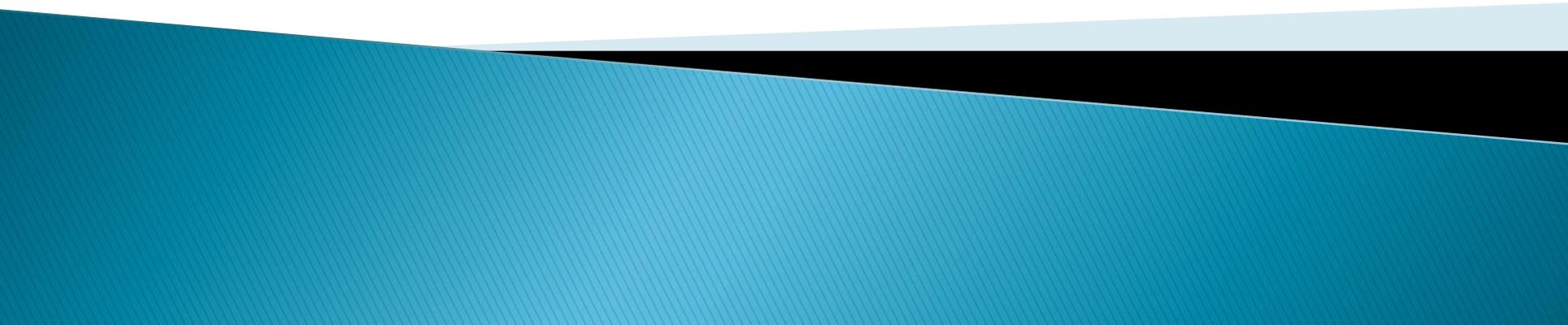


# Town of Wellesley Town-Wide Financial Plan

January 31, 2011



# Selectmen's role

## Per Bylaw

“... work with other boards in coordinating the preparation of the Town-wide budget ...”

“... compile and present to the Annual Town Meeting a Town-Wide Financial Plan ...”

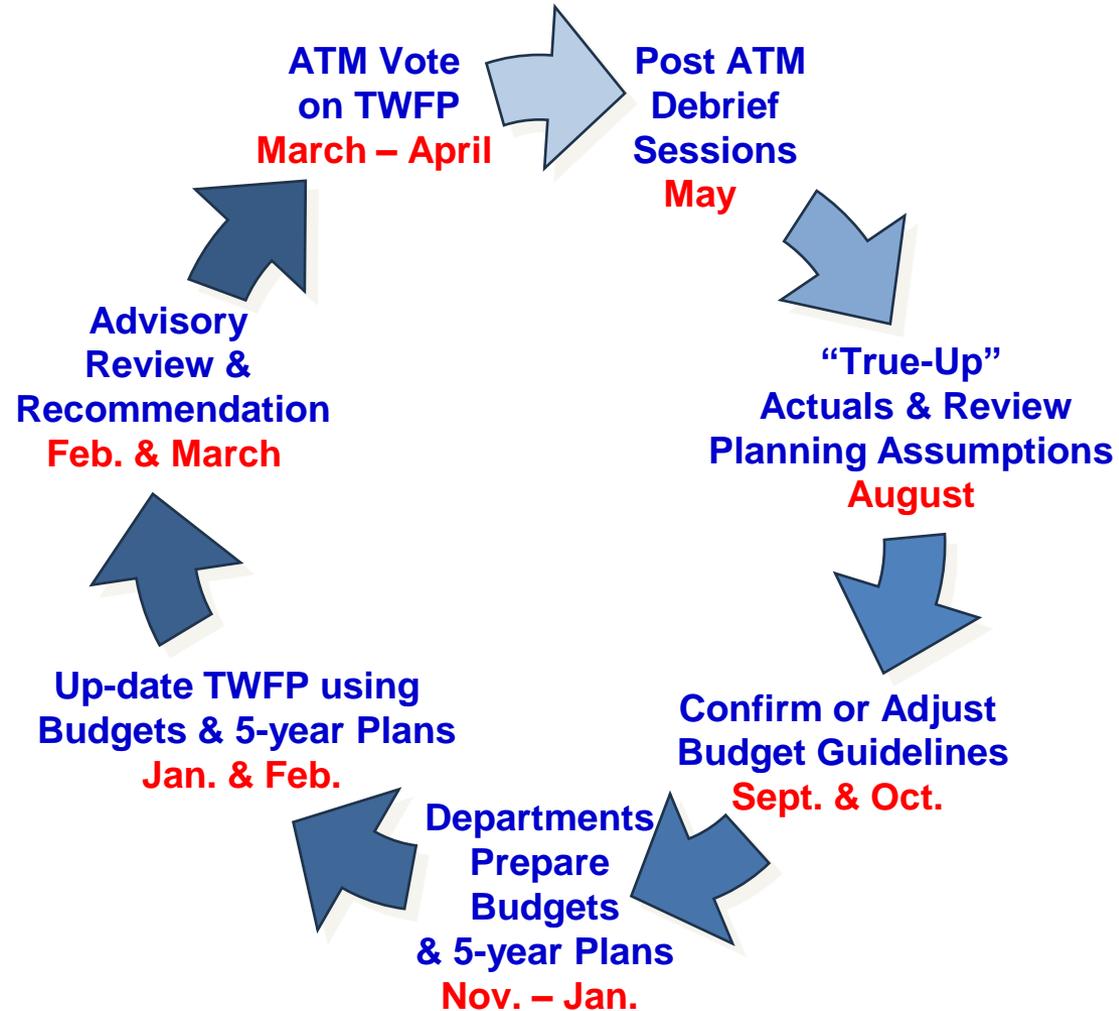
*i.e., – balance the residents' appetite for services against their willingness to pay*

