



Advisory Committee
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525 Washington Street
Wellesley, MA 02482

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TOWN OF WELLESLEY



**ADVISORY COMMITTEE LETTER
ANNUAL TOWN MEETING
March 28, 2016, at 7:00 p.m.
Wellesley Middle School Auditorium**

Highlights of the 2016 Annual Town Meeting:

- The Board of Selectmen will present a balanced budget for FY17, avoiding any need for a Proposition 2-1/2 override.
- Borrowing within the levy limit to fund repairs of the Police Station and of the Department of Public Works Park & Highway Building.
- Borrowing within the levy limit to fund signalization and reconfiguration of the intersection of Kingsbury Street and Route 9.
- Borrowing within the levy limit to fund the Town's contribution towards construction of a new stadium for the High School and a new restroom at Hunnewell Field.
- Appropriation of Community Preservation Act funds to further contribute to the new stadium for the High School.
- Borrowing outside the levy limit to fund construction of Tolles-Parsons Senior Center.
- Proposal for a Town Bylaw regulating shopping bags, including a ban on plastic shopping bags.
- Funding of stabilization funds for police and fire injured on duty and for the RDF balers and compactors.
- A new revolving fund for the victory gardens on the North 40, in order for the Town to collect and to expend the same user charges that Wellesley College formerly collected for water and maintenance.

TOWN OF WELLESLEY



ADVISORY COMMITTEE

TERM ENDS 2016

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

TERM ENDS 2017

Chad Harris
Michael Mastrianni
Frank Pinto, Vice Chair
Sara Raveret, Secretary
Kathleen Woodward

TERM ENDS 2018

Tom Fitzgibbons
Mike Hluchyj
Mark Kaplan
Alena Poirier
Ria Stolle

To the Citizens of the Town of Wellesley:

March 14, 2016

Annual Town Meeting ("ATM") will convene on Monday, March 28, 2016, at 7:00 p.m. in the Wellesley Middle School auditorium. All residents are welcome to attend. The proceedings also may be followed on Wellesley Media Corporation's Government Channel (Comcast Channel 8, Verizon Channel 40). The ATM will also be webcast: www.wellesleymedia.org/wellesley-government-channel.html.

I am writing on behalf of the Advisory Committee to give you an overview of the budget for Fiscal Year 2017 (FY17) and to briefly describe several other significant matters that Town Meeting will take up. Notable matters coming before this year's ATM include:

- A balanced budget. There will not be a need to consider a budget override this spring.
- Funding for the construction of a senior center, known as the Tolles-Parsons Center, which will be subject to a Town-wide debt exclusion vote, if Town Meeting acts favorably on the proposal.
- Funding to reconstruct the High School track and field.
- Funding for the Town's contribution to MassDOT's reconstruction of the Kingsbury Street/Route 9 intersection.
- A proposal to ban plastic shopping bags.

THE FY17 BUDGET: July 1, 2016 – June 30, 2017 (Article 8)

	FY16 Budget	FY17 Request	Inc/(Dec)	Inc/(Dec)
Sources of Funds				
Taxes	\$113,458,735	\$117,895,203	\$4,436,468	3.9%
State Aid	9,201,364	9,386,000	184,636	2.0%
Local Revenue	10,908,415	11,205,000	296,585	2.7%
Free Cash (balance)	2,756,169	2,498,871	(257,298)	-9.3%
Other Sources	987,971	1,056,874	68,903	7.0%
CPA Funds	891,950	1,615,400	723,450	81.1%
Exempt Debt	13,383,348	12,923,671	(459,677)	-3.4%
OPEB Exclusion	1,200,000	600,000	600,000)	-50.0%
Total Sources	\$152,787,952	\$157,181,020	\$4,393,068	2.9%
Uses of Funds				
School	\$66,689,159	\$69,524,634	\$2,835,475	4.3%
Facilities Maintenance	6,901,668	7,059,340	157,672	2.3%
Other Town-Departments	27,445,278	28,181,940	736,662	2.7%
Employee Benefits	26,133,432	26,304,938	171,506	0.7%
Cash Capital	4,501,752	5,167,179	665,427	14.8%
Debt Service (inside Levy)	3,970,125	4,274,282	304,157	7.7%
Other Uses	3,763,190	3,745,036	(18,154)	-0.5%
Exempt Debt	13,383,348	12,923,671	(459,677)	-3.4%
Total Uses	\$152,787,952	\$157,181,020	\$4,393,068	2.9%
Surplus/(Deficit)	\$ 0	\$0		

