

TOWN OF WELLESLEY



SUPPLEMENT TO THE 2015 REPORTS TO THE ANNUAL TOWN MEETING

by the
ADVISORY COMMITTEE

INDEX TO WARRANT ARTICLES*

ANNUAL TOWN MEETING WARRANT ARTICLES

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**Note that no motion is currently expected under Articles 21, 27-30, 32, or 37.*

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ANNUAL TOWN MEETING ARTICLES

ARTICLE 6. To see if the Town will vote to fix the salary and compensation of the Town Clerk, as provided by Section 108 of Chapter 41 of the General Laws, or to take any other action in relation thereto.

(Board of Selectmen)

Under this Article, the Board of Selectmen (BOS) requests a salary increase for the Town Clerk. The Town Clerk is the only elected official in Wellesley to receive a salary.

Each year, the BOS reviews the Town Clerk's salary and makes a recommendation to Town Meeting for an appropriate merit increase for the next fiscal year. The Selectmen take into consideration any adjustments made to the Series 50 salary ranges under Article 5 as well as other factors. For FY15, the Town Clerk's salary is currently \$81,649 based on a 52.0 week year. The BOS recommends a 5% increase to \$85,731 for FY16, also based on a 52.0 week year, an increase of \$4,082. As is the case with all FY16 salaries, the actual salary appropriated to the Town Clerk in Article 8 includes the leap day and is therefore based on a 52.4 week year, just as FY15 actual salaries were based on a 52.2 week year.¹⁰⁹

Currently, the Town Clerk's salary is 95% of that of Wellesley's benchmark towns (Brookline, Concord, Dedham, Lexington, Milton, Natick, Needham, Sudbury, Wayland, Weston, and Winchester) even after eliminating the highest (Brookline) and the lowest (Wayland). The rationale for a 5% increase is to move the Town Clerk's salary to the current FY15 average for the benchmark towns, which still lags the average by one year. The 5% increase is above the average 2.5% Merit Pay Pool increase for Series 50/60 employees for FY16, but the Human Resources Department notes that it occasionally makes equity adjustments for its employees and agrees with the BOS taking this approach. Finally, the Town Clerk is not covered by the Salary Plan (see Article 5, Motion 2) and therefore does not benefit from movements in the salary range the way other positions do, nor does the Town Clerk position have salary steps.

Advisory recommends favorable action, 12 to 0.

¹⁰⁹ The actual Town Clerk salary in FY15 is therefore \$81,963 and the FY16 salary including the adjusted number of weeks is \$86,391.

ARTICLE 7. To see if the Town will vote to raise and appropriate, transfer from available funds, or borrow a sum of money to supplement or reduce appropriations approved by the 2014 Annual Town Meeting, or to take any other action in relation thereto.

(Board of Selectmen)

ARTICLE 7, MOTION 1: WINTER SUPPLEMENTAL APPROPRIATION

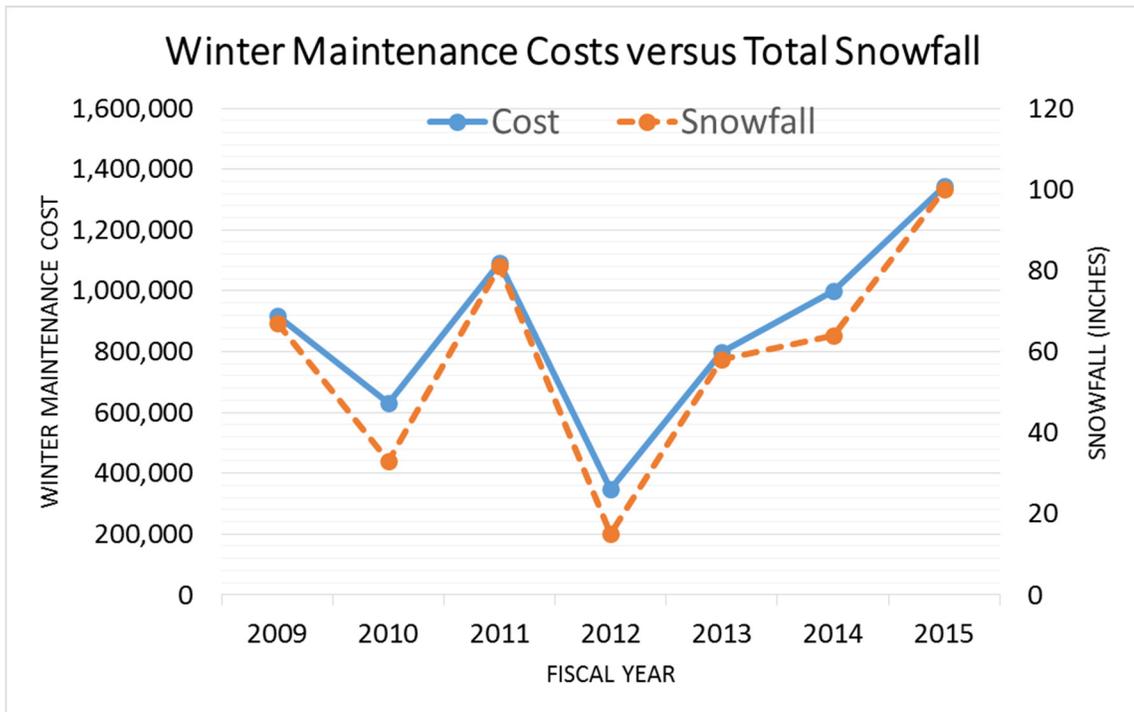
Note: After the 2015 ATM Advisory Report went to print, the Department of Public Works (DPW) submitted a third Winter Maintenance supplemental request. Consequently, Advisory must revote Article 7, Motion 1. Please see pages 32-34 of this report for more details on the request.

On March 13, 2015, the DPW submitted a third Winter Maintenance supplemental request for \$225,000, bringing the total FY15 Winter Maintenance appropriation request to \$1,025,000. The DPW does not expect to incur any further FY15 expenses for snow and ice removal. The DPW also expects that the Town will be eligible for a partial reimbursement for storm-related costs attributable to the January 26 blizzard, and possibly for additional winter maintenance costs through February 22, 2015. This reimbursement will likely exceed \$100,000 (possibly by many times that amount). The table on page 33 of the *2015 ATM Advisory Report* has been updated with new numbers in the FY15 column which now includes the period from February 18 through March 13, 2015:

	DPW Snow and Ice History						
	FY09	FY10	FY11	FY12	FY13	FY14	FY15*
Sources							
Appropriation in Article 8, Motion 2	348,703	\$348,703	\$348,703	\$348,703	\$348,703	\$348,703	\$348,703
Supplemental	600,000	300,000	750,000	-	450,000	650,000	1,025,000
Total Appropriation	<u>\$948,703</u>	<u>\$648,703</u>	<u>\$1,098,703</u>	<u>\$348,703</u>	<u>\$798,703</u>	<u>\$998,703</u>	<u>\$1,373,703</u>
Uses							
Personal Services	258,491	168,909	299,647	42,967	240,940	366,863	437,125
Sand/Salt	256,429	118,326	154,074	48,064	140,673	196,335	217,896
Contractor Plowing	50,445	20,343	122,589	2,644	57,841	85,193	69,108
Vehicle Repair	336,542	303,029	430,623	244,839	308,160	332,807	542,925
Other	17,118	19,095	84,237	10,189	51,089	17,506	76,883
Total PS & Expenses	<u>\$919,025</u>	<u>\$629,702</u>	<u>\$1,091,170</u>	<u>\$348,703</u>	<u>\$798,703</u>	<u>\$998,704</u>	<u>\$1,343,937</u>
Events							
Sanding/Salting	10	10	11	4	12	14	15
Plowing	9	6	10	1	4	9	7
Snow/Ice Removal	1	0	2	0	1	5	6
Flooding	0	2	0	0	0	0	0
Total Snowfall	67"	33"	81"	15"	58"	64"	100"

*FY15 costs are given through March 13, 2015

It is clear from the chart on the next page that winter maintenance costs are directly correlated with total snowfall; the approximately \$13,400 in winter maintenance costs per inch of snowfall in FY15 is essentially identical to costs per inch in FY09, FY11 and FY13 and lower than the cost per inch in winters with less snow (FY10 and FY12).



Advisory believes that the total supplemental request is reasonable and consistent with snow and ice removal costs in previous years. Because the original appropriation of \$348,703 has significantly understated the true cost of winter maintenance in all but one of the past seven years, some Advisory members also support increasing the annual winter maintenance budget to a level closer to \$500,000 to reduce its volatility while still not overly encumbering Free Cash.

Advisory recommends favorable action, 12 to 0.

ARTICLE 7, MOTION 2: WELLESLEY PUBLIC SCHOOL SUPPLEMENTAL APPROPRIATION

This Motion requests a supplemental FY15 appropriation of \$472,344 to the School Committee as described in the *2015 ATM Advisory Report* on pages 34-35. The School Committee voted in favor of this Motion on March 24, 2015.

One member of Advisory would have preferred that the schools request a larger school supplemental appropriation of \$940,108 to reflect the total costs of the FY15 increases in Special Education rather than “masking” these Special Education costs with \$467,764 in salary and general expenses savings (see page 34 of the *2015 ATM Advisory Report* for the breakdown of the school supplemental costs). Under this scenario, the schools might return the additional \$467,764 to the Town in June, 2015 which would increase the level of turn-back. However, most members supported applying the offsets directly to the school supplemental request to minimize the amount of Free Cash needed at this Town Meeting, particularly as the reserve level has already dropped below the BOS-recommended minimum of 8%, and felt that the school budget could be stated so that the true costs in each category of spending would be apparent. Advisory also discussed the possible creation of a Special Education stabilization fund to help minimize volatility in the Special Education budget, as instituted in other towns like Lexington, Winchester, and Arlington.

Advisory recommends favorable action, 11 to 1.

ARTICLE 7, MOTION 4: HIGH SCHOOL PARKING LOT REPAIR



This Motion requests Town Meeting to accept and appropriate an insurance settlement of \$35,754.60 to the Board of Public Works (BPW). Town Meeting approval is required by the Massachusetts General Laws Chapter 44, Section 53 to accept and appropriate any insurance proceeds exceeding \$20,000.

The insurance settlement is for significant damage to granite curbing in the High School parking lot (see above) caused by a DPW plowing contractor in December 2013 and paid for by the contractor's insurance company. The DPW intends to use the proceeds of the insurance settlement to repair the damage without the need for additional funds. There is no tax impact to this Motion, which Advisory considers to be a housekeeping matter.

Advisory recommends favorable action, 12 to 0.

ARTICLE 8. To see if the Town will vote to raise and appropriate, transfer from available funds, or borrow a sum of money for the following:

- 1) The operation and expenses of the several Town departments, including capital outlay, maturing debt and interest, and the provision of a Reserve Fund;
- 2) Extraordinary maintenance, special capital projects and other capital outlay items for the several Town departments;
- 3) Such purposes as may be voted contingent upon passage by the voters of referendum questions as authorized by Section 21c(g) of Chapter 59 of the General Laws,

and further 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 2016 Tax Rate, or to take any other action in relation thereto.