# Feedback from former Advisory Chairs

- ▶ A better Plan requires a more robust process
    - Longer range horizon (5 years)
    - More “buy-in” from all elected Boards and Advisory
    - Continuous vs. a few weeks before Town Meeting
    - Transparent
    - Public
- 

# TWFP CYCLE

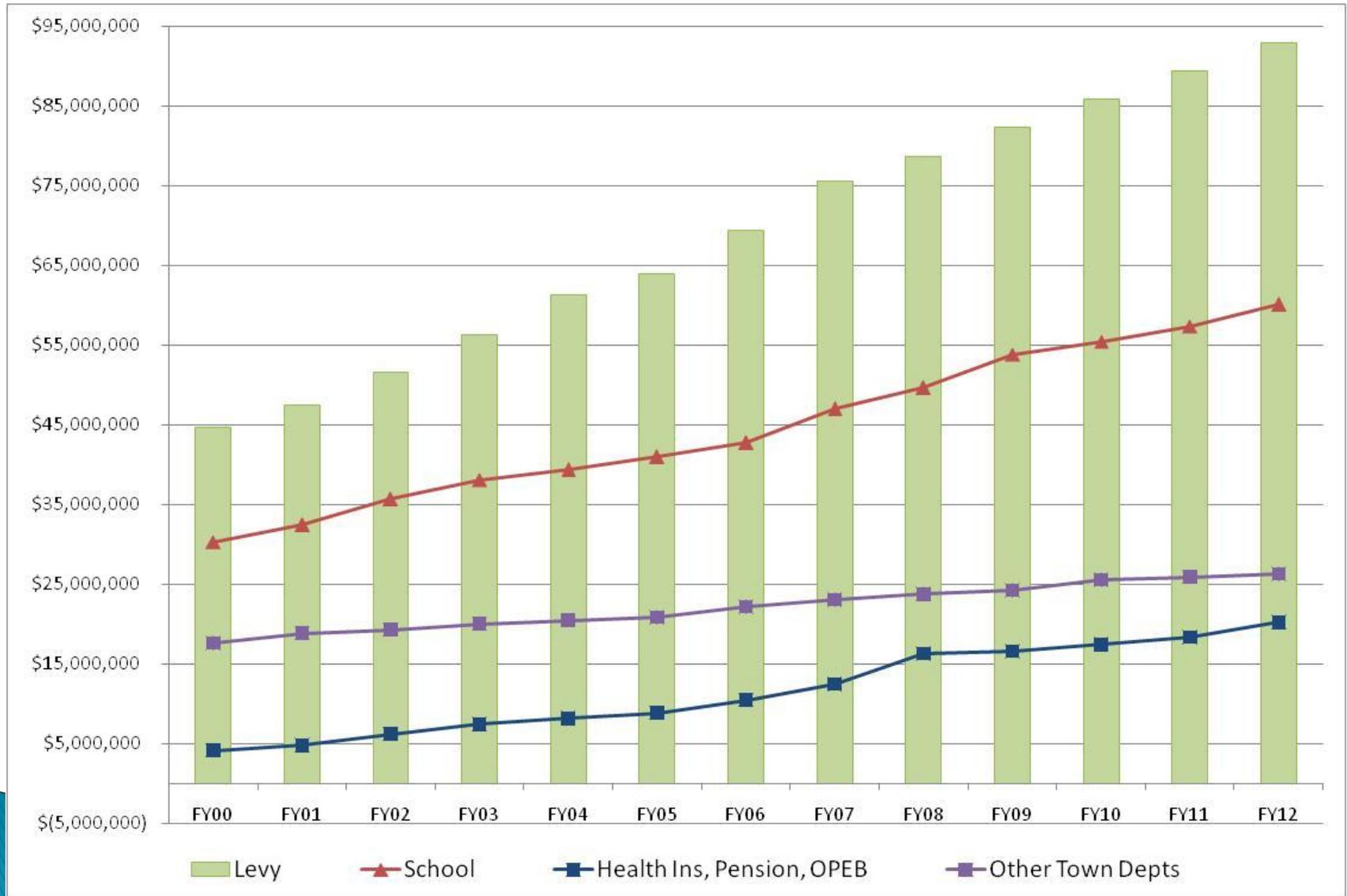
Annual Process to Update the 5-Year Planning Horizon



