gratitude to the Town employees, elected and appointed officials, and concerned citizens who devote their time, energy, and expertise to the Town by serving on boards and committees. This letter, in conjunction with our *Advisory Report*, presents comprehensive information on the issues coming before Town Meeting. The Advisory Committee welcomes citizen input and suggestions. Our meetings are open to the public and always begin with a "Citizen Speak" session. Residents who wish to communicate via e-mail can reach us at: AdvisoryCommittee@WellesleyMA.gov.

Sincerely,
Andy Patten
Advisory Chair

Key Features of the Proposed Fiscal Year 2016 Budget

The FY16 Sources and Uses is summarized in the chart below:

	FY15	FY16	\$	%
	Budget	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	2,250,000	3,525,000	1,275,000	56.7%
Other Sources	6,634,014	1,887,289	(4,746,725)	-71.6%
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

Tax Revenue, State Aid and Local Revenue

The proposed budget reflects a projected \$4.3 million increase of inside-the-levy tax revenue, including the permitted 2.5% increase to the existing tax base plus \$1.6 million from new growth. The level of State Aid is projected to increase by \$180,000 (2%), while an increase of \$504,000 (4.9%) is assumed for Local Revenue from increases in fees and excise taxes. The increase in Exclusions & Exemptions reflects the recent debt exclusions for Fiske and Schofield, the Middle School window replacement and the North 40, in addition to projects appropriated in previous years (like the high school) which are still carrying debt service.

Reserves to Balance the Budget

The FY16 budget proposes to use \$2.625 million of Free Cash towards balancing the FY16 budget. The Town had \$13.47 million in reserves (Stabilization Fund balance of \$3.13 million plus \$10.34 million in certified Free Cash) at the start of the current fiscal year, representing 10.25% of operating revenue. This percentage falls well within the 8-12% of operating revenue per guidelines set by the Selectmen in their reserves policy. With the proposed use of \$2.625 million of Free Cash to balance the FY16 budget, and additional uses of free cash contemplated in Articles 7, 16, 18 and 25 as mentioned above, the projected level of reserves at the end of the fiscal year will drop to 7.9%, which is slightly below the recommended level.

Uses of Funds – Major Drivers of Budget Increases

Personal Services

Increases in salary, appropriated in the Omnibus budget (Article 8) and the Merit Pay Pool (Article 5, Motion 3) continue to be the primary driver of the budget increases, constituting \$3.6 million (4.5% increase over FY15) of the additional cost. Generally, the FY16 annual cost of living salary increases are expected in the range of 1-2.5% as a result of union contracts negotiated prior to the commencement of FY15, but additional increases due to movement along "steps" (for longevity) and "lanes" (for education advancement in the School Department) are additive. The 16 steps in the School Department are valued at 4.2% per step while other unions have fewer steps, typically 4-6, valued at around 5.3-5.6%.

Town departments, especially the School Department, must find a way to slow the pace of salary growth. These increases can limit departments, especially the Schools (for which personal services represent 87% of their budget), in carrying out their mission and in developing new initiatives. Our employees are one of our greatest strengths and the Town should continue to value their work and continue to invest in infrastructure to provide comfortable working conditions and an environment for our employees to thrive. We should strive to maintain minimal employee turnover, while also being mindful of the financial realities facing the Town.

Retirement and Health Care Contributions

Almost twenty cents of every Town budget dollar is spent on employee benefits, which include health insurance, retirement pension contribution, and health insurance for retirees (Other Post-Employment Benefits, or OPEB). By far the fastest growing component of this employee benefit line is the cost of health insurance, which is scheduled to increase by nearly \$2 million in FY16, an 11.9% increase from FY15. As the Advisory Report goes to press, the Town is in negotiation with its unions for health care premium relief to help close the current budget shortfall for FY16. Given the previously passed debt exclusions for renovations at Fiske and Schofield Schools, approval of a Middle School windows replacement project, the purchase of 900 Worcester Street, and the passage of a Town-wide debt exclusion to acquire the North 40, the Board of Selectmen is sensitive to the tax burden on the residents and has pledged that there will be no override of Proposition 2 ½ to balance the FY16 budget. Pension funding, which has recently been a strong driver of budget increases, with a compounded annual growth rate of 42.8% over the past five years, is exhibiting more modest growth (\$207,000 or 3.5%) in FY16.

Capital and Debt Service Budget

The cash capital budget reflects the Town's effort to adequately fund and conduct appropriate building maintenance of its nearly 1.1 million square feet of real estate (excluding DPW buildings) through the Facilities Maintenance Department (FMD). Although the FMD's capital budget was projected to grow from \$1.5 million in FY15 to \$2 million in FY17 as part of a planned increase in facilities spending, budget realities have held this increase to \$1.575 million in FY16 rather than the \$1.75 million projected in the 2014 Town-Wide Financial Plan. The DPW seeks \$1.53 million for infrastructure repairs, mostly street and sidewalk work. Given the budget pressures felt by all Town departments, total Town-wide capital requests from all departments, including Schools, are expected to fall from a projected FY16 level of \$5.37 million in the 2014 Town-Wide Financial Plan to an actual \$4.50 million, a reduction of 16%. Total debt service, both inside and outside the levy, is expected to climb by nearly 35% (up \$4.48 million in FY16), largely as result of the school infrastructure repairs and land purchases referenced earlier in this letter.

Future Facilities Spending

Requests for funding related to facilities is relatively modest at this Annual Town Meeting. The School Facilities Committee (SFC) is requesting \$50,000 to continue to study the future use of Upham, Hardy and Hunnewell Schools with the goal of renovating, replacing and/or consolidating these three schools (Article 18). Under Article 16, the SFC is also requesting \$50,000 for a feasibility study to consider the possible renovation of the Integrated Preschool at Wellesley Schools (PAWS) which is facing increased enrollment in the special needs preschool community. And finally, the SFC is seeking funds (total amount to be determined before Town Meeting) for design funds to improve school security in Article 17.

Balanced Budget

Advisory entered the FY16 budget preparation period believing that after the spring 2014 override was passed by the voters, a balanced FY16 budget could be reached, though the budget process was expected to be challenging. Guidelines were issued which were consistent with the Town-Wide Financial Plan – a 2.25% increase in overall departmental budgets, with the exception of the Schools, which were presented with a guideline of 4%.

Several departments submitted budgets that exceeded the guidelines. Advisory praises the efforts of the Police and Fire Departments, DPW, Recreation, and NRC for meeting the guideline. The Council on Aging, Board of Health, FMD and the combined Board of Selectmen Shared Services Department have all submitted budgets, which, for varying reasons, are outside of guideline. The School's budget has been submitted at 5.65%, which at the time of this writing is in excess of \$1 million over guideline. Much of this increase has been attributed to mandates, contractual obligations, a new strategic plan, and Special Education. The Advisory Committee continues to be concerned that a school budget that is increasing at a rate of 5-6% per annum is unsustainable without regular overrides given the restrictions of Proposition 2 ½. The Town must continue to balance many competing needs among its various departments and the Town's desire to invest strategically in land purchases and infrastructure improvements for the well-being of all its residents.