(Board of Selectmen)

ARTICLE 8, MOTION 2: OMNIBUS BUDGET

Note: All changes from the 2015 ATM Advisory Report are italicized in red. Changes are found in personal services for the Council on Aging, Board of Health, and School Department and expenses for the School Department and Group Insurance.

That the following sums of money be appropriated to the Town boards and officials and for the purposes as hereinafter set forth:

Funding Item	Personal Services	Expenses	Total Operations
<u>GENERAL GOVERNMENT</u>			
To the Board of Selectmen for General Government; <i>\$2,003,712</i> for Personal Services and \$1,824,072 for Expenses. And it is recommended that the sums be allocated as follows:			
<i>Board of Selectmen - Administration</i>			
122 Executive Director's Office	414,869	26,500	441,369
126 Sustainable Energy	5,000	10,033	15,033
199 Central Administrative Services	0	28,500	28,500
133 Finance Department	395,169	8,000	403,169
155 Information Technology	468,656	245,883	714,539
145 Treasurer & Collector	281,826	115,713	397,539
195 Town Report	0	4,000	4,000
<i>Board of Selectmen - Human Services</i>			
541 Council on Aging	<i>309,593</i>	158,898	<i>468,491</i>
183 Fair Housing Committee	0	200	200
543 Veterans' Services	0	107,235	107,235
542 Youth Commission	77,756	17,190	94,946

Board of Selectmen - Other Services				
180	Housing Development Corporation	0	6,000	6,000
691	Historical Commission	0	750	750
690	Historical District Commission	0	250	250
693	Memorial Day	0	2,500	2,500
692	Celebrations Committee	0	4,700	4,700
176	Zoning Board of Appeals	50,843	6,940	57,783

Board of Selectmen - Shared Services				
151	Law	0	300,000	300,000
945	Risk Management	0	483,300	483,300
135	Audit Committee	0	56,250	56,250
458	Street Lighting	0	241,230	241,230

Subtotal - Board of Selectmen - General Government	2,003,712	1,824,072	3,827,784
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Other General Government

To the following Town boards and officials:

161	Town Clerk/Election & Registration	244,570	40,915	285,485
141	Board of Assessors	255,796	88,855	344,651
175	Planning Board	231,750	44,300	276,050
185	Permanent Building Committee	124,722	7,150	131,872
152	Human Resources Board	265,881	37,553	303,434
131	Advisory Committee	7,000	21,000	28,000
132	Advisory Committee - Reserve Fund	0	175,000	175,000

Subtotal - Other General Government	1,129,719	414,773	1,544,492
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GENERAL GOVERNMENT TOTAL	3,133,431	2,238,845	5,372,276
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Funding Item	Personal Services	Expenses	Total Operations
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FACILITIES MAINTENANCE - BOARD OF SELECTMEN

To the Board of Selectmen for Facilities Maintenance, \$3,806,285 for Personal Services and \$3,081,275 for Expenses. And it is recommended that the sums be allocated as follows:

192	Facilities Maintenance	3,806,285	3,081,275	6,887,560
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FACILITIES MAINTENANCE TOTAL - BOARD OF SELECTMEN	3,806,285	3,081,275	6,887,560
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PUBLIC SAFETY - BOARD OF SELECTMEN

To the Board of Selectmen for Public Safety, \$10,441,952 for Personal Services and \$923,508 for Expenses. And it is recommended that the sums be allocated as follows:

210	Police Department	5,092,177	631,154	5,723,331
299	Special School Police	103,112	2,955	106,067
220	Fire Department	4,787,040	261,749	5,048,789
241	Building Department	443,903	24,850	468,753
230	Emergency Medical Services	0	0	0

244	Sealer of Weights & Measures	15,720	2,800	18,520
492	Radio Master Box	0	0	0
PUBLIC SAFETY TOTAL - BOARD OF SELECTMEN		10,441,952	923,508	11,365,460

PUBLIC WORKS

To the Board of Public Works, \$4,172,536 for Personal Services and \$2,657,850 for Expenses. And it is recommended that the sums be allocated as follows:

410	Engineering	506,603	69,489	576,092
420	Highway	1,061,645	534,650	1,596,295
454	Fleet Maintenance	139,956	56,462	196,418
430	Park	1,115,451	317,345	1,432,796
440	Recycling & Disposal	997,037	1,281,593	2,278,630
450	Management	351,844	49,608	401,452
456	Winter Maintenance	0	348,703	348,703
PUBLIC WORKS TOTAL		4,172,536	2,657,850	6,830,386

Provided that the cash on hand in the RDF Baler and Compactors Major Repairs and Replacement Fund on June 30, 2015 be appropriated to the Board of Public Works for major repairs and replacement of the baler and the trash compactors and their attachments at the Recycling and Disposal Facility (major repair being defined as repairs or scheduled maintenance costing more than \$5,000); and that expenditures from this fund may be made by the Board of Public Works for major repairs, but expenditures for equipment replacement shall be subject to Town Meeting Appropriation.

WELLESLEY FREE LIBRARY

To the Trustees of the Wellesley Free Library:

610	Library Trustees	1,795,407	508,491	2,303,898
620	Regional Services (Non-Tax Impact)	0	0	0
LIBRARY TOTAL		1,795,407	508,491	2,303,898

RECREATION

To the Recreation Commission:

630	Recreation Commission	317,833	20,000	337,833
RECREATION TOTAL		317,833	20,000	337,833

HEALTH

To the Board of Health:

510	Board of Health	396,382	67,124	463,506
523	Mental Health Services	0	255,691	255,691
HEALTH TOTAL		396,382	322,815	719,197

Funding Item	Personal Services	Expenses	Total Operations
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NATURAL RESOURCES

To the Natural Resources Commission:

171	Natural Resources Commission	197,542	23,400	220,942
172	Morses Pond	0	149,394	149,394
NATURAL RESOURCES TOTAL		197,542	172,794	370,336

175	Planning Board	0	30,000	30,000
192	Facilities Maintenance - Capital	0	1,575,000	1,575,000
610	Library Trustees - Capital	0	115,700	115,700
171	Natural Resources Commission - Capital	0	55,500	55,500
Subtotal - Cash Capital		0	4,501,752	4,501,752
To the Town Treasurer and Collector for:				
700	Current Inside Levy Debt Service - Issued	0	2,423,407	2,423,407
700	New Debt Service - Inside Levy	0	1,546,718	1,546,718
700	Current Outside Levy Debt Service - Issued	0	13,383,348	13,383,348
700	New Outside Levy Debt Service - Unissued	0	0	0
Subtotal - Maturing Debt & Interest		0	17,353,473	17,353,473
CAPITAL & DEBT TOTAL		0	21,855,225	21,855,225
RECEIPTS RESERVED FOR APPROPRIATION				
To the Board of Selectmen, to be taken from the Parking Meter Receipts Account:				
293	Traffic & Parking Operations	247,051	621,670	868,721
RECEIPTS RESERVED TOTAL		247,051	621,670	868,721
TOTAL APPROPRIATIONS - ARTICLE 8, MOTION 2				\$ 149,733,483

To meet said appropriations, transfer \$75,000 from the Police Detail Account and \$44,250 from Parking Meter Receipts, and further to transfer \$580,000 from the CPA fund to pay for debt service (pursuant to Article 2, STM 1-20-15 and subsequent referendum vote on 3-3-15).

CLOSING THE BUDGET GAP

The 2015 ATM Advisory Report went to press with a \$1.66 million deficit which has been resolved so that the FY16 budget is now balanced. The chart below summarizes the budget closure with details found in subsequent sections of this supplement. Only those portions of Article 8, Motion 2 which have changed since the initial report are included.

FY16 Budget Closure	
March 12, 2015 Deficit (Uses minus Sources)	\$1,657,636
Reduction in School budget	(425,657)
Reduction in Board of Health budget	(41,128)
Benefits allocation removed from COA budget	(20,000)
Reduction in Group Insurance (health care savings)	(1,771,682)
Reduction in OPEB Exclusion (moved inside the levy)	600,000
Change in Free Cash	831
Total March 24, 2015 Deficit	0

OMNIBUS BUDGET OVERVIEW

The FY16 tax-impact budget request is \$149,733,483, an 8.1% increase over the FY15 budget request of \$140,656,650. Total Sources and Uses are now in balance at \$154,401,023, a 4.06% increase over the FY15 level of \$148,373,097 as shown in the Summary Sources and Uses chart below¹¹⁰ (for more detail, see the Detailed Sources and Uses, Exhibit III in the revised Appendix B on page 226):

	FY15	FY16	\$	%
	<u>Budget</u>	<u>Request</u>	<u>Inc/(Dec)</u>	<u>Inc/(Dec)</u>
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	2,802,533	4,394,459	1,591,926	56.8%
Other Sources	6,081,481	1,880,343	(4,201,138)	-69.1%
CPA Funds	-	580,000	580,000	
Exclusions & Exemptions	10,958,514	14,003,348	3,044,834	27.8%
Total Sources	\$ 148,373,097	\$ 154,401,023	\$ 6,027,926	4.1%
Uses of Funds				
School	\$ 63,524,619	\$ 66,689,159	\$ 3,164,540	5.0%
Facilities Maintenance	6,655,781	6,887,560	231,779	3.5%
Other Town Departments	26,698,171	27,459,386	761,215	2.9%
Employee Benefits	24,037,021	24,333,432	296,411	1.2%
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	5,376,262	(3,111,866)	-36.7%
Exclusions & Exemptions	10,958,514	15,183,348	4,224,834	38.6%
Total Uses	\$ 148,373,097	\$ 154,401,024	\$ 6,027,927	4.1%
Surplus/(Deficit)	\$ -	\$ (0)		

In order to balance the budget, \$2,624,169 from Free Cash will be used (see the Summary Sources and Uses in Exhibit I of Appendix B on page 224). Free Cash will also be used to fund certain appropriations not covered in Article 8, some of which appear in FY15 and others in FY16, as shown in the chart below, which is a revised version of a similar chart on page 42 of the 2015 ATM Advisory Report:

¹¹⁰ For comparison, the unbalanced Sources and Uses on page 5 of the 2015 ATM Advisory Report shows a deficit of \$1,657,636 corresponding to a 5.00% increase in Uses and a 3.74% increase in Sources. Note that \$472,344 for the FY15 School supplemental (Article 7, Motion 2) was not included in the original FY16 Sources and Uses.