# Plan in place during 2010

- ▶ Constrain growth in budgets
  - Economic climate warrants restraint
  - High School and employee benefits already impacting the tax rate
  - School enrollment growth abating
  - Union contracts open
- ▶ Address infrastructure shortfall
  - Facilities maintenance
  - Roads
- ▶ Subject new tax-impact investments to Town Meeting and voter approval

# Long-term trends



# Sources of funds

	<u>FY12</u>	<u>%</u>
Property taxes	\$ 105,716,367	84.7%
State aid	7,803,479	6.3%
Local revenue	10,100,000	8.1%
Other	1,207,474	1.0%
	<u>\$ 124,827,319</u>	<u>100%</u>

# Uses of funds

	<u>FY12</u>	<u>%</u>
Schools	\$ 60,104,049	47.2%
Other Town depts.	26,389,683	20.7%
Employee benefits	20,732,105	16.3%
Cash capital	3,038,242	2.4%
Debt service	14,976,849	11.8%
Other	2,119,748	1.7%
	<u>\$ 127,360,676</u>	<u>100.0%</u>

# Fully allocated view

	<u>FY12</u>	<u>%</u>
Schools	\$ 86,637,057	69.0%
Public Safety	14,653,773	11.7%
DPW	10,313,551	8.2%
Library	4,232,085	3.4%
Selectmen	3,294,531	2.6%
Other Town Depts.	6,409,932	5.1%
	<u>\$ 125,540,928</u>	<u>100.0%</u>

# FY11 statistics

- ▶ Tax rate – \$11.43 (up 9.1% vs. p/y)
- ▶ Median assessment – \$786,000
- ▶ Median tax bill – \$8,984
- ▶ Average tax bill – \$11,282
- ▶ Impact of \$1 million of additional spending
  - \$0.11 increase in tax rate
  - \$90 increase in median tax bill

# Key planning issues

- ▶ Health insurance
  - ▶ Pension / OPEB
  - ▶ High School
  - ▶ Facilities maintenance
  - ▶ Other capital projects
  - ▶ Operating budget increases
- 

# Health insurance

- ▶ Premium costs projected to grow at 7%
- ▶ Absorbs 14% of total levy
- ▶ Pay-as-you-go OPEB costs account for 51%

## *What have we done to control this cost?*

- *Section 18 election*
- *OPEB funding exclusion (including special legislation)*
- *Migration to Rate Saver plans*
- *Lobbying State legislature for ability to make plan changes without bargaining*

# Retirement liabilities

<i>Valuation date</i>	<b><u>Pension</u></b> 1/1/10	<b><u>OPEB</u></b> 7/1/10
Accrued liability	\$ 149,447,086	\$ 125,582,343
Actuarial value of assets	129,514,453	11,133,131
Unfunded liability	<u>\$ 19,932,633</u>	<u>\$ 114,449,212</u>
MV of assets at 10/31/10	\$ 111,510,391	\$ 15,039,349

