

**Advisory Committee
Meeting #24
February 17, 2010**

Peter Cory, Chair, called the meeting to order at 7:30 PM. Those present included Judi Donnelly, Virginia Ferko, Jack Haley, Rick Hill, Kathy Macdonald, Barbara McMahon, Maura Murphy, Rich Page, Caren Parker, Derek Redgate, Steve Simons, Steve Sykes, Marc Taylor and Jason Whittet. Absent: Rick Hill

Citizens Speak. No one was present.

Minutes. Upon a motion made by Mr. Sykes and seconded by Mr. Haley, the minutes of the Advisory Committee meeting of February 3, 2010 were unanimously approved as written.

Wellesley Contributory Retirement System. The Committee was joined by Retirement Board Chair David Kornwitz. He presented the recent status of cash flows and investment performance for the retirement system and OPEB, noting an 18 percent annual investment rate for the retirement system for the year ending December 2009. Mr. Kornwitz informed the group that the finalized January 2010 Retirement System actuarial valuation study is not complete as yet, however, he reviewed the estimated results which reflects a \$41.8 million unfunded liability for the Town as of January 1, 2010. Mr. Kornwitz explained that historically, the Town's cost for the system has been covered by overfunding and investment returns. However, based on the deterioration of the fund since 2009, \$1 million was appropriated for FY10 and \$2,000,000 is recommended for appropriation in FY11 as contributions to the fund. Ideally, in order to address the Town's unfunded actuarial accrued liability would probably require an annual appropriation of around \$5 million.

Long term funding strategy for FY12 and beyond was reviewed. The Retirement Board is recommending a 5-year phase in of investment gains and losses which are calculated relative to an assumed 8 percent long term investment return. This diminishes appropriation volatility and allows asset values to recover in the event of a sharp downturn in financial markets, as recently experienced. The Board also recommends amortization of unfunded actuarial liability over no more than 15 to 20 years, although current legislative proposals would allow 30 year amortization with 4 percent annual increasing payments.

Mr. Kornwitz reviewed the estimated projection of assets, unfunded liability and appropriations based on a 15 year level dollar amortization schedule, and a 30 year increasing dollar amortization schedule.

Mr. Kornwitz indicated OPEB funding is in good condition. The Town has done a great job keeping rates down. The Retirement Board is in the process of updating the June 2008 study.

FY11 Cash Capital and Operating Budgets. The Committee reviewed a handout titled "2011 Cash Capital Requests – 2/15/2010" prepared by Mr. Cory in conjunction with the Executive Director and Finance Director. The document itemizes a number of adjustments to the FY11 Cash Capital in order to bring the total closer to guidelines. Reductions include \$66,000 from the DPW budget; \$125,000 from the Schools Technology budget; \$50,000 reduction in Fire Protective Clothing which will be funded by a grant; \$69,500 reduction in the NRC budget; \$60,500 from the Moses Pond budget; and \$80,699 from Police cash capital which will be funded through the Details Account. In addition, there is a \$35,000 reimbursement to the Facilities Reserve fund which will cover the amount used for the fire station floor study. Mr. Cory distributed an updated Preliminary Sources and Uses and an updated budget allocation model, which are reasonably close, with the exception of the Schools.

After discussion, Ms. Donnelly moved and Mr. Haley seconded, to request that the DPW reduce its FY11 capital budget request by \$69,000. **The vote was 13 in favor; 0 opposed.**

Mr. Haley moved and Ms. Donnelly seconded to request that the Facilities Maintenance Department reduce its budget by \$25,000. **The vote was 13 in favor; 0 opposed.** A conditional second motion was presented. Mr. Sykes moved and Ms. Donnelly seconded, reducing the Facilities Maintenance Department an additional \$99,000 for the fire station roof, subject to confirmation by the Facilities Maintenance Director that the request for replacement is based on its useful life and not any serious issues with the roof. **The vote was 13 in favor; 0 opposed.** Discussion continued after the CPC presentation.

