



Town of Wellesley Town-Wide Financial Plan

Board of Selectmen
January 27, 2013





TWFP- Guiding principles



- Pay the full cost of current operations
- Proactively address emerging issues
- Protect the Town against material risks
- Preserve the Town's assets
- Plan for the long-term



Planning issues



- Collective bargaining
- Health insurance
- Off-balance sheet liabilities
 - Pension
 - OPEB
- Facilities maintenance/renovation
- FY15 budget/override



Financial situation



- No operating budget override for 7 years
 - *Following 6 overrides in 7 years*
- Reserves rebuilt
- Pension funding restored to highest level ever
- Substantial progress made on OPEB funding
- Recent health insurance cost experience has been relatively favorable
- Pace of spending on facilities maintenance increasing



Collective bargaining



Open contracts

- Library Association (*Fact Finding*)
- Teachers

Contracts expiring 6/30/14

- DPW Production
- DPW/MLP Supervisors
- Firefighters
- School Custodians

Settled through FY15 or later

- School Secretaries
- Patrolmen
- Superior Officers
- Dispatchers (*pending TM approval*)
- MLP Production



Health insurance



- Active plans - assuming 6% rate increase
- Retiree plans – premium reductions in calendar 2014; assuming 6% rate increase for 2015
- Rates will not be finalized until early February
- School Administration signaling potential \$660K charge for benefits related to increased staffing
- No intention at this time of adopting options available under Municipal Healthcare Reform



Pension & OPEB



| | <u>FY14</u> | <u>FY15</u> | <u>FY16</u> | <u>FY17</u> | <u>FY18</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| <i>Pension</i> | | | | | |
| - Tax impact | \$ 5,008,205 | \$ 5,943,378 | \$ 6,150,754 | \$ 6,365,574 | \$ 6,587,912 |
| - Enterprise funds | 932,649 | 1,047,249 | 1,083,850 | 1,121,704 | 1,160,883 |
| | <u>\$ 5,940,854</u> | <u>\$ 6,990,627</u> | <u>\$ 7,234,604</u> | <u>\$ 7,487,279</u> | <u>\$ 7,748,796</u> |
| <i>Current OPEB plan</i> | | | | | |
| - Inside the levy | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 |
| - Exclusion | 1,800,000 | 1,800,000 | 1,800,000 | 1,800,000 | 1,800,000 |
| | <u>\$ 3,000,000</u> |
| <i>Alternative OPEB approach</i> | | | | | |
| - Inside the levy | 1,200,000 | 1,200,000 | 1,800,000 | 2,400,000 | 3,000,000 |
| - Exclusion | 1,800,000 | 1,800,000 | 1,200,000 | 600,000 | - |
| | <u>\$ 3,000,000</u> |