Free Cash Used in FY15			Free Cash Used in FY16		
Article	Purpose	Total Appropriation	Article		Total Appropriation
2014 STM 4	Feasibility study for WMS windows	\$125,000	2015 ATM 10	Special purpose municipal fund	\$40,946
2014 STM 8/ 2015 STM 2*	Legal fees for N40	150,000	2015 ATM 16	Pre-school feasibility study	50,000
2014 STM 9	CPC reimbursement for N40 spending	198,132	2015 ATM 18	Further study of HHU	50,000
2015 ATM 7(1)	Winter maintenance**	1,025,000	2015 ATM 25	TGSC	32,000
2015 ATM 7(2)	Special Education supplemental***	472,344			
2015 ATM 7(3)	Legal supplemental	100,000			
Total FY15		\$2,070,476	Total FY16		\$172,946

*These funds were appropriated to prepare the Town in the event of a third party purchase of the North 40 and then were repurposed for the Town to use for due diligence for its own North 40 acquisition.

Note that these additional uses of Free Cash, totaling \$2,243,422, all require (or required) Town Meeting approval.

Major Budget Drivers

The major components of the change in the operating budget are as follows:

	<u>Change from FY15 to FY16</u>	
Total Personal Services (including 2.5% average raise for Series 50/60 worth about \$111,500)	\$3,171,426	+4.0%
Total Expenses (not including employee benefits)	\$972,623	+5.6%
Employee Benefits (dominated by pension contribution)	\$296,411	+1.1%

Under Proposition 2 ½, the allowable levy growth for FY16 is \$4,328,115 which includes the 2.5% increase on existing property plus new growth. In the proposed FY16 budget, the top three drivers of the operating budget increase alone total \$4,440,460. The increase in personal services continues to be the primary driver of the budget increase at approximately \$3.2 million (+4.0% over FY15). The schools dominate the personal services increase (\$2.5 million, a 4.6% increase over FY15). The chart below (left side) shows the top five departments' personal services spending ranked by dollar value of cost increase:

Operating Increases in FY16 Compared to FY15*					
Personal Services			Expenses (not including employee benefits)		
Department	\$ Increase	% Increase	Department	\$ Increase	% Increase
Schools	\$2,539,743	4.56%	Schools	\$624,797	7.97%
Public Safety	254,161	2.49%	FMD	159,737	5.47%
DPW	106,656	2.60%	BOS Shared Services**	43,530	4.20%
FMD	86,271	2.31%	Board of Health	38,584	13.57%
Council on Aging	72,591	30.22%	Council on Aging	36,460	29.78%

*These numbers include the average 2.5% Merit Pay Pool which has been removed from the department totals in Article 8, Motion 2. **Includes legal costs and risk management (insurance coverage for general liability, automobile, property, injured-on-duty police and firefighters etc.)

The total increase in operating expenses (not including employee benefits, cash capital or debt service), is close to \$1 million in FY16 (+5.6% over FY15). The schools have the largest increase (\$624,797 or an 8.0% increase over FY15). The chart above (right side) shows the top five departments' operating expense spending ranked by dollar value of the cost increase. Large personal service and/or operating expense increases are explained in more detail in the relevant sections below. Items in the chart in red italics have changed from those in the similar chart on page 43 of the *2015 ATM Advisory Report*.

BUDGET PROCESS AND GUIDELINES

Because the budget appropriations in Article 8, Motion 2 do not include the increases for the Series 50/60 employees from the Merit Pay Pool (appropriated in Article 5, Motion 3), it can be difficult to fully appreciate the department budget variances with respect to the guidelines; removing the salary increases for these employees makes all department budgets (except the schools, which include their management raises directly in Article 8) appear artificially low. The chart below includes the 2.5% average Merit Pay Pool raise for the Series 50 and 60 employees within each department's budgets to be able to directly evaluate increases with respect to the budget guidelines. Note also that the phone service contract (about \$26,000) has been removed from the budgets of all Town departments except DPW, MLP, and Schools, and added to the IT expense budget. The FY15 budget numbers have not been restated to reflect this change.

The School Department operating budget is seen to be \$623,555 (rather than the original \$1,049,212) above the guidelines; the original school budget is fully described on pages 62-75 in the *2015 ATM Advisory Report* and the revised school budget on pages 213-217 of this supplement. The Council on Aging and Board of Health budgets, both over guideline and both part of the budget closure scenario, are discussed on pages 49 and 60, respectively, in the original report and on pages 211 and 213 in this supplement. In order not to duplicate all the information in the chart on page 45 of the *2015 ATM Advisory Report*, only departments with budgets more than \$10,000 over guideline are shown below (all other departments remain the same):

Total FY16 Operating Costs by Department				
Department	FY15 Appropriation	FY16 Request (includes 2.5% for Series 50/60)	FY15-FY16 change	\$ Over/Under Guideline*
Wellesley Public Schools	\$63,524,619	<i>\$66,689,159</i>	<i>4.98%</i>	<i>\$623,555</i>
Council on Aging	362,627	<i>471,678</i>	<i>30.07%</i>	<i>100,892</i>
Facilities Maintenance	6,655,781	6,901,789	3.70%	96,253
Board of Health	643,497	<i>725,793</i>	<i>12.79%</i>	<i>67,817</i>
Law	250,000	300,000	20.00%	44,375

* All guidelines are set at 2.25% except for the School Department, which is set at 4%.

Reserve Policy and Use of Free Cash

The use of \$2.25 million of Free Cash to balance the FY15 budget was consistent with the BOS reserve policy and was projected to maintain reserves at approximately 9.1% of current net revenue (see the *2014 ATM Advisory Report* on page 164). On June 30, 2014, the total reserves were certified to be \$13,471,077, or 10.2% of the current net revenue of \$131,460,102, reflecting better-than-expected turn-back from the departments.

The total Free Cash used since the 2014 ATM is \$2,243,422 as shown in the chart on page 209 which must be added to the \$2,624,169 used to balance the budget in Motion 3 of this Article. With \$1.5 million projected turn-back for FY15, the projected reserve level is \$10,103,486, which

is 7.7% of current net revenues. (For comparison \$2,866,108 of Free Cash was used to balance the FY14 budget, while \$2,837,757 was used in FY15.) While slightly below the BOS reserve policy threshold of 8%, the Selectmen feel that given the current budget circumstances, this temporary shortfall is acceptable and allows the Town to avoid an override of Proposition 2 ½ in FY16.

GENERAL GOVERNMENT

NOTE: As is usual practice, these budgets (with the exception of the School budget on pages 213-217) do not include raises for the Series 50/60 employees. These increases are appropriated as part of the Merit Pay Pool in Article 5, Motion 3 instead. Also, the salary increases for FY16 are based on a 52.4 week year (rather than the 52.2 week year in FY15) because 2016 is a leap year. In the remainder of Article 8, increases will be specified without the Merit Pay Pool increases unless specifically noted.

General Government includes those Departments and Boards under the Supervision of the BOS (see next page for the comparison between FY15 and FY16 operating budgets).

BOARD OF SELECTMEN – HUMAN SERVICES

Council on Aging – 7.7 FTE¹¹¹

The FY16 operating budget for the Council on Aging (COA) is described on pages 49-50 of the *2015 ATM Advisory Report*. Because the COA has added 1.6 FTE to their department for FY16, which includes one additional position with benefits, the BOS asked them to make an explicit \$20,000 allocation to the General Insurance Fund as part of their ongoing policy to highlight increases in employee benefits that come with each additional full-time hire. This \$20,000 does not actually come from the department budget but is part of the Shared Costs budget and reminds the department and Town Meeting that each new benefited position has a financial impact beyond the department's operating budget. This \$20,000 allocation was mistakenly added to the FY16 COA operating budget and has now been removed, which reduces the COA personal services by \$20,000 from \$89,404 to \$69,404 (not including the Merit Pay Pool salary increases for the Series 50 COA employees). The increase in the COA personal services budget is therefore 28.9% above its FY15 level and the total COA budget is up \$105,864 (+29.2%) from FY15.

Note that because of the protracted health care negotiations this winter, the BOS has opted to avoid explicit assessment of the \$20,000 for benefited positions in FY16, but expects to resume this practice in FY17. The School Department did calculate the benefits impact of its additional positions for FY16; see page 71 in the *2015 ATM Advisory Report* for details.

¹¹¹ The COA budget has an increase in 1.6 FTE from FY15 to FY16 which includes an additional benefited position.

BOARD OF SELECTMEN – ADMINISTRATION

	FY14 Actual	FY15 Appropriation	FY16 Request	FY15-16 Change
BOS - Administration				
Executive Director's Office	419,682	\$435,004	\$441,369	1.46%
Sustainable Energy	3,159	15,033	15,033	0%
Central Administrative Services	38,227	38,500	28,500	-25.97%
Finance Department	356,054	392,385	403,169	2.75%
Information Technology	691,468	704,948	714,539	1.36%
Treasurer & Collector	366,713	392,563	397,539	1.27%
Town Report	3,255	4,000	4,000	0%
BOS – Human Services				
Council on Aging	343,755	362,627	468,491	29.19%
Fair Housing Committee	0	200	200	0%
West Suburban Veterans' District	107,261	104,875	107,235	2.25%
Youth Commission	91,607	94,677	94,946	0.28%
BOS – Maintenance Services				
Facilities Maintenance	6,121,035	6,655,781	6,887,560	3.48%
BOS - Other Services				
Housing Development Corp	1,691	6,000	6,000	0%
Historical Commission	436	750	750	0%
Historical District Commission	113	250	250	0%
Memorial Day	1,912	2,500	2,500	0%
Celebrations Committee	4,700	4,700	4,700	0%
Zoning Board of Appeals	55,413	57,765	57,783	0.03%
BOS - Shared Services				
Law	325,000	250,000	300,000	20.00%
Audit Committee	56,250	56,250	56,250	0%
Risk Management (Including Police & Fire)	319,540	504,000	483,300	-4.11%
Street Lighting	219,649	227,000	241,230	6.27%
TOTAL General Government	<u>\$9,585,974</u>	<u>\$10,309,808</u>	<u>\$10,715,344</u>	<u>3.93%</u>

OTHER COMMISSIONS AND BOARDS

	FY14 Actual	FY15 Appropriation	FY16 Request	FY15-16 Change
Recreation Commission	\$312,817	\$338,714	\$337,833	-0.26%
Board of Health (BOH)	393,407	427,806	463,506	8.34%
BOH – Mental Health Services	215,608	215,691	255,691	18.55%
Natural Resources Commission (NRC)	167,331	223,081	220,942	-0.96%
Morses Pond Project (NRC/DPW/Rec)	144,914	148,670	149,394	0.49%
TOTAL Other Commissions/Boards	<u>\$1,234,077</u>	<u>\$1,353,962</u>	<u>\$1,427,366</u>	<u>5.42%</u>

Note: Utilities are included under FMD Maintenance Services.