Notes on the FY17 budget

Budget overview. The Board of Selectmen will ask Town Meeting to approve an omnibus budget for FY17 of \$153,463,908, a 2.5% increase over the \$149,733,483 that Town Meeting approved for FY16. The budget is balanced without the need for a Proposition 2-1/2 override. School spending growth continues to outpace all other areas of Town government, as it has in years past. The School operating budget increased by 4.25%, compared with 2.6% for all other Town departments. The FY17 budget includes the use of approximately \$2.5 million from Free Cash (money that was appropriated in prior years, but not expended); however, the Town's reserves are projected to increase modestly despite this. The Town's sound financial planning, including maintenance of sufficient reserves, enables the Town to achieve a high rating for its debt, thereby lowering the cost of borrowed funds. The financial challenges that the Town perennially faces are growth in salaries, wages and benefits of Town employees and planning for significant infrastructure improvements.

Sources of Funds. Property tax collections, "Taxes" in the table, are expected to increase by 3.9%. Of this, 1.4% is attributable to new construction, which adds to the value of taxable property. Local Revenue growth is attributable to increases in licensing and permitting fees, and parking fines. The decrease in the OPEB ("Other Post Employment Benefits") Exclusion reflects the phased replacement of the OPEB funding exclusion, which was approved at the 2007 ATM and by a Town-wide vote, with inside the levy funding. This approach should enable the Town to continue funding the Annual Required Contribution (ARC) to eliminate any OPEB unfunded liability by 2037.

Uses of Funds. School personnel costs continue to outpace all other material elements of the Town budget. Schools have held their overall increase in budget for FY17 to 4.3%, in part by postponing capital expenditures, which will have to be addressed eventually. This increase comes in the face of declining school enrollment, a trend that is expected to continue. Facilities Maintenance is the unit of Town government responsible for maintaining all of the Town's vertical infrastructure, i.e., buildings. Facilities Maintenance could have been lumped in with Other Town Departments, but has been broken out separately because by far the largest part of the Facilities Maintenance budget is dedicated to maintaining School buildings. The increase in Cash Capital (capital improvements which are NOT funded through borrowing) is for increased road resurfacing by the Department of Public Works and for building maintenance by the Facilities Maintenance Department.

Keeping School budget growth to 4.3% may come at the expense of next year's budget. The School Committee decided to postpone computer replacements in order to bring the School budget increase down. Depending on what the computer replacements eventually cost and other factors, there may be a need for a Proposition 2-1/2 override for FY18. Of course, this will depend on whether other budget savings can be found, continued growth in the Town's tax base and other uncertainties.

Growth in personnel costs. The increases brought about by "steps," corresponding with years in service, "lanes," corresponding with academic degrees for teachers, and cost of living adjustments for all school employees, lead to significant personnel cost increases. It is not unusual for school employees who have not reached the top step to receive total annual salary or wage increases of 7-8%. Although some increase in costs is offset by retirements, cost of living increases for those school employees who have reached the highest step also add significantly to budget growth.

Employee benefit costs. Employee benefits are projected to cost the Town \$26.3 million in FY17, which is 17% of the Town's operating budget. This has been one of the fastest growing areas of cost for the Town for the past ten years. The major employee benefits are health insurance for current and retired employees, at \$14.3 million, pension plan contribution, at \$6.4 million, and OPEB, at \$3 million. The Town has taken several steps to manage health insurance costs. These arrangements have enabled the Town to save over \$2 million on health insurance during FY16. These savings are expected to continue through FY17.

The Town has a defined benefit pension plan for employees other than teachers, who participate in a defined benefit plan administered by the Commonwealth. The benefits under the Town plan are identical with those provided by other municipalities, as set under state law.