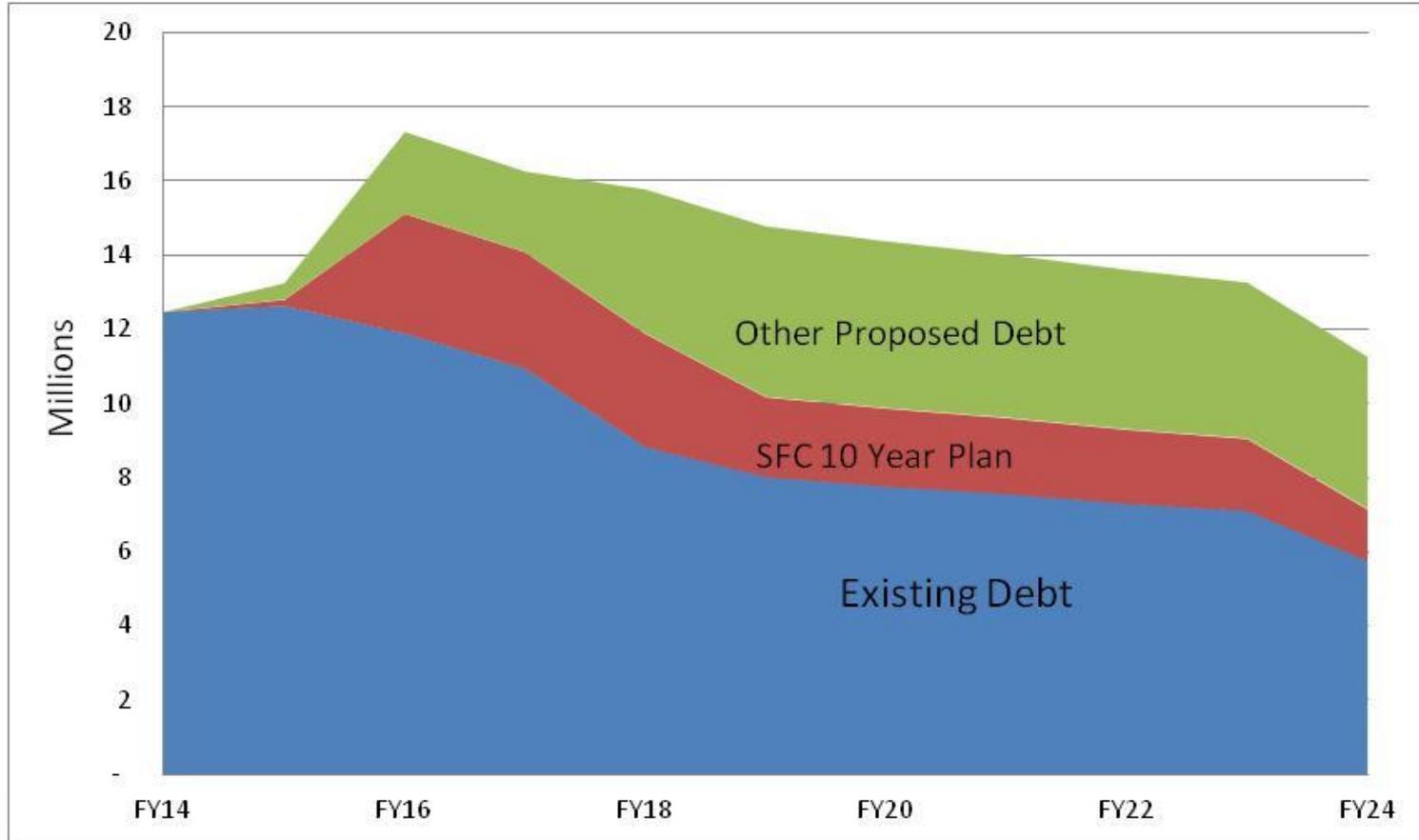
Planned debt exclusions



- Fuller Brook Park – Spring 2014
- Tolles Parsons – Fall 2014
- Fiske/Schofield – Fall 2014
- Hardy/Hunnewell/Upham – FY17/FY19
- Middle School – FY18