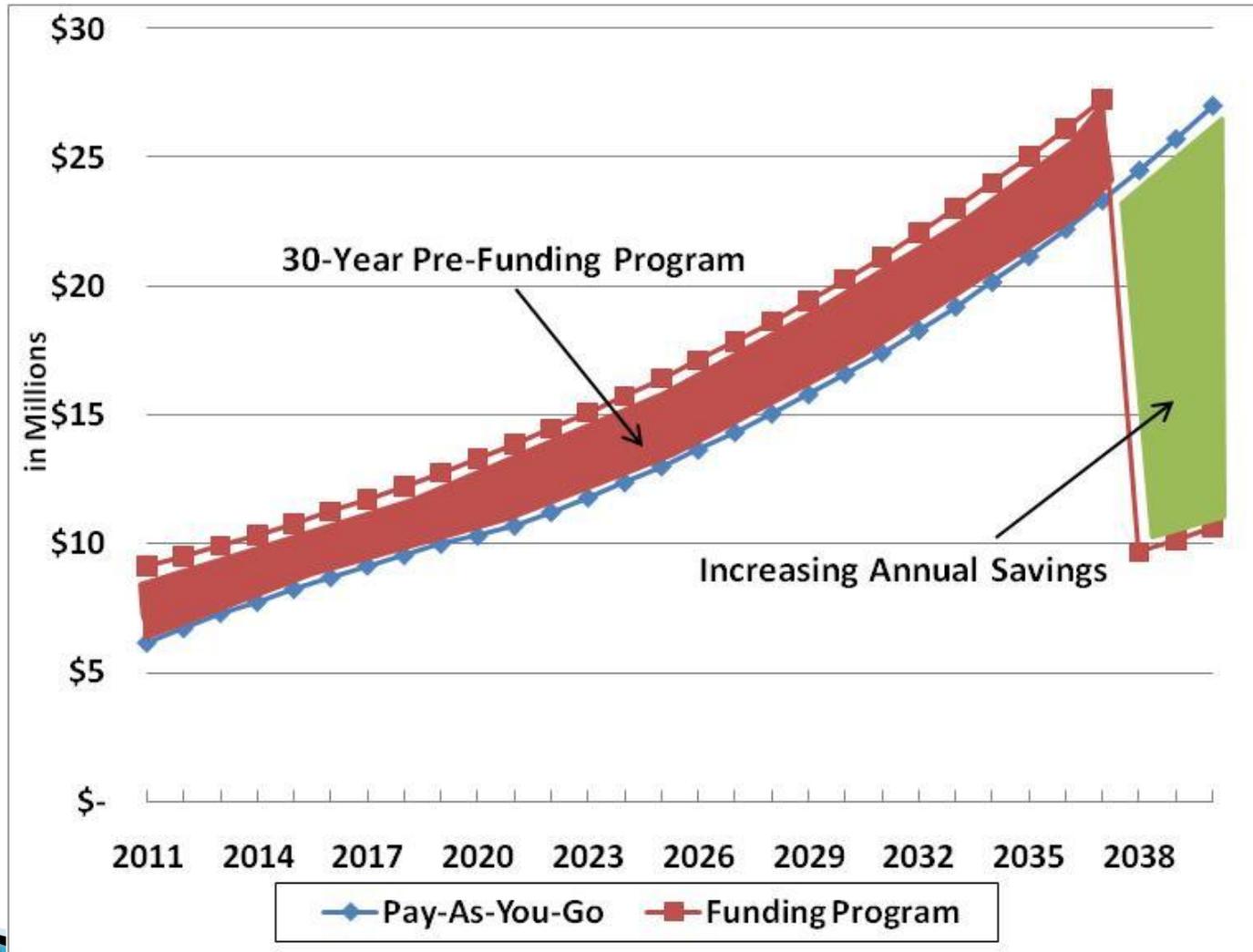
# Pension funding

- Appropriations to fully fund by 2040 (State Law)
  - FY12 \$3.1M
  - FY13 \$3.8M *(per 1/1/10 Actuarial valuation)*
  - FY14 \$4.9M
- Key assumptions
  - 8% return on assets
  - 5 year asset smoothing with 20% corridor
  - 4% annual increase in amortization payment