Board of Health – 5.6 FTE¹¹²

The FY16 budget for the Board of Health (BOH) is described on pages 60-61 of the 2015 ATM Advisory Report. At the time the report went to print, the Selectmen, Executive Director and the Board of Health were negotiating reductions in the BOH budget because it was significantly over guideline (by \$116,828, or an 18.2% increase from FY15). The total proposed increase in personal services was \$78,244 (+21.8% over FY15) and the BOH agreed to cut more than half (\$41,128) of this increase to \$37,116 (+10.3% over FY15). The BOH expense budget was not affected. There are three reductions in the BOH personal services budget:

- (1) The \$23,711 pay increase related to eliminating an Administrator position and replacing it with a new Assistant Director of Public Health has been deferred because the proposed position (Job Group 57) has not yet been vetted by the Human Resources Department.
- (2) The pay increase of \$6,700 for the Community Health Coordinator has also not yet been approved by the Human Resources Board (HRB) although the requested increase in hours from 28 to 35 was agreed to by the BOS and BOH so the additional hours for this position remain in the FY16 budget.
- (3) Finally, \$10,717 in clerical support has also been removed from the FY16 budget although the work is currently being performed by a 90-year-old volunteer who would like to “retire.”

Additional funding to eliminate the inequities in compensation for the Public Health Nurses and Community Social Worker was approved by the HRB in December 2014 effective January 2015 and has been maintained in the BOH FY16 budget. The additional \$40,000 in grant funding to the HRS Mental Health Service, strongly supported by Advisory, also remains part of the FY16 BOH budget.

WELLESLEY PUBLIC SCHOOLS

NOTE: Please see the Schools section on pages 62-75 and Appendices D-G on pages 175-186 for full details on the FY16 school budget. This supplementary material only addresses changes since the 2015 ATM Advisory Report went to print.

CLOSING THE BUDGET GAP

The School Administration and School Committee have critically reviewed all areas of the FY16 school budget in order to help close the Town-wide budget gap. A number of reductions have been identified:

Revisions to the FY16 School Operating Budget	
Initial Budget	<u>\$67,114,816</u>
Revised Substitute teacher compensation policy	(201,009)
Increased Turnover estimate	(175,000)
Increased Revolving Fund offsets	(33,000)
EDCO membership	(27,500)
Add 0.5 FTE Transportation Dispatcher	10,852
Total Reductions	<u>(\$425,657)</u>
Revised Budget	<u>\$66,689,159</u>

These changes have generated \$425,657 in reductions to the FY16 school budget.

¹¹² Increase of 0.2 FTE from FY15 to FY16.

Substitute Policy

Substitute teachers are currently paid \$99.60 per day on a day-to-day basis for their first ten consecutive days and \$179.64 per day on a long-term basis for up to one semester. Substitutes working longer than one semester are paid based on the current teachers’ contract with lane based on their educational qualifications and step based on their years of experience. In FY16, the short-term and long-term daily rates will not change. On-call substitutes will be paid at the daily rate of \$99.60. Substitutes with uncertain time frames will be paid at that daily rate for 30 days. If their assignment exceeds 30 days, they will be paid at the rate of \$179.64 per day for their remaining assignment and that rate will also be retroactive to days 11 through 30. Substitutes with assignments that are known to exceed 30 days but are expected to be less than one year will be paid at the rate of \$179.64 per day; maternity leaves are expected to fall into this category. Substitutes filling in for a one-year assignment will be placed on the Teacher’s contract up to a maximum of Step 8 in either the Bachelor’s or Master’s lane but will not be able to exceed Step 8 nor will they be eligible for the Master’s + 30 or Master’s + 60/Doctorate lanes. These changes are seen as a prudent means of cost cutting, generating \$201,009 in savings in the FY16 school budget. The School Administration believes this compensation plan is competitive and expects to be able to retain high quality substitutes.

The budgeted substitute teacher cost for FY15 was \$525,721 which was estimated to increase to \$722,574 in FY16 prior to this policy change. The revised policy addresses this unexpected and significant increase in substitute teacher cost and reduces the FY16 substitute budget by \$201,009 to \$521,565, which is close to the original plan for FY15. An additional savings of \$30,000 for substitutes needed while teachers are involved in curriculum development activities yields a total substitute budget of \$491,565 for FY16; this additional \$30,000 in substitute savings was already part of the FY16 budget and does not result from the new substitute policy.

Turnover Assumption

Each year, teachers and staff leave the Wellesley Public School system through retirement or for other reasons. Often, the new teachers and staff hired to replace them are younger and/or less experienced which means they are placed at a lower step and/or lane within the salary matrix, resulting in a budget savings called “turnover.” Because the School Administration often does not know who will be leaving at the time the budget is being formulated, they must make an assumption about the rate of turnover based on historical data. The turnover history for the past five years is shown in the chart below:

Budgeted versus Actual Turnover							
	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Budget	\$350,000	\$300,000	\$275,000	\$265,276	\$300,000	\$350,000	\$400,000
Actual	565,313	158,845	257,238	86,503	468,991	588,473	889,429
Surplus/(Deficit)	<u>\$215,313</u>	<u>(\$141,155)</u>	<u>(\$17,762)</u>	<u>(\$178,773)</u>	<u>\$168,991</u>	<u>\$238,473</u>	<u>\$489,429</u>

The original FY16 school budget estimated turnover to yield a savings of \$650,000. However, based on the surpluses in turnover over the past three years (*i.e.*, more savings were realized than expected), the School Administration increased the turnover assumption by an additional \$175,000 to \$825,000. Advisory notes, however, that increasing the turnover assumption may decrease the schools’ ability to turn back funds at the end of FY16.

Other Reductions and the Restoration of the Transportation Dispatcher

An analysis of revolving funds indicates that the High School Athletics and the Performing Arts revolving funds can support an additional \$33,000 to offset expenses in those areas while retaining a reasonable fund balance. Educational collaboratives supported by multiple school

districts provide professional development opportunities and local placement opportunities in programs for Special Education students at reduced tuitions costs. The Administration has determined that the ACCEPT collaborative will better serve Wellesley's needs than the EDCO collaborative which Wellesley has belonged to for some time. Both collaboratives were in the original budget and it has been determined that Wellesley can withdraw from EDCO prior to the next school year so that cost of \$27,500 has been removed from the budget.

Wellesley currently has one coordinator managing transportation for all General and Special Education students. It is a critical role with no current backup capability. The original budget contained a 0.5 FTE Transportation Dispatcher to provide coverage for more hours and be able to serve as a backup for the primary employee, but it was removed as part of the initial cost savings. The Administration has decided to add this position back into the budget. Because the funds shown here don't fully support the \$18,460 required for this position, the remainder (\$7,608) will come from the Transportation revolving fund.

The revised chart on page 62 of the *2015 ATM Advisory Report* for the schools is shown below, where all changes are indicated in red italics:

	FY15 Appropriation	FY16 Request	FY15-16 % Change
General Education			
Personal Services	\$42,463,141	<i>\$44,013,455</i>	<i>3.65%</i>
Expenses	\$2,988,010	\$3,027,776	1.33%
Total General Operating	\$45,451,151	<i>\$47,041,231</i>	<i>3.50%</i>
Special Education			
In-District	\$13,905,204	\$14,854,254	6.83%
Out-of-District	\$6,974,426	<i>\$7,412,993</i>	<i>6.29%</i>
Circuit Breaker Offset	(\$2,806,162)	(\$2,619,319)	-6.66%
Total Special Education	\$18,073,468	<i>\$19,647,928</i>	<i>8.71%</i>
Total Personal Services	\$55,688,507	<i>\$58,223,703</i>	<i>4.55%</i>
Total Expenses	\$7,836,112	<i>\$8,465,456</i>	<i>8.03%</i>
TOTAL OPERATING BUDGET	<u>\$63,524,619</u>	<i><u>\$66,689,159</u></i>	<i>4.98%</i>

For FY16, the School Committee has approved a School Department request for a total budget appropriation of \$66,689,159, reflecting an increase of \$3,164,540 or 4.98% over the FY15 budget appropriation. Personal services comprise the most significant segment of the budget request at \$58,233,703 (87.3%) of the projected total School Department spending.

FY16 Budget Summary

The revised table below summarizes the FY16 budget proposal and should be compared to the original chart on page 63 of the *2015 ATM Advisory Report*:

FY16 Budget Components	Budget and \$ Growth	% Budget Growth
FY15 Budget	\$63,524,619	
Base Growth	2,797,519	4.40%
Reconciliation	60,067	0.09%
Level and Mandated Services	839,511	1.32%
Strategic Plan	170,525	0.27%
Other Critical Needs	176,234	0.28%
Savings	(879,316)	-1.38%
FY16 Budget	<u>\$66,689,159</u>	4.98%

*Required to reconcile aggregate salary to detailed salary by employee.

FY16 Budget Base

Because FY15 budget gap items have a significant impact on the FY16 budget, Advisory is providing an analysis of what we are calling the Base budget increase, where again the Base portion reflects increases that do not add any internal resources or capabilities. It includes non-controllable items such as contractual salary obligations, mandated Out-of-District Special Education tuitions and other budget increases that are continuations of unplanned FY15 expenditures. Level and additional mandated services will include additional staff and expenses in FY16 that are needed to provide the same quality of education to respond to changes in enrollment and in the needs of the Special Education student population. The table below, revised from a similar table on page 65 of the *2015 ATM Advisory Report*, shows the primary FY15 expense gap items that will affect FY16 and the non-controllable FY16 budget items that together form a Base FY16 expense level.

Base Budget Increases	FY15 Budget Gaps	FY16 Increase	Total Increase
Salary	(\$271,330)	\$1,994,458	\$1,723,128
Special Education	660,332	(72,209)	588,123
Other	501,408	(15,140)	486,268
Total Increase	<u>890,410</u>	<u>1,907,190</u>	<u>2,797,519</u>
% of FY15 Budget	1.40%	3.00%	4.40%

The FY15 Budget Gaps column in the chart above identifies issues which are driving expenses above budget in FY15. Because of higher than anticipated turnover, salaries are expected to be favorable to the FY15 budget. The FY16 Salary item consists of contractual Cost of Living Adjustment (COLA), step, lane and longevity increases as well as anticipated turnover. Unfortunately, due primarily to some unplanned and expensive external placements, Special Education will be significantly over budget in FY15 and that is expected to carry into FY16. The "Other" category includes a number of significant items. A new law passed last summer (Chapter 222) requires school districts to provide external educational support for students who are excluded from WPS for legal or disciplinary reasons, contributing about \$80,000 to the FY15 budget gap and an additional \$15,500 to the FY16 increase. Substitute costs have been

addressed by the new substitute compensation policy outlined earlier but other additional items are expected to carry over into FY16.

The 4.4% Base budget increase is much higher than would normally be expected. Over the last few years, Base items have contributed about 2.5% of the budget growth. In FY16, about 30% of the increase is based on FY15 unplanned expenses that will continue and the other 70% is driven by FY16 salary increases, most of which are contractual. More detail on each of these drivers can be found in the revised Appendix D on page 231 of this supplement.

The proposed overall budget increase is \$3.2 million of which the base budget increase is approximately \$2.8 million. As indicated above, salary-related items for existing staff account for about \$1.7 million of the increase. After salary, Special Education accounts for most of the remaining increase, as shown in the revised chart (see the original on page 65 of the 2015 ATM Advisory Report for comparison):

Approximate Increases in FY16 Special Education budget	
Base*	\$600,000
Level Service, Strategic Plan, Other Critical	480,000
Salary increases for existing staff**	510,000
Savings	(90,000)
Total	<u>\$1,500,000</u>

*Includes Circuit Breaker. **Is Included within the overall \$1.9 million of salary increase.