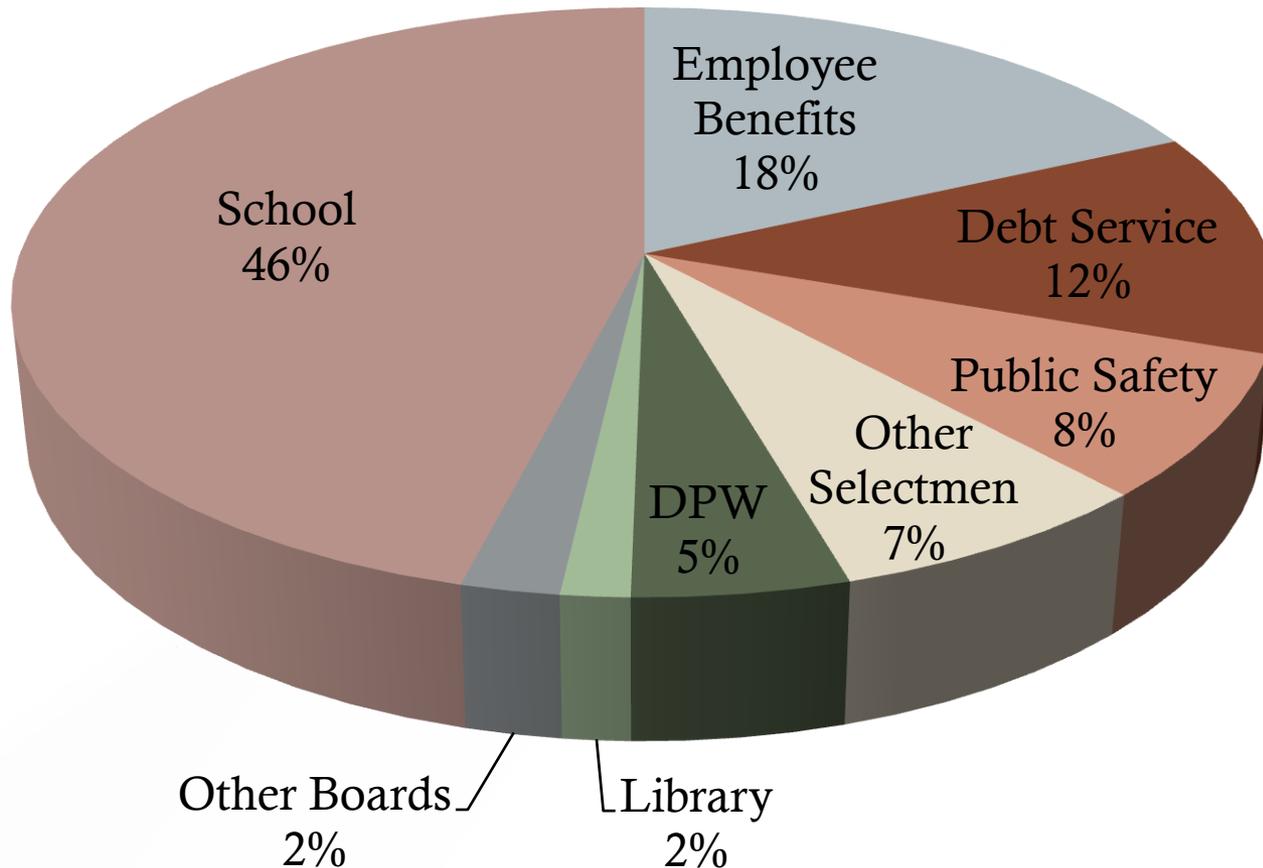


Projected debt service





Total Town Budget





Sources of funds



| | <i>Preliminary</i> | <i>Assumed</i> | | | | |
|----------------|--------------------|----------------|-------------------|-------------------|-------------------|-------------------|
| | <u>FY15</u> | <u>Growth</u> | <u>FY16</u> | <u>FY17</u> | <u>FY18</u> | <u>FY19</u> |
| Property Taxes | \$ 105,477,346 | | \$ 113,201,780 | \$ 117,431,824 | \$ 121,767,620 | \$ 126,211,810 |
| Override | 3,500,000 | | - | - | - | - |
| State Aid | 8,752,255 | 2.0% | 8,927,300 | 9,105,846 | 9,287,963 | 9,473,722 |
| Local Revenue | 10,415,793 | 2.0% | 10,624,109 | 10,836,591 | 11,053,323 | 11,274,389 |
| Free Cash | 2,250,000 | | 2,250,000 | 2,250,000 | 2,250,000 | 2,250,000 |
| Other | 84,000 | | - | - | - | - |
| | <hr/> 130,479,394 | | <hr/> 135,003,189 | <hr/> 139,624,261 | <hr/> 144,358,906 | <hr/> 149,209,922 |