Community Preservation Committee (CPC) Warrant Articles.

CPC Chair Jack Morgan and Wellesley Housing Development Corporation (WHDC) Vice Chair and liaison to the CPC, Robert Goldkamp, joined the meeting to discuss the CPC's articles for the 2010 Annual Town Meeting. Mr. Morgan informed the group there will be no motion under Article 22 to increase the CPA surcharge.

Article 21, Motion 1. Fuller Brook Park Phase 1. Mr. Morgan indicated the CPC is recommending that \$250,000 be appropriated through CPA funds for Phase 1 of the Fuller Brook Park rehabilitation project. Additional information on this project will be provided at the February 24th Advisory Committee meeting. There will be no motion under Article 23 sponsored by the NRC on the Fuller Brook Park Project.

Article 21, Motion 2. Mr. Goldcamp reviewed the CPC's recommendation that \$375,000 of CPA funding be appropriated as an equity grant to the WHDC. This appropriation will be an addition to the WHDC reserve to purchase and convert to affordable housing homes that become available for sale in town. The funds may also be used to make improvements to present affordable housing units. If the \$375,000 is approved, the WHDC will have a total reserve of \$850,000 to use for affordable housing purposes.

Mr. Goldcamp reviewed the WHDC's purpose which is to preserve affordable housing for low and moderate income households. He reviewed the number of affordable housing units now available in Town and the Town's unmet housing needs.

Article 21, Motion 3. Mr. Morgan reviewed the funding recommendations under Motion 3, which total \$67,500 and include: \$30,000 to the Historical Commission for a Historical Inventory Study; \$24,500 to the Historical Society for a Study of the rehabilitation and expansion of Historical Society Dadmun-McNamara House; \$10,000 to the Planning Board for a bylaw study of cluster zoning/open space residential development; and \$3,000 for preservation of the Abbott Road/Belvedere street sign which has been designated historical by the Historical Commission.

Article 21, Motion 4. Mr. Morgan explained that Motion 4 covers the CPC's administrative expenses totaling \$60,000, and the appropriation of \$128,000 to each of the CPC's reserves: Historical Resources, Open Space and Community Housing.

FY11 Budget Discussion (cont'd). The Committee discussed the status of the Schools budget including treatment of the \$125,000 reduction in capital spending, the \$94,456 credit resulting from the Governor's freeze on Out of District tuition, and the \$750,000 increase to the Schools operating budget obtained from savings in other areas including health insurance premiums. After discussion, the Committee agreed that the \$750,000 be applied to the Schools operating budget provided that the

Schools would decrease an equivalent amount from its budget. In addition, it was decided that that the \$750,000 provided to the schools would be applied first and foremost to offset ST&T funding, and the balance applied to its operating budget. If schools obtain additional outside sources for funding, the Town's contribution would be reduced by an equivalent amount.

After a lengthy discussion, Mr. Sykes moved and Ms. Parker seconded that the Advisory Committee recommends the \$94,456 savings from the Out of District tuition freeze be accrued to the Town and not be applied to the Schools budget. **The vote was 9 in favor; 4 opposed.**

Ms. Donnelly moved and Mr. Sykes seconded to request that the \$90,000 of the \$125,000 in capital reductions be applied toward the Schools operating budget. **The vote was 11 in favor; 2 opposed.**

The Advisory Committee expressed its concerns that these adjustments are temporary solutions. Departments must make changes of substance that will result in significant savings. Mr. Cory noted that the budget allocation model can be used to make projections out for five years. Under one plausible set of assumptions, the nonschool operating budget will see a 9 percent increase after 5 years; the total school budgets would increase 10 percent; cash capital increases 9 percent, and employee benefits increase 52 percent over this period. The Town faces a major fiscal problem in the next few years.

Adjournment. Upon a motion made by Ms. Macdonald and seconded by Ms. Donnelly, the Committee unanimously voted to adjourn at 11 p.m.

Respectfully submitted,

Adeline G. Doherty
Administrative Assistant