Together, salary increases and Special Education account for over 70% of the gross spending increase in FY16 and over 80% of the net spending increase (after savings).

BOARD OF SELECTMEN – EMPLOYEE BENEFITS

	FY14 Actual	FY15 Appropriation	FY16 Request	FY15-16 Change
Group Insurance	\$14,899,564	\$16,069,084	\$16,206,701	0.86%
Workers Compensation	720,209	517,860	517,860	0%
OPEB Liability Funding	1,200,000	1,200,000	1,800,000	50.00%
OPEB Liability Funding Exclusion	1,800,000	1,800,000	1,200,000	-33.33%
Retirement Contribution	5,008,205	5,943,377	6,150,755	3.49%
Unemployment Compensation	200,000	200,000	150,000	-25.00%
Compensated Absences	15,132	90,000	90,000	0%
Non-Contributory Pensions	16,688	16,700	18,116	8.48%
TOTAL Employee Benefits	<u>\$23,895,798</u>	<u>\$25,837,021</u>	<u>\$26,133,432</u>	1.15%

Group Insurance

The Group Insurance budget covers the Town's share of annual health insurance premiums for active and retired employees. In addition, it includes life insurance, dental insurance, long-term disability insurance, worker's compensation, an employee assistance program, and the Town's share of the Federal Medicare tax. The tax-impact budget request is net of a reimbursement from the Enterprise Funds for their personnel, and a credit for interest earnings on the Group Insurance Fund.

Growth in premium cost had slowed in recent years because the Town had moved to alternate coverage (the Rate Saver plans) within the health insurance collaborative, West Suburban Health Group (WSHG), to which it belongs¹¹³. Last year, WSHG had a total reserve of \$21 million, which was anticipated would be paid to members as a one-time dividend or a rate reduction for FY16. Unfortunately, rates have increased so significantly (by 9-14% for active employees and 2.5% for retirees) that the Town had been contemplating leaving the WSHG for the State-run General Insurance Commission (GIC) as described on page 76 of the *2015 ATM Advisory Report*. However, the Town has been able to negotiate significant health care savings within the WSHG by moving to a “Fallon as Primary” option. A tentative agreement was reached on March 11, 2015, which has been ratified by all of the eleven Town unions and approved by the BOS and School Committee.

Only active employees (not retirees) are affected by the new agreement, which has the following basic terms:

- The agreement is in effect from July 1, 2015 through June 30, 2018 (through FY18).
- During this time, the Town may not join the GIC.
- The Town will contribute 80% for the Fallon Select and Direct plans. Currently the Town is contributing 77.4% for Fallon family plans and 81.2% for Fallon individual plans.
- The Town will contribute 71% for other plans for current employees and 60% for employees hired after July 1, 2015. Currently the Town pays anywhere from 50% for Harvard Pilgrim Preferred Provider Organization (PPO) plans to 83.2% for individual Blue Cross plans.
- If enrollment in the Fallon plans does not reach 32% by January 1, 2016 and 50% by January 1, 2017, the Town’s contributions to the non-Fallon plans will be reduced to 69% in FY17 and 67% in FY18.
- For employees currently enrolled for at least two years in the Town’s health insurance plans, the Town will pay \$2,250 per year to employees who choose to opt out of an individual plan and \$4,500 per year to employees who choose to opt out of a family plan.
- Active enrollment, facilitated by the HR Department, will take place this spring and will be required for all employees who wish to have health insurance coverage through the Town; for employees who choose non-Fallon plans, a similar active enrollment period will occur in spring 2016.
- If WSHG ceases to be a viable entity before June 30, 2018, the Town may enter the GIC but must contribute 80% to Health Maintenance Organization (HMO), PPO or Point of Service (POS) plans and 50% to indemnity (fee for service) plans.

The Town has also agreed to reimburse some costs for primary care provider (PCP) and OB/GYN visits as well as mitigate health plan changes for current employees who are receiving active treatments for a defined list of medical conditions. The Town will also fully reimburse co-payments for freestanding urgent care or “minute clinics” but will not do the same for emergency room visits.

The BOS and Executive Director project \$1,571,682 in savings will result from the revised health insurance plans and expect an additional \$200,000 from the opt-out provision, leading to a total reduction of the Group Insurance line in Article 8, Motion 2 of \$1,771,682. This savings assumes that 32% of the Town’s active employees will be enrolled in one of the Fallon plans.

¹¹³The WSHG is a consortium of 13 towns (Wellesley, Ashland, Dedham, Dover, Holliston, Natick, Needham, Sherborn, Shrewsbury, Walpole, Wayland, Westwood, Wrentham) and four educational entities (Dover-Sherborn Regional School District, ACCEPT Education Collaborative, South Middlesex Regional School District, The Education Cooperative). Ashland and Westwood are leaving the WSHG as of July 1, 2016 to join the GIC.

Under the new health care negotiation, the Group Insurance benefits for active and retired Town employees will now be \$16,206,701 instead of \$17,978,383 for FY16, corresponding to a \$137,617 or 0.86% increase rather than the 11.9% increase reported in the *2015 ATM Advisory Report*. The cost of health care has been reduced to 11.7% of the \$138,592,332 in net revenue projected for FY16 (rather than 13.0%).

OPEB Liability Fund

Other (than pension) Post-Employment Benefits (OPEB) liabilities are the actuarially-determined amount of the Town's obligation to subsidize a portion of the cost of medical insurance in future years for retired Town and School employees. Drivers of OPEB liability costs include health care costs, the size of the eligible population, and the level of benefits provided. Health care cost inflation, an aging population, consistent benefit offerings, and longer life expectancy have collectively served to increase OPEB costs in recent years.

Until FY06, Wellesley, like other municipalities, funded retiree health care costs entirely on a pay-as-you-go basis. Unfortunately, these funds were not adequate to cover the actuarial cost of benefits earned during prior years, resulting in an OPEB funding liability. As of June 30, 2014, the unfunded liability was \$78.3 million, and it is projected to grow modestly in FY16 before declining in subsequent years.

The annual \$3 million appropriation is intended to eliminate that unfunded liability by 2037, and is made in addition to the pay-as-you-go ("normal") costs. Of the \$3 million funding, \$1.2 million comes from within the tax levy and \$1.8 million comes from a ten-year exclusion voted in FY07. The BOS is currently evaluating how to address the obligation when the exclusion expires in FY17. One option is to vote a new 10-year debt exclusion, which would have no new tax impact to Town residents but would extend the annual median taxpayer contribution of \$166 (based on continuing the amount of excluded OPEB debt at the \$1.8 million level). A second option is to bring the \$1.8 million OPEB contribution under the levy, bringing the total annual OPEB under-the-levy cost to \$3 million after the debt exclusion expires, which is the approach the BOS currently favors. The BOS and Executive Director projected a two-year "smoothing" of OPEB in the Town-Wide Financial Plan (see page 14 of the *2015 ATM Advisory Report*), which they have revised to a three-year "smoothing" plan as shown in the chart below:

	FY16	Change in FY16 Median Tax Bill	FY17	Change in FY17 Median Tax Bill	FY18	Change in FY18 Median Tax Bill
A. Allowed under the terms of the 10 year OPEB debt exclusion						
OPEB inside the levy	\$1.2 MM	–	\$1.2 MM	–	\$3.0 MM	–
OPEB excluded	\$1.8 MM	–	\$1.8 MM	–	\$0	(\$166)
OPEB total	\$3.0 MM	–	\$3.0 MM	–	\$3.0 MM	(\$166)
B. TWFP on page 14 of the 2015 ATM Advisory Report						
OPEB inside the levy	\$1.2 MM	–	\$2.1 MM	–	\$3.0 MM	–
OPEB excluded	\$1.8 MM	–	\$0.9 MM	(\$83)	\$0	(\$83)
OPEB total	\$3.0 MM	–	\$3.0 MM	(\$83)	\$3.0 MM	(\$83)
C. Revised TWFP						
OPEB inside the levy	\$1.8 MM	–	\$2.4 MM	–	\$3.0 MM	–
OPEB excluded	\$1.2 MM	(\$55)	\$0.6 MM	(\$55)	\$0	(\$55)
OPEB total	\$3.0 MM	(\$55)	\$3.0 MM	(\$55)	\$3.0 MM	(\$55)

Under the scenarios A-C shown in the table, the total cost savings to the median taxpayer for the OPEB exclusion in FY16-FY18 would be \$0, \$83, and \$166, respectively. Moving \$600,000 of the OPEB exclusion under the levy, made possible through savings in the newly-negotiated Group Insurance budget, is intended to offset some of the excluded debt approved by the voters for the Fiske/Schofield renovations and the North 40 purchase. However, this change in OPEB strategy also puts additional pressure on FY16 and FY17 operating budgets.

CONCLUSIONS AND RECOMMENDATION – ARTICLE 8, MOTION 2

The FY16 tax-impact budget request is \$149,733,483, an 8.1% increase over the FY15 budget request of \$140,656,650. Sources have increased 4.06% over FY15 levels, from \$148,373,097 to \$154,401,023. The original Uses was 5.18% above FY15 levels which had led to a \$1,657,636 deficit. The budget gap has been closed as described in this supplement, primarily by reducing health insurance costs, changing the way substitute teachers are paid, increasing the school turnover assumption, and reducing the personal services budget for the Board of Health by about half.

Personal services have been the largest driver of budget increases in the past few years (FY12 at 2.6%, FY13 at 5.7%, FY14 at 3.1% and FY15 at 5.2%). FY16 is no exception, with a \$3.1 million increase (3.9% over FY15). Given the effective 4% annual increase in property taxes (combination of the 2.5% annual levy increase plus about \$1.6 million in new growth), the personal service increases are unsustainable without other budget reductions (in cash capital, debt service or employee benefits) or tax increases through overrides of Proposition 2 ½.

The use of reserves over the past several years, as well as the proposed level for FY16 (\$2.625 million), has been significant. The Town has used Free Cash to balance five of its last six budgets, at an average level of \$1.67 million each time. The reserve level has dropped to 7.7%, slightly below the 8% floor established in the BOS Reserve Policy in 2012, though Advisory notes that the BOS is using a higher amount of projected turnback (\$1.5 million) in the Reserves calculation than they have in the past (usually closer to \$1 million) which helps increase the reserve percentage.