Uses of funds



| | <i>Preliminary</i> <u>FY15</u> | <i>Assumed</i> <u>Growth</u> | <u>FY16</u> | <u>FY17</u> | <u>FY18</u> | <u>FY19</u> |
|--------------------------|--|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Uses | | | | | | |
| Schools | 63,674,945 | 4.5% | 66,540,318 | 69,534,632 | 72,663,690 | 75,933,556 |
| School Benefits | 660,000 | | - | - | - | - |
| Facilities | 6,556,780 | 2.5% | 6,720,700 | 6,888,717 | 7,060,935 | 7,237,458 |
| Other Town Depts. | 26,768,292 | 2.5% | 27,437,499 | 28,123,437 | 28,826,523 | 29,547,186 |
| | <u>97,660,017</u> | | <u>100,698,516</u> | <u>104,546,786</u> | <u>108,551,148</u> | <u>112,718,200</u> |
| Cash Capital | 4,303,196 | ** | 5,283,194 | 5,161,385 | 5,161,385 | 5,161,385 |
| Debt Service (Inside) | 3,661,446 | | 4,074,590 | 3,588,351 | 3,827,098 | 4,381,042 |
| Pension | 5,943,377 | | 6,150,754 | 6,365,574 | 6,587,912 | 6,818,034 |
| Health Insurance | 13,910,338 | 5.0% | 15,298,855 | 16,063,798 | 16,866,988 | 17,710,337 |
| OPEB (Inside) | 1,200,000 | | 1,800,000 | 2,400,000 | 3,000,000 | 3,000,000 |
| Other Employee Benefits | 2,492,394 | 2.5% | 2,554,704 | 2,618,571 | 2,684,036 | 2,751,137 |
| State & County Assmts. | 1,200,000 | 2.5% | 1,230,000 | 1,260,750 | 1,292,269 | 1,324,575 |
| Abatements | 600,000 | 2.5% | 615,000 | 630,375 | 646,134 | 662,288 |
| Other | - | | - | - | - | - |
| | <u>130,970,768</u> | | <u>137,705,613</u> | <u>142,635,590</u> | <u>148,616,969</u> | <u>154,526,998</u> |
| Surplus/(Deficit) | <u>\$ (491,374)</u> | | <u>\$ (2,702,424)</u> | <u>\$ (3,011,329)</u> | <u>\$ (4,258,064)</u> | <u>\$ (5,317,076)</u> |



Free Cash outlook



| | <u>FY14</u> | <u>FY15</u> |
|--|----------------------|----------------------|
| Reserves @ BOY | \$ 14,044,858 | \$ 10,904,844 |
| Revenue | 123,796,817 | 129,986,658 |
| Reserves @ BOY as % of Revenue | 11.3% | 8.4% |
| Projected Sources (Uses) of Free Cash | | |
| Appropriated at December 2013 STM | (890,014) | - |
| Used to balance next year's budget | (2,250,000) | (2,250,000) |
| Snow and Ice supplemental appropriation | (600,000) | (600,000) |
| Cost of union contract settlements | | |
| - Prior years | (150,000) | - |
| - Next year's budget | TBD | - |
| Estimated FY14 turnback | 750,000 | 750,000 |
| Projected Net Increase (Decrease) | (3,140,014) | (2,100,000) |
| Projected Reserves @ EOY | \$ 10,904,844 | \$ 8,804,844 |
| Reserves @ EOY as % Revenue | 8.81% | 6.77% |



Available options



- Reduce FY15 budget (\$500K?)
- Limit override horizon to one year
- More aggressive revenue assumptions
- Reduce FY16 cost increase assumption(s)
- More aggressive turnback assumption



Override approach



- Alternative approaches
 - Single question
 - Multiple questions
 - Pyramid
 - Menu

- Wellesley has used all 3 approaches



Single question language



“Shall the Town of Wellesley be allowed to assess an additional \$_____ in real estate and personal property taxes for the purpose of funding public education (and general government), for the fiscal year beginning July 1, 2014?”

➤ *Median tax bill impact of \$3.5M override - \$321*



Wellesley's recent operating overrides



- May 2006 (Menu)
 - Question 1 passed - \$3,158,618 for public education and general government
 - Question 2 failed - \$45,043 for RDF Sunday openings
 - Question 3 failed - \$75,603 for Branch Libraries

- May 2005 (Pyramid)
 - Question 1a failed - \$2,596,851 + \$955,541
 - Question 1b passed - \$2,596,851



Median tax bill impact



| | <u>FY14</u> | <u>FY15</u> | <u>FY16</u> |
|-------------|------------------|------------------|------------------|
| Prior year | \$ 9,875 | \$ 10,340 | \$ 10,905 |
| Levy growth | 247 | 259 | 273 |
| Override | - | 321 | - |
| Exclusions | (47) | (15) | 338 |
| Other | 265 | - | - |
| | <u>\$ 10,340</u> | <u>\$ 10,905</u> | <u>\$ 11,516</u> |
| | 4.7% | 5.5% | 5.6% |



Key next steps



- Ongoing review of FY15 budget requests
- Collective bargaining
- Reassess timing of capital projects
- FY16/17 projections
- Override approach and amount(s)
- Continue to balance budget increases against use of reserves and override amount
- Replacement plan for OPEB exclusion



Questions?