# OPEB funding

- ▶ 30 year funding plan
  - \$3M/year
  - On top of escalating pay-as-you-go costs exclusion (FY08-17)
- ▶ Unfunded liability continuing to grow
  - i.e., not yet funding enough to cover normal cost and interest on liability

# OPEB funding



# Pension / OPEB funding

<b>Town</b>	<b>Total</b>	<b>% of Revenue</b>
<b>Needham</b>	<b>\$ 8,629,275</b>	<b>7.53%</b>
<b>Arlington</b>	<b>8,742,000</b>	<b>7.62%</b>
<b>Belmont</b>	<b>6,183,000</b>	<b>7.37%</b>
<b>Brookline</b>	<b>15,025,000</b>	<b>7.55%</b>
<b>Natick</b>	<b>5,900,000</b>	<b>5.61%</b>
<b>Wellesley</b>	<b>6,574,285</b>	<b>5.35%</b>
<b>Hingham</b>	<b>3,784,000</b>	<b>4.72%</b>
<b>Lexington</b>	<b>4,483,000</b>	<b>2.92%</b>

# High School project

- ▶ Total project cost under budget
  - Unclear how much of savings will accrue to Town
- ▶ Ahead of schedule
- ▶ Debt service cost
  - FY11 – \$3.9M
  - FY12 – \$6.1
  - FY13 – \$6.7

# Facilities maintenance

	<u>Sq. ft.</u>		<u>FY12 Capital</u>		<u>Per Sq. ft.</u>
Schools	800,000	\$	127,108	\$	0.16
Other Town Buildings	300,000	\$	320,950	\$	1.07

- ▶ Current funding level not sustainable
- ▶ Benchmark closer to \$1.67/sq. ft.
- ▶ School Committee FY13 capital – \$200K for building study

# Other capital projects –debt funded

	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
<b>Selectmen</b>					
<i>Ladder truck / Engine</i>		\$ 900,000		\$ 600,000	
<b>DPW</b>					
<i>Kingsbury St. rehab.</i>	620,000				
<i>Hunnewell restroom</i>	250,000				
<i>RDF recycled matls.struct.</i>	400,000				
<i>Wales St bridge</i>		400,000			
<i>Bacon St rehabilitation</i>		480,000			
<i>Park/Hwy Building Roof</i>		175,000			
<i>Park/Hwy HVAC rehab.</i>		75,000	1,000,000		
<i>Cliff Road</i>			150,000	1,250,000	
<i>Grove Street</i>				150,000	1,750,000
	<u>\$ 1,270,000</u>	<u>\$ 2,030,000</u>	<u>\$ 1,150,000</u>	<u>\$ 2,000,000</u>	<u>\$ 1,750,000</u>

# Capital projects – FY12 budget impact

	<u>ATM Article</u>	<u>Net Impact</u>	
RDF Recycled materials structure	20	\$ 6,000	Net of \$50K incremental recycling revenue
Hunnewell bathroom	21	35,000	
Kingsbury Street rehab.	22	86,800	
Fuller Brook Park	7	-	\$50K appropriation from Boulder Brook penalty
		<u>\$127,800</u>	

# Debt exclusions

	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>
<i>Senior Center</i>	\$ 4,262,000			
<i>DPW Office Building</i>	3,950,000			
<i>Fuller Brook Park</i>		1,000,000	1,000,000	1,000,000
	<u>\$ 8,212,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

*(No action on Senior Center at 2011 Annual  
Town Meeting)*

# Departmental budgets – key cost drivers

- ▶ Wage increases for existing staff
    - Step increases
    - Contract increases
  - ▶ Additional staffing
- 

# Contract details

	<u>Patrolmen</u>	<u>Superior Officers</u>	<u>DPW Production</u>	<u>Teachers</u>
Budgeted positions	32	9	80	459
Steps	4	1	6	15
Average step value	5.6%	N/A	5.3%	4.2%
% employees on steps	16%	N/A	6%	57%
FY12 Contract increase	0%	0%	TBD	TBD