Despite the current budget deficit, Advisory continues to have a positive assessment of the Town's general financial health, including the current adequacy of reserves, the significant progress the Town has made toward funding pension and Other Post-Employment Benefits (OPEB) liabilities, and the continued investment in facilities maintenance. Advisory is very pleased that the boards and departments have been able to work together to close the budget deficit, and appreciates the fact that every boards or departments that was asked to make reductions complied (although some of the reductions were not needed). The leadership of the Executive Director, Human Resources Director, and Town Treasurer (also the Chair of the WSHG) was instrumental in reaching the health care agreement with each of the Town's eleven unions in a fairly accelerated two-month time period which allowed the Town to achieve substantial health care savings in FY16. The projected health care savings of over \$2 million per year over the next three years (including health care savings in the Enterprise Funds) has been a major factor this year in balancing the budget without having to resort to damaging cuts to fundamental Town services. Advisory applauds the collaboration between the Town, Schools and unions to produce a balanced budget without the need for an override.

Advisory recommends favorable action, 12 to 0.

ARTICLE 8, MOTION 3

This Motion authorizes the Town to transfer the sum of \$2,624,169 from Free Cash to Available Funds in order to balance the FY16 tax-impact budget. In 2013, the Massachusetts Department of Revenue requested this specific action when the use of Free Cash is proposed as part of the budget approval process. Town Meeting action on this Motion is contingent upon passage of Motion 2. The Town has transferred Free Cash to reduce the tax rate (*i.e.*, to balance the budget) in five of the last six years:

FY15	\$2,250,000
FY14	\$2,866,108
FY13	\$2,837,757
FY12	\$1,041,064
FY11	\$0
FY10	\$1,029,353

A discussion of the use of Free Cash for this purpose is discussed above in the Advisory Conclusions and Recommendation. Advisory supports this transfer of funds from Free Cash to adequately fund the budget proposed in Article 8, Motion 2.

Advisory recommends favorable action, 12 to 0.

ARTICLE 12. To see if the Town will vote to raise and appropriate, transfer from available funds, or borrow a sum of money to be expended under the direction of the Board of Public Works for the purposes of managing the Water Program, or to take any other action in relation thereto.

(Board of Public Works)

Note: After the 2015 ATM Advisory Report went to print, the Board of Public Works (BPW) decided not to bring forward the motion under Article 21 which requests Town Meeting authorization to allow BPW to borrow \$4 million to replace the water meters in FY16. Instead, the BPW will bring this Motion forward at the 2016 ATM when the project is closer to implementation and more

specific details about the water meter project are available. This decision affects Article 12, the Water Enterprise budget appropriation, which has been revised and re-voted by Advisory. The chart below shows the revised balance sheet for the Water Enterprise Fund. Please see the 2015 ATM Advisory Report on pages 92-93 for more details.

Under this Article, the BPW requests the appropriation of the Water Enterprise Fund's ("Water Fund") FY16 receipts and cash on hand as of June 30, 2015, for payment of the Water Division operating and capital expenditures in FY16, provided that the total amount of expenditures in FY16 shall not exceed \$7,621,440.

Water Enterprise Fund	FY15	FY16	\$ Change	% Change
Sources of Funds				
Water Fund Receipts				
Water Use Charges	\$5,435,741	\$5,435,741	-	0.0%
Non-Operating Income	220,000	310,000	90,000	40.9%
Non-Operating Contribution to Capital	40,000	40,000	-	0.0%
Loan Proceeds	350,000	350,000	-	0.0%
Total Receipts	\$6,045,741	\$6,135,741	\$90,000	1.5%
Depreciation	950,000	950,000	-	0.0%
Retained Earnings	1,135,687	535,699	(599,988)	-52.8%
Total Sources of Funds	<u>\$8,131,428</u>	<u>\$7,621,440</u>	<u>(\$509,988)</u>	<u>-6.3%</u>
Uses of Funds				
Salaries	\$1,714,386	\$1,753,962	\$39,576	2.3%
Expenses				
MWRA Water	1,420,000	825,000	(595,000)	-41.9%
Health Insurance/Retirement/Risk Management	554,304	596,196	41,892	7.6%
All Other Operating Expenses	1,237,552	1,261,350	23,798	1.9%
Subtotal - Expenses	\$3,211,856	\$2,682,546	(\$529,310)	16.5%
OPEB (Other post-employment benefits)	110,307	112,577	2,270	2.1%
Depreciation	950,000	950,000	-	0.0%
Interest Expense	118,775	118,600	(175)	-0.1%
Total Personal Services and Expenses	\$6,105,324	\$5,617,685	(\$487,639)	-8.0%
Non-Operating Expenses	240,000	320,000	80,000	33.3%
Capital Outlay	925,000	707,000	(218,000)	-23.6%
Non-Operating Capital Expenditures	40,000	40,000	-	0.0%
Debt	479,585	504,585	25,000	5.2%
Emergency Reserve	341,519	432,170	90,651	26.5%
Total Uses of Funds	<u>\$8,131,428</u>	<u>\$7,621,440</u>	<u>(\$509,988)</u>	<u>-6.3%</u>

FY16 Capital Budget

The Board of Public Works projects capital outlays of \$707,000 in FY16. The FY16 capital program includes \$100,000 for water treatment plant upgrades; \$350,000 for water distribution system improvements; \$70,000 for hydrant replacements; \$30,000 for meter maintenance; \$132,000 for equipment replacement; \$10,000 for building maintenance; and \$15,000 for GIS system mapping and modeling.

Advisory recommends favorable action, 12 to 0.

ARTICLE 22. To see if the Town will vote to raise and appropriate, transfer from available funds, or borrow a sum of money, to be expended under the direction of the Board of Public Works, for the purposes of water and sewer line rehabilitation, and for any necessary equipment or services connected therewith, or to take any other action in relation thereto.

(Board of Public Works)

NOTE: After the 2015 ATM Advisory Report went to print, Advisory learned that the Board of Public Works did, in fact, intend to bring a motion forward under this Article.

This Article seeks authorization for the Sewer Enterprise Fund to borrow up to \$242,500 from the Massachusetts Water Resources Authority (MWRA) for sewer rehabilitation work.

The MWRA Sewer Infiltration/Inflow Local Financial Assistance Program provides a combination of grants and interest-free loans, available to the Town under the MWRA's Infiltration/Inflow (I/I) financing program. The Town is eligible to receive \$727,500 in grants and \$242,500 in loans under the most recent phase of this program. The grant funding is available after the loan funding is expended. The loan is interest-free and to be repaid over five years. Actual borrowing takes place in several stages, to coincide with the work schedule.

Funds from these MWRA loans and grants will be used for a multi-year sewer line rehabilitation project to reduce infiltration and inflow into the Town's sewer lines. Infiltration is water that seeps into the sewer lines due to cracks or unsealed joints; inflow is water that enters the sewer lines through direct connections (such as illegal sump pumps). Currently, infiltration/inflow is a major contributor to the Town's sewerage flow, upon which annual sewer charges from the MWRA are based.

Town Meeting has previously approved a total of \$2,231,755 of MWRA Sewer I/I borrowing, most recently at the 2013 ATM under Article 24. The proposed borrowing from this authorization plus the earlier borrowings qualify the Town for a total of \$2,265,445 in grant funding. Funds from the borrowing under this Article will be used after FY16, as the Sewer Fund in FY16 is using the proceeds of earlier borrowings.

Advisory believes the payback on these MWRA loans is very high as they are interest-free, trigger additional grant money, and the improvements they fund reduce the Town's sewerage flow, which is directly related to MWRA expenses. Advisory notes that currently the MWRA sewerage charges are about 70% of the Sewer Enterprise Fund budget (see Article 13 on pages 94-95 of the *2015 ATM Advisory Report*).

Passage requires a 2/3 vote.

Advisory recommends favorable action, 12 to 0.

APPENDIX B: TWFP EXHIBIT I: FY16 SUMMARY SOURCES & USES OF FUNDS
March 24, 2015 Update

	<u>FY2015</u> <u>Tax Rate</u>	<u>FY2016</u> <u>Request</u>	<u>%</u> <u>Change</u>
*** SOURCES OF FUNDS ***			
Tax & Other Current Revenues			
Within Levy Limits			
Real Estate & Per. Prop. Tax	109,124,603	113,452,718	3.97%
From the Commonwealth	9,025,642	9,206,155	2.00%
Local Revenue	10,380,324	10,884,000	4.85%
Sub-Total (Tax & Cur. Rev.)	128,530,569	133,542,873	3.90%
Outside Levy Limits			
Real Estate & Pers.Prop.Tax	9,158,514	12,803,348	39.80%
OPEB	1,800,000	1,200,000	-33.33%
Available Funds			
Parking Meter Receipts	905,341	913,393	0.89%
Appropriated/Reserved CPA Surcharge	5,049,140	891,950	-82.33%
CPA Funds for North 40	-	580,000	
Free Cash- balance budget	2,250,000	2,624,169	16.63%
Free Cash- Park Hwy HVAC/ STM items & LIB 2015	552,533	1,597,344	100.00%
Free Cash items		172,946	100.00%
Unencumbered/Transfers from other funds	127,000	75,000	100.00%
Sub-Total (Available Funds)	8,884,014	6,854,802	-22.84%
TOTAL SOURCES OF FUNDS	148,373,097	154,401,023	4.06%
	FY2015	FY2016	%
	Request	Request	Change
*** USE OF FUNDS ***			
Personal Services (Non-School)			
Expenses (Non-School)	20,041,957	20,615,083	2.86%
Subtotal (Non-School)	6,656,214	6,844,303	2.83%
Subtotal (Non-School)	26,698,171	27,459,386	2.85%
Personal Services (Facilities Maintenance)			
Expenses (Facilities Maintenance)	3,734,243	3,806,285	1.93%
Subtotal (Facilities Maintenance)	2,921,538	3,081,275	5.47%
Subtotal (Facilities Maintenance)	6,655,781	6,887,560	3.48%
Personal Services (School)			
Expenses (School)	55,683,960	58,223,703	4.56%
Subtotal (School)	7,840,659	8,465,456	7.97%
Subtotal (School)	63,524,619	66,689,159	4.98%
Sub-Total (Pers. Svcs. & Exp)	96,878,571	101,036,105	4.29%
Capital & Debt:			
Within Levy Limits			
Capital/Extraord./Special Items	4,282,768	4,501,752	5.11%
Debt Service	3,728,096	3,970,125	6.49%
Sub-Total (Within Levy Limits)	8,010,864	8,471,877	5.75%
Outside Levy Limits			
Debt Service	9,142,965	13,383,348	46.38%
SUB-TOTAL (CAPITAL & DEBT)	17,153,829	21,855,225	27.41%
Employee Benefits:			
Health Insurance & other	16,893,644	16,982,677	0.53%
Pension Contribution	5,943,377	6,150,755	3.49%
OPEB Liability Fund	3,000,000	3,000,000	0.00%
Sub-Total (Shared Costs)	25,837,021	26,133,432	1.15%
SUB-TOTAL (OPERATIONS)	139,869,421	149,024,762	6.55%
Special Items:			
Traffic & Parking Management	850,591	868,721	2.13%
Appropriated/Reserved CPA Surcharge	5,049,140	891,950	-82.33%
State & County Assessments	1,170,049	1,195,300	2.16%
Property Tax Abatements	913,764	650,000	-28.87%
Free cash - Snow & Ice		1,597,344	
Free Cash- Park Hwy/Tolles/Contracts/other	520,132	172,946	100.00%
Sub-Total (Special Items)	8,503,676	5,376,261	-36.78%
TOTAL USE OF FUNDS	148,373,097	154,401,023	4.06%
TOTAL SOURCE OF FUNDS	148,373,097	154,401,023	4.06%
SURPLUS (DEFICIT)	-	(0)	