The economic downturn in 2008 and 2009 adversely affected the Town's pension plan, as well as its plan for OPEB. The Town has been steadily making up the unfunded liability that resulted from the losses in the markets in 2008 and 2009, such that the pension is projected to be fully funded by 2030, the OPEB by 2037. The Town's actuaries have shown that this additional cost in the near term will lead to substantial savings later. That the Town fully funds its Annual Required Contribution enables the Town to use favorable rates of return, albeit still very conservative rates, in its actuarial calculations. Just as the decision to pay each year's contribution to pension fully is sound, the expenditure to close the gap on unfunded pension and OPEB liabilities is prudent long-range planning. Bond rating agencies cite the Town's funding of pension and OPEB as one reason for rating the Town's bonds highly.

Facilities and other capital needs. The major proposed projects to be financed through borrowing are:

- Hunnewell Field restrooms - \$300,000
- High School stadium - \$1,057,000 (plus additional \$1,000,000 from Community Preservation Act funds and \$1,000,000 from private donations)
- Park & Highway garage roof replacement - \$700,000
- Police Station roof and building envelope repairs - \$2,000,000
- Tolles-Parson Center (senior citizen center) - \$6,700,000
- Reconfiguration of Route 9/Kingsbury Street intersection - \$700,000

The money for the Route 9/Kingsbury Street reconfiguration would be expended through the Massachusetts Department of Transportation (MassDOT), when it undertakes the complete resurfacing of Route 9 in 2017. The reconfiguration would be to signalize and widen the intersection to address a long-standing traffic safety concern. If the Town does not contribute the funds, then MassDOT will simply resurface the road in its present configuration, leaving the traffic safety issue unaddressed.

Although they do not affect the FY17 budget, the Town must start to prepare for some large capital projects pertaining to Schools. These include improvements in Middle School infrastructure (\$7,300,000), School security upgrades (\$2,455,000) and renovation or replacement of Hunnewell, Hardy and Upham Schools (\$96,000,000). The School Committee has decided to postpone planning the last of these for a year in order to further study alternative scenarios. This delay may increase the eventual cost of the project.

Reserve funds. The Town's Financial Reserves Policy calls for the sum of the amounts in the Stabilization Fund and Free Cash to be between 8% and 12% of operating revenues. Such reserves may be used to stabilize tax rates, meet capital needs or to avoid a Proposition 2-1/2 override. The Town's operating revenue for FY16 is \$136,414,988. Reserves are projected to be comfortably within guidelines at the end of FY16 and FY17.

Conclusions regarding the budget. Advisory believes that the Town benefits from prudent financial management:

- Wellesley is one of a few communities to fully fund its annual contributions to pension and OPEB.
- Wellesley is one of the very few communities with a process to make up unfunded pension and OPEB liabilities.
- Steps have been taken to contain health insurance costs.
- The centralized building maintenance program initiated three years ago is paying dividends in the condition of Town infrastructure, which promises to save the Town money in the long run.
- Town reserves continue to increase consistent with the recommendations of the Department of Revenue and credit rating agencies.
- Projections indicate that school enrollment will continue to decline. However, stricter control of the school budget may be needed in order to avoid an override in 2018.
- The various branches of Town government collaborate effectively and engage in meaningful discussion about the Town-Wide Financial Plan. This, in turn, improves the odds that future budgets will match up with forecasts.

PROPOSED PLASTIC BAG BAN

The Natural Resources Commission ("NRC") is going to propose a Town Bylaw to ban the use of plastic shopping bags. The new bylaw would also restrict paper shopping bags to recyclable bags containing not less than 40% recycled content. The proposed bylaw will not affect many familiar uses of plastic bags, such as for lining trash cans and for protecting newspaper deliveries.

CONCLUSION

The Advisory Committee has presented additional information in its Reports to the Annual Town Meeting. The Report will 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. The Advisory Committee welcomes citizen input and suggestions. Our meetings are open to the public and always begin with a "Citizen Speak" session.

The Advisory Committee thanks the many dedicated Town employees, and elected and appointed officials who lent their time, energy and expertise to the Advisory Committee, making the Committee's task a much simpler one. I am thankful to my colleagues on the Advisory Committee, who gave generously of their time, making the business of the Advisory Committee not merely one of dry numbers and charts, but rather an activity that contributes to the sense of community in our Town.

Sincerely,
Thomas Frisardi, Chair