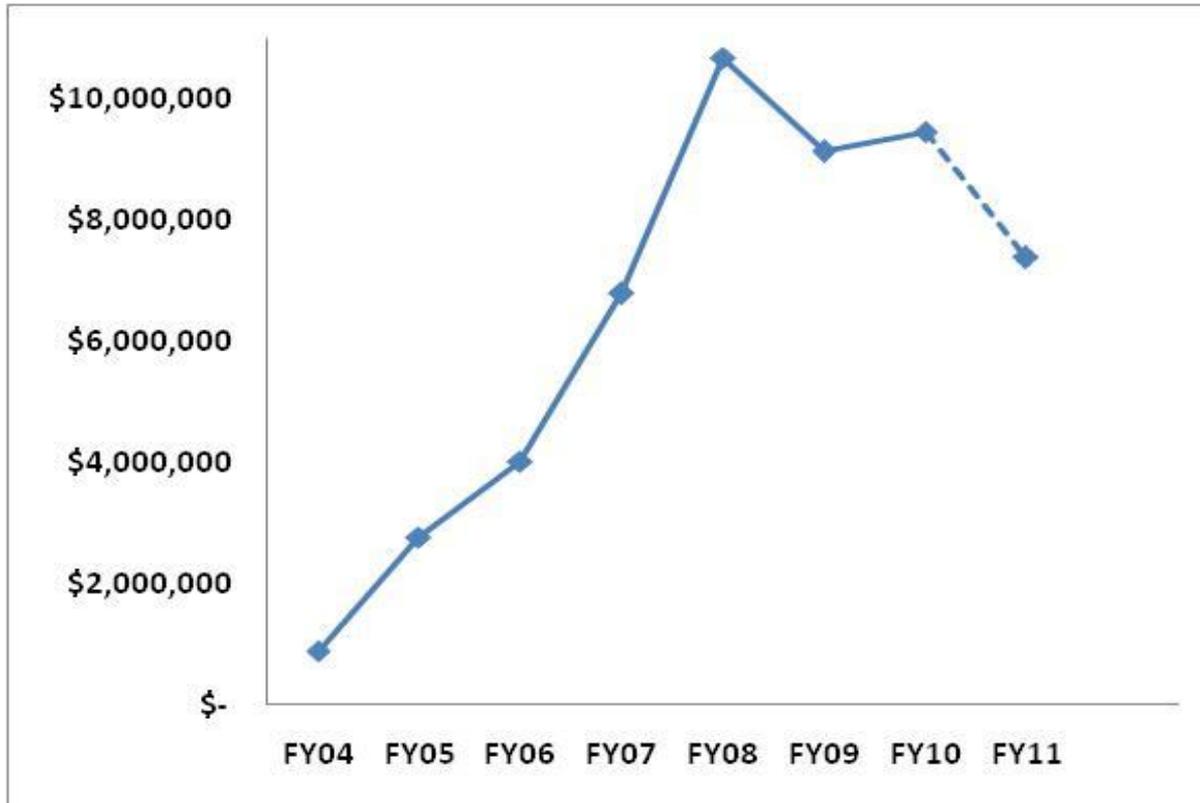
# FY12 budget status

- ▶ Deficit remaining to be closed –\$2.5M
  - Plus incremental costs of new High School
- ▶ Year over year increases
  - Schools \$2,722K
  - Employees benefits 1,920K
  - Public Safety 156K
  - DPW 91K
  - Library 39K
  - Cash capital 281K
  - Debt service (Inside) (227K)

# FY12 budget – steps to closure

- ▶ Awaiting further guidance on:
    - State aid
    - Health insurance premium rates
  - ▶ Awaiting outcome of Advisory's review of all budgets
  - ▶ Continuing to assess the need for further cuts
- 

# Free Cash



## School turn-back

- ▶ FY08 – \$1.3M
- ▶ FY09 – \$1.8M
- ▶ FY10 – \$0.2M

# Total reserves as % of General Fund expenditures

- ▶ Wellesley – 10.16%
  - Slightly below prior year average for AAA communities
- ▶ Reserve guidelines
  - DOR minimum – 5%
  - Government Finance Officers Assoc. – 5–15%
  - Moody's – 20%

# Projected growth rates

	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
<b>Revenue growth</b>				
State aid	1.0%	1.0%	2.5%	2.5%
Local revenue	1.0%	1.0%	2.5%	2.5%
<b>Spending growth</b>				
Schools	5.4%	5.2%	3.0%	3.25%
Other Town depts.	2.5%	2.5%	2.5%	2.5%
Health insurance	7.0%	7.0%	7.0%	7.0%