APPENDIX B: TWFP EXHIBIT II: FY16 PROJECTED SOURCES & USES OF FUNDS
March 24, 2015 Update

	<u>FY15</u>	<u>FY16</u>	<u>Assumed Growth</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Sources						
Property Taxes	\$105,779,603	\$113,452,718		\$117,789,036	\$122,233,762	\$126,789,606
Override	3,345,000	-		-	-	-
State Aid	9,025,642	9,206,155	2.0%	9,390,278	9,578,084	9,769,645
Local Revenue	10,380,324	10,884,000	2.0%	11,101,680	11,323,714	11,550,188
Free Cash	2,250,000	2,625,000		2,500,000	2,500,000	2,500,000
Other	229,700	118,841		87,000	86,750	86,250
	<u>131,010,269</u>	<u>136,286,714</u>		<u>140,867,994</u>	<u>145,722,309</u>	<u>150,695,689</u>
Uses						
Schools	63,524,619	66,689,159	5.0%	70,023,617	73,524,798	77,201,038
Facilities Maintenance	6,655,781	6,887,560	2.5%	7,059,749	7,236,243	7,417,149
Other Town Departments	26,698,171	27,459,386	2.5%	28,145,871	28,849,517	29,570,755
	<u>96,878,571</u>	<u>101,036,105</u>		<u>105,229,237</u>	<u>109,610,558</u>	<u>114,188,942</u>
Cash Capital	4,282,768	4,501,752		6,363,735	5,950,435	5,971,878
Debt Service (Inside)	3,728,096	3,970,125		3,899,440	3,898,185	3,853,440
Pension	5,943,377	6,150,755		6,365,574	6,587,912	6,818,034
Health Insurance	14,401,250	14,481,761	5.0%	15,205,849	15,966,142	16,764,449
OPEB (Inside)	1,200,000	1,800,000		2,400,000	3,000,000	3,000,000
Other Employee Benefits	2,492,394	2,500,916	2.5%	2,611,518	2,674,418	2,739,623
State & County Assmts.	1,170,049	1,195,300	2.5%	1,225,183	1,255,812	1,287,207
Abatements	913,764	650,000	2.5%	666,250	682,906	699,979
Other	-	-		-	-	-
	<u>131,010,269</u>	<u>136,286,714</u>		<u>143,966,785</u>	<u>149,626,368</u>	<u>155,323,552</u>
Projected Deficit	<u>\$ -</u>	<u>\$ 0</u>		<u>\$ (3,098,791)</u>	<u>\$ (3,904,059)</u>	<u>\$ (4,627,862)</u>
Exclusions						
High School	\$ 5,404,295	\$ 5,285,693		\$ 5,185,092	\$ 5,091,253	\$ 4,981,683
Other Existing Debt	3,754,219	3,642,608		3,275,143	2,760,082	2,246,177
Authorized Borrowings						
- Surface Drainage #3		69,240		61,200	59,400	57,600
- Schofield/Fiske		1,477,280		1,910,017	1,864,400	1,821,200
- MS Windows		695,672		666,400	646,800	627,200
- North 40		1,530,000		1,531,800	1,532,700	1,532,700
Projected Borrowings						
- Tolles-Parsons Center				102,855	551,280	538,200
- MS Infrastructure						663,875
- Hardy/Hunnewell/Upham						1,463,000
OPEB	1,800,000	1,200,000		600,000		
	<u>\$ 10,958,514</u>	<u>\$ 13,900,493</u>		<u>\$ 13,332,507</u>	<u>\$ 12,505,915</u>	<u>\$ 13,931,635</u>

APPENDIX B: TWFP EXHIBIT III: FY16 DETAIL SOURCES & USES OF FUNDS
March 24, 2015 Update

SOURCES OF FUNDS	FY15 SOURCES OF FUNDS	FY16 SOURCES OF FUNDS	CHANGE - FY15 to FY16 \$ Change	% Change
Real Estate & Personal Property Tax				
Within the Levy Limit	109,124,603	113,452,718	4,328,115	3.97%
Outside the Levy Limit - OPEB	1,800,000	1,200,000	(600,000)	-33.33%
Outside the Levy Limit	9,158,514	12,803,348	3,644,834	39.80%
Subtotal - Real Estate & Personal Property Tax	120,083,117	127,456,066	7,372,949	6.14%
From the Commonwealth				
Chapter 70 Aid	7,789,132	7,944,915	155,783	2.00%
Lottery Aid	1,152,722	1,175,776	23,054	2.00%
Regional Public Libraries	0	0	0	0.00%
Other Aid	83,788	85,464	1,676	2.00%
Subtotal - From the Commonwealth	9,025,642	9,206,155	180,513	2.00%
Local Revenue				
Motor Vehicle Excise	4,500,000	4,650,000	150,000	3.33%
Licenses and Permits	1,900,000	2,250,000	350,000	18.42%
MLP Payment in Lieu of Taxes	1,000,000	1,000,000	0	0.00%
Interest Earnings	165,000	170,000	5,000	3.03%
RDF Revenue	610,000	617,033	7,033	1.15%
Fines & forfeits	525,000	530,000	5,000	0.95%
Recreation	125,000	75,000	(50,000)	-40.00%
Meals/Hotel/Motel Tax	630,000	625,000	(5,000)	-0.79%
Pilot Payments	225,000	226,000	1,000	0.44%
Other Local Revenues	700,324	740,967	40,643	5.80%
Subtotal - Local Revenue	10,380,324	10,864,000	503,676	4.85%
Other Sources				
Parking Meter Receipts	905,341	913,393	8,052	
Free Cash to balance budget	2,250,000	2,624,169	374,169	
2015 Free Cash - Snow and Ice/Schools/Legal	79,401	1,597,344	1,517,943	
Free Cash	473,132	172,946	(300,186)	
Appropriated CPA Surcharge	5,049,140	891,950	(4,157,190)	
CPA Funds applied to North 40	0	580,000	580,000	
Police detail	127,000	75,000	(52,000)	
Subtotal - Other Sources	8,884,014	6,854,802	-2,029,212	
TOTAL SOURCES OF FUNDS	148,373,097	154,401,023	6,027,926	4.06%

USES OF FUNDS	FY15 USE OF FUNDS (Tax Rate)			FY16 USE OF FUNDS (Request)			CHANGE - FY15 to FY16			
	Pers Srvs	Expenses	Total Ops	Pers Srvs	Expenses	Total Ops	Variance Pers Srvs	Variance Expenses	Variance Total - \$	Variance Total - %
GENERAL GOVERNMENT										
Board of Selectmen - Administration										
Executive Director's Office	404,454	30,550	435,004	414,869	26,500	441,369	10,415	(4,050)	6,365	1.46%
Sustainable Energy	5,000	10,033	15,033	5,000	10,033	15,033	0	0	0	0.00%
Central Administrative Services	0	38,500	38,500	0	28,500	28,500	0	(10,000)	(10,000)	-25.97%
Finance Department	384,385	8,000	392,385	395,169	8,000	403,169	10,784	0	10,784	2.75%
Information Technology	485,939	219,009	704,948	488,656	245,883	714,539	(17,283)	26,874	9,591	1.36%
Treasurer & Collector	268,700	123,863	392,563	281,826	115,713	397,539	13,126	(8,150)	4,976	1.27%
Parking Fines Processing	Integrated with Traffic & Parking Operations			Integrated with Traffic & Parking Operations						
Town Report	0	4,000	4,000	0	4,000	4,000	0	0	0	0.00%
Board of Selectmen - Human Services										
Council on Aging	240,189	122,438	362,627	309,593	158,898	468,491	69,404	36,460	105,864	29.19%
Fair Housing Committee	0	200	200	0	200	200	0	0	0	0.00%
West Suburban Veterans District	0	104,875	104,875	0	107,235	107,235	0	2,360	2,360	2.25%
Youth Commission	77,487	17,190	94,677	77,756	17,190	94,946	269	0	269	0.28%
Board of Selectmen - Maintenance Services										
Facilities Maintenance	3,734,243	2,921,538	6,655,781	3,806,285	3,081,275	6,887,560	72,042	159,737	231,779	3.48%
Board of Selectmen - Other Services										
Housing Development Corporation	0	6,000	6,000	0	6,000	6,000	0	0	0	0.00%
Historical Commission	0	750	750	0	750	750	0	0	0	0.00%
Historical District Commission	0	250	250	0	250	250	0	0	0	0.00%
Memorial Day	0	2,500	2,500	0	2,500	2,500	0	0	0	0.00%
Celebrations Committee	0	4,700	4,700	0	4,700	4,700	0	0	0	0.00%
Zoning Board of Appeals	50,650	7,115	57,765	50,843	6,940	57,783	193	(175)	18	0.03%
Board of Selectmen - Shared Services										
Law	0	250,000	250,000	0	300,000	300,000	0	50,000	50,000	20.00%
Audit Committee	0	56,250	56,250	0	56,250	56,250	0	0	0	0.00%
Risk Management	0	504,000	504,000	0	483,300	483,300	0	(20,700)	(20,700)	-4.11%
Street Lighting	0	227,000	227,000	0	241,230	241,230	0	14,230	14,230	6.27%
Subtotal - Board of Selectmen - General Government	5,651,047	4,658,761	10,309,808	5,809,987	4,905,347	10,715,344	158,950	246,586	405,536	3.93%
Other General Government										
Town Clerk/Election & Registration	250,459	49,790	300,249	244,570	40,915	285,485	(5,889)	(8,875)	(14,764)	-4.92%
Board of Assessors	260,587	89,700	350,287	255,796	88,855	344,651	(4,791)	(845)	(5,636)	-1.61%
Planning Board	231,820	42,600	274,420	231,750	44,300	276,050	(70)	1,700	1,630	0.59%
Advisory Committee	7,205	16,692	23,897	7,000	21,000	28,000	(205)	4,308	4,103	17.17%
Reserve Fund	0	175,000	175,000	0	175,000	175,000	0	0	0	0.00%
Permanent Building Committee	122,954	6,450	129,404	124,722	7,150	131,872	1,768	700	2,468	1.91%
Human Resources Board	283,170	18,803	301,973	285,881	37,553	303,434	(17,289)	18,750	1,461	0.48%
HR Salary adjustments	28,581	0	28,581	160,000	0	160,000	131,419	0	131,419	459.82%
Subtotal - Other General Government	1,184,776	399,035	1,583,811	1,289,719	414,773	1,704,492	104,943	15,738	120,681	7.62%
GENERAL GOVERNMENT TOTAL	6,835,823	5,057,796	11,893,619	7,099,716	5,320,120	12,419,836	263,993	262,324	526,217	4.42%

<u>PUBLIC SAFETY - BOARD OF SELECTMEN</u>										
Police Department	4,966,068	636,494	5,602,562	5,092,177	631,154	5,723,331	126,109	(5,340)	120,769	2.16%
Injured on Duty	see Risk Management Dept 945			see Risk Management Dept 945						
Special School Police	101,731	2,955	104,686	103,112	2,955	106,067	1,381	0	1,381	1.32%
Fire Department	4,678,406	262,749	4,941,155	4,787,040	261,749	5,048,789	108,634	(1,000)	107,634	2.18%
Building Department	440,510	26,350	466,860	443,903	24,850	468,753	3,393	(1,500)	1,893	0.41%
Emergency Medical Services	0	0	0	0	0	0	0	0	0	0.00%
Sealer of Weights & Measures	15,660	2,800	18,460	15,720	2,800	18,520	60	0	60	0.33%
PUBLIC SAFETY TOTAL - BOARD OF SELECTMEN	10,202,375	931,348	11,133,723	10,441,952	923,508	11,365,460	239,577	(7,840)	231,737	2.08%
<u>DEPARTMENT OF PUBLIC WORKS</u>										
Engineering	499,867	69,489	569,356	506,603	69,489	576,092	6,737	0	6,737	1.18%
Highway	1,042,071	505,950	1,548,021	1,061,645	534,650	1,596,295	19,574	28,700	48,274	3.12%
Fleet Maintenance	137,212	56,462	193,674	139,956	56,462	196,418	2,744	0	2,744	1.42%
Park	1,094,177	295,370	1,389,547	1,115,451	317,345	1,432,796	21,274	21,975	43,249	3.11%
Recycling & Disposal	971,602	1,301,443	2,273,045	997,037	1,281,593	2,278,630	25,435	(19,850)	5,585	0.25%
Management	351,165	48,295	399,460	351,844	49,608	401,452	679	1,313	1,992	0.50%
Winter Maintenance	0	348,703	348,703	0	348,703	348,703	0	0	0	0.00%
PUBLIC WORKS TOTAL	4,096,093	2,625,712	6,721,805	4,172,536	2,657,850	6,830,386	76,443	32,138	108,581	1.62%
<u>WELLESLEY FREE LIBRARY</u>										
Library Trustees	1,751,598	499,245	2,250,843	1,795,407	508,491	2,303,898	43,809	9,246	53,055	2.36%
Regional Services (Non-Tax Impact)	0	0	0	0	0	0	0	0	0	0.00%
LIBRARY TOTAL	1,751,598	499,245	2,250,843	1,795,407	508,491	2,303,898	43,809	9,246	53,055	2.36%
<u>RECREATION</u>										
Recreation Commission	318,714	20,000	338,714	317,833	20,000	337,833	(881)	0	(881)	-0.26%
RECREATION TOTAL	318,714	20,000	338,714	317,833	20,000	337,833	(881)	0	(881)	-0.26%
<u>HEALTH</u>										
Board of Health	359,266	68,540	427,806	396,382	67,124	463,506	37,116	(1,416)	35,700	8.34%
Mental Health Services	0	215,691	215,691	0	255,691	255,691	0	40,000	40,000	18.55%
HEALTH TOTAL	359,266	284,231	643,497	396,382	322,815	719,197	37,116	38,584	75,700	11.76%
<u>NATURAL RESOURCES</u>										
Natural Resources Commission	212,331	10,750	223,081	197,542	23,400	220,942	(14,789)	12,650	(2,139)	-0.96%
Morsees Pond Project - (NRC, DPW, Rec)	0	148,670	148,670	0	149,394	149,394	0	724	724	0.49%
NATURAL RESOURCES TOTAL	212,331	159,420	371,751	197,542	172,794	370,336	(14,789)	13,374	(1,415)	-0.38%
NON-SCHOOL TOTAL	23,776,200	9,577,752	33,353,952	24,421,368	9,925,578	34,346,946	645,168	347,826	992,994	2.98%

WELLESLEY PUBLIC SCHOOLS										
Instruction	40,785,793	2,311,982	43,097,775	42,345,518	2,276,865	44,622,383	1,559,725	(35,117)	1,524,608	3.54%
Administration	922,076	150,528	1,072,604	901,985	143,235	1,045,220	(20,091)	(7,293)	(27,384)	-2.55%
Operations	750,725	530,047	1,280,772	765,953	607,675	1,373,628	15,228	77,628	92,856	7.25%
Special Education	13,225,366	4,848,102	18,073,468	14,210,247	5,437,681	19,647,928	984,881	589,579	1,574,460	8.71%
SCHOOL TOTAL	55,683,960	7,840,659	63,524,619	58,223,703	8,465,456	66,689,159	2,539,743	624,797	3,164,540	4.98%
EMPLOYEE BENEFITS										
Group Insurance	0	16,069,084	16,069,084	0	16,206,701	16,206,701	0	137,617	137,617	0.86%
Workers Compensation	0	517,860	517,860	0	517,860	517,860	0	0	0	0.00%
OPFB Liability Fund	0	1,200,000	1,200,000	0	1,800,000	1,800,000	0	600,000	600,000	50.00%
OPFB Liability Fund Excluded	0	1,800,000	1,800,000	0	1,200,000	1,200,000	0	(600,000)	(600,000)	-33.33%
Retirement Contribution	0	5,943,377	5,943,377	0	6,150,755	6,150,755	0	207,378	207,378	3.49%
Unemployment Compensation	0	200,000	200,000	0	150,000	150,000	0	(50,000)	(50,000)	-25.00%
Compensated Absences	0	90,000	90,000	0	90,000	90,000	0	0	0	0.00%
Non-Contributory Pensions	0	16,700	16,700	0	18,116	18,116	0	1,416	1,416	8.48%
EMPLOYEE BENEFITS TOTAL	-	25,837,021	25,837,021	0	26,133,432	26,133,432	0	296,411	296,411	1.15%
ALL PERSONAL SERVICES & EXPENSES										
	79,460,160	43,255,432	122,715,592	82,645,071	44,524,466	127,169,537	3,184,911	1,269,034	4,453,945	3.63%

APPENDIX D: REVISED FY16 BASE GROWTH IN THE WPS BUDGET

Note: Appendix D has been revised to reflect the reductions in the FY16 school base budget which were made after the 2015 ATM Advisory Report went to print (see the original Appendix D on pages 175-176 for comparison. All changed numbers in the table are in red italics.

This Appendix describes how Base items impacted the growth of the FY16 WPS budget proposal, as is detailed in the chart below:

Base Budget Increases	FY15 Budget Gaps	FY16 Increase (Decrease)	Total Increase (Decrease)
Salary			
Turnover & Adjustments	(\$351,330)	<i>(\$825,000)</i>	<i>(\$1,176,330)</i>
Return from Leaves of Absence		439,043	439,043
COLA		1,582,593	1,582,593
Steps, Lanes, Longevity	80,000	941,657	1,021,657
Other Salary Adjustments		(143,835)	(143,835)
Salary Total	<i>(\$271,330)</i>	<i>\$1,994,458</i>	<i>\$1,723,128</i>
Special Education			
Tuitions	660,332	(176,396)	483,936
Transportation		(82,656)	(82,656)
Loss of FY15 Circuit Breaker (CB) Carryover		567,874	567,874
Increase in CB in FY16		(381,031)	(381,031)
Special Education Total	<i>\$660,332</i>	<i>(\$72,209)</i>	<i>\$588,123</i>
Other			
Chapter 222 Tuitions	79,462	15,462	94,924
Substitutes	190,446	<i>(3,593)</i>	<i>186,853</i>
Revolving Funds	175,000	<i>(40,608)</i>	<i>134,392</i>
Other Contractual	56,500	13,599	70,099
Other Total	<i>\$501,408</i>	<i>(\$15,140)</i>	<i>\$486,268</i>
Total	<u><i>\$890,410</i></u>	<u><i>\$1,907,109</i></u>	<u><i>\$2,797,519</i></u>
% of FY15 Budget	1.40%	<i>3.00%</i>	<i>4.40%</i>

The Base portion of budget growth includes increases that add no resources or internal educational capacity in FY16. It includes budget increases that are continuations of unplanned FY15 expenditures, primarily **Special Education** and **Other** items in the table above. It also includes **Salary**-related FY16 changes including contractual obligations and estimates of turnover, the cost of teachers who return from Leaves of Absence, and other salary items.

Turnover was higher than planned in FY15, resulting in savings as more experienced teachers leaving Wellesley were generally replaced by less experienced teachers at lower salaries. A Turnover figure is established in every budget and will be increased by \$425,000 in FY16 to be more consistent with FY15 and the experience in recent years. The combination of favorable Turnover and contractual FY16 salary increases combine for a 2.6% increase over the total FY15 budget. Cost of Living Adjustment (COLA) accounts for the biggest part of the increase and is larger than would be expected because some of the FY15 COLA increases occurred midyear but

will be in effect for the full FY16. The 1.5% COLA increase at the beginning of FY16 and an additional 1.5% increase mid-year result in an effective 2.26% FY16 COLA increase which is greater than the average annual increase over the life of the three year contract.

The largest deviation from budget in FY15 (over \$650,000) is in **Special Education**, primarily from tuitions for Out-of-District students. Some very significant and unexpected placements are the main drivers of this increase. The FY16 budget shows a reduction from this high level of Out-of-District spending, but it is very difficult to predict changes in these tuition costs as a single unexpected placement may invalidate the budget projections. The anticipated reduction in FY16 is therefore a budget risk factor. Savings for Special Education transportation are expected to be achievable based on contract timing.

In the **Other** category, Chapter 222 Tuitions are a result of a new law passed in July that requires School Districts to support educational placement for students who are excluded from attending WPS, usually for disciplinary or legal reasons. Some reimbursement from the State may be available for this in the future, similar to Circuit Breaker reimbursement for Special Education, though in both cases, this reimbursement would be expected to lag actual costs. Substitute teacher costs were under-budgeted in FY15. A revised compensation plan for Substitutes is expected to reduce FY16 costs near to the FY15 budget level. For different reasons, budgets for funding from the High School Activities and Child Lab Revolving Funds were unrealistically high and can't be supported from the fund balances. Over \$500,000 of FY14 Circuit Breaker (CB) Carryover was used in the FY15 budget to fund Special Education expenses. Because all available CB Carryover will be used in FY15, this is effectively a budget increase in FY16. Fortunately, the high level of Special Education expenses in FY15 creates an increased level of CB reimbursement for FY16, providing some offset relief.

This analysis shows how the FY16 budget increases about 4.4% without adding any additional resources to the Wellesley Public Schools. The changes identified here are a result of FY15 budget gaps that will continue in FY16 or contractual or mandated increases that do not add to WPS internal educational capability. It illustrates the challenges relative to the original 4.5% budget growth estimate and why significant savings needed to be identified to permit even Level Service funding.