# Projected Sources & Uses

(\$000's)	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
<b>New Sources</b>					
Levy growth	\$ 3,535	\$ 3,623	\$ 3,714	\$ 3,807	\$ 3,902
State aid	(837)	78	79	199	204
Local revenue	153	101	102	258	264
Other items	(335)				
	2,517	3,802	3,895	4,263	4,370
<b>New Uses</b>					
Schools	\$ 2,722	\$ 3,246	\$ 3,294	\$ 1,999	\$ 2,231
Other Town depts.	410	660	676	693	710
Employee benefits	1,921	1,638	2,006	2,087	1,356
Cash capital	282	1,355	(1,099)	171	(199)
Debt service	(227)	(125)	55	54	(263)
	5,107	6,774	4,932	5,004	3,836
<b>Deficit</b>	\$(2,591)	\$(5,563)	\$(6,600)	\$(7,341)	\$(6,807)

# Items missing from 5 year projections

- ▶ Elementary Modulars
- ▶ Elementary School Master Plan / incremental School facilities maintenance

# Tax projections (w/o override)

	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
Prior Year Levy	\$ 85,858,785	\$ 89,421,407	\$ 92,956,942	\$ 96,580,865	\$ 100,295,387	\$ 104,102,772
2.5% Increase	2,146,470	2,235,535	2,323,924	2,414,522	2,507,385	2,602,569
New Growth	1,416,152	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
Override	-	-	-	-	-	-
Current Year Levy	89,421,407	92,956,942	96,580,865	100,295,387	104,102,772	108,005,341
Existing Exclusions						
OPEB	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Sprague	1,223,732	497,007	456,967	416,017	374,157	331,387
Bates	596,338	581,900	566,500	-	-	-
Elementary Infrastructure	1,108,188	1,464,029	1,425,337	1,381,645	1,344,715	1,296,911
Middle School	2,236,150	2,196,900	2,155,850	2,123,513	2,082,338	2,043,513
Morses Pond & Drainage	-	275,419	267,550	259,681	251,812	243,943
High School	3,901,850	6,104,850	6,679,050	6,556,250	6,430,250	6,285,250
DPW Office Building		421,333	410,800	400,267	389,733	379,200
Senior Center			454,613	443,248	431,883	420,517
Fuller Brook Park				150,000	295,000	435,000
	10,866,258	13,341,438	14,216,667	13,530,621	13,399,888	13,235,721
Levy plus exclusions	\$ 100,287,665	\$ 106,298,380	\$ 110,797,533	\$ 113,826,008	\$ 117,502,660	\$ 121,241,062
(year to year increase)	6.5%	6.0%	4.2%	2.7%	3.2%	3.2%
Tax rate	\$ 11.45	\$ 11.98	\$ 12.33	\$ 12.52	\$ 12.78	\$ 13.04
(year to year increase)	9.2%	4.6%	3.0%	1.5%	2.1%	2.1%

# Tax bill increases

	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>
Without override	6%	4.6%	3.0%	1.5%
Fund entire deficit with overrides	6%	7.1%	5.7%	2.4%
With \$5M override in FY13	6%	4.6%	7.6%	1.6%

# Looking forward – revenue enhancements

- ▶ Raise parking meter rates
  - ▶ Items that have potential to reallocate tax burden, but do not raise total revenues
    - Split tax rate
    - Contest Country Club's 61B exemption
- 

# Ongoing work

- ▶ Complete collective bargaining
- ▶ Lobbying efforts at State level
  - Circuit Breaker funding
  - Plan Design
- ▶ Numbers
  - School budget growth adjusted for enrollment
  - Per pupil spending vs. other communities

# Further iterations on TWFP

- ▶ Take onboard Advisory and public feedback
  - ▶ Refine timing and cost estimates for capital projects
  - ▶ Incorporate estimates for missing items
  - ▶ Refine spending growth assumptions
  - ▶ Continue to explore alternative planning approaches for ST&T
  - ▶ Evaluate cyclical approach to overrides
  - ▶ Consider advancing school building assessment and Elementary School master plan to integrate with planning for potential override
- 