

**Wellesley Advisory Committee
Juliani Room, Town Hall
January 3, 2018, 7:00 PM**

Those present from the Advisory Committee included Jane Andrews, Todd Cook, Rose Mary Donahue, Tom Fitzgibbons, Mary Gard, Mike Hluchyj, Don McCauley, Paul Merry, Lina Musayev, Alena Poirier, Betsy Roberti, Tom Skelly, Ria Stolle, and Andrea Ward.

Mike Hluchyj called the meeting to order at 7:00 p.m.

7:00 p.m. Citizen Speak

There was no one present for Citizen Speak.

7:05 p.m. Retirement Board

David Kornwitz, Chairman, and Lynn Whynot, Retirement Administrator, were present.

Introduction

The Board is seeking support for a Cost of Living Adjustment (COLA) proposal that applies to Town Retirement System retirees. Specifically, the Board is looking to raise the annual COLA base from \$15,000 per year to \$18,000 per year, in \$1,000 annual increments over the next three years. The last time the COLA base was increased was five years ago.

The Board of Selectman (BOS) and the Retirement Board approved the proposal last year, and the Retirement Board will bring the proposal to Annual Town Meeting (ATM) this spring.

The Retirement Board takes its duty to retirees and the Town very seriously. We are the only Town that doesn't issue blanket approvals of the COLA percentage increase every year; in three of the last seven years, we applied only a 1.5% increase instead of the allowable 3% increase. That saved taxpayers several million dollars. The current proposal to increase the COLA base would raise the liability of the system by about \$2.5 million.

Current Liabilities

- Pension Plan is the retirement system for Town employees and support staff at the schools
 - It is for full-time employees
 - It takes 10 years to become vested in benefits
 - It is a contributory plan (members pay approximately 10% of pay into the system, which is mandatory)
 - Market value of assets as of 1/1/17 is \$164.3 million
 - Accrued liability \$224 million; unfunded liability \$55 million
 - 75.4% funded; estimated to be fully funded in 2030
 - \$7 million FY19 General Fund cost
 - Assumed investment rate of return 6.625%
 - Most participants are paying entirely for their pensions by virtue of their 10% contributions over time
 - A lot of the cost of the retirement program is for death and disability benefits which are paid for out of the Town's payments to the retirement program

There was a question whether Market Value takes into account the 6.625% rate of return: That rate of return is a long-term expectation based on the nature of the portfolio. It represents the best estimate of what the portfolio can earn over that time. There was a follow-up question whether the rate is benchmarked against other towns: Our rate is intentionally low; many municipalities are overly optimistic. The goal is to get the plan to a fully funded position in order to minimize volatility. There was a further question as to how the higher rates used by other municipalities would affect our funding status and General Fund costs: If we used other municipalities' rates of return, we would be closer to 90% funded instead of 75%, and the cost (contribution) from the General Fund would be lower. However, Board feels it is more prudent to get fully funded as quickly as possible. The Board is earmarking to be fully funded by 2030, ten years earlier than state mandate.

- OPEB (Other Post-employment Benefits) is retiree health insurance
 - OPEB is valued every two years; last valued June 30, 2016
 - Market value of assets as of 6/30/16 is \$44.2 million
 - Accrued liability \$120 million; unfunded liability \$75.9 million
 - 36.8% funded, one of highest in the state; estimated to be fully funded in 2037
 - \$3.4 million FY19 General Fund cost
 - Assumed investment rate of return 6.750%

As of 11/30/17, market value of pension assets is \$189.6 million and of OPEB assets is \$60.6 million.

There was a question whether the 6.75% OPEB rate of return is also lower than other municipalities' rates of return: Yes, it is lower. There was a follow-up question as to how much lower the FY19 appropriations would be if we used the same formulations as other towns for both Pension and OPEB: Probably overall about \$1 million to \$1.5 million less in aggregate.

There was a question as to why there is such a difference between Pension and OPEB in terms of the percentage of liability that is funded, and whether OPEB expenses are going up faster: The Town started funding Pension in the 1970s but OPEB only in the 2000s. There has been significant progress in the OPEB funding in comparison to other municipalities.

Historical Appropriations

- Pension has gone up from \$5 million in FY14 to \$6.6 million in FY18 to \$7.06 million proposal for FY19
- OPEB was funded from FY14-17 at \$3 million, outside the levy; brought inside the levy in FY18 to a flat dollar amount (\$3.4 million) and will stay constant for FY19 (\$3.4 million)

COLA History/ Proposal

- Retirees entitled to receive annual COLA adjustment each July 1 based on increases in Consumer Price Index (CPI) to a maximum of 3% per annum as published by Social Security Administration (SSA) each October
- That COLA adjustment is applied only to a portion of a retiree's pension (the "COLA base")
- In 1997, COLA base increased from \$9,000 to \$12,000
- In 2013, ATM approved raising COLA base from \$12,000 to \$15,000, where it stands now
- Current proposal is to raise the COLA base to \$18,000, but to do so incrementally over next three years by \$1,000 annually, subject to approval by the 2018 ATM
- Board believes that it will be better to do this increase incrementally; not only spreads out appropriations over time, but better preserves the "effective COLA" for the retirees
- Increase to retiree is about \$90/year

Distribution of Retirees By Annual Benefit

- 28% of retirees have a COLA base of less than \$15,000, and therefore receive full COLA benefit
- 7% have base between \$15,000 and \$17,999
- 18% have base between \$18,000 and \$24,999
- 16% have base between \$25,000 and \$34,999
- 31% have base over \$35,000

There was a question on the 116 retirees whose bases are under \$15,000 compared to other to employees who aren't yet on the plan: The retirement plan is for full-time employees; it takes 10 full years of service to fully vest.

Equity Concerns

- At heart of Board's proposal
- Comparable COLA base for social security recipients is about \$20,900
- Social Security benefits for private sector employees do not have any limits applied to annual COLAs (no cap on CPI and no cap on benefit amount)
- Raising COLA base for Town's retirees in conjunction with prudent COLA awards is equitable
- Board believes raising COLA base is a responsibility to retirees
- 12 other Massachusetts Retirement Systems have approved increases in the COLA base over \$15,000 (\$18,000 is the highest base)
- Other systems lag behind Wellesley, possibly due to financial considerations from years of underfunding and/or aggressive assumptions on rates of return

Cost

- COLA increase is already reflected in budget numbers presented tonight
- Adds \$125,000 into FY19 appropriations
- Raising the COLA incrementally will avoid a large one-time jump of approximately \$375,000

There was a question as to when the rate of return assumption is set: It is set at the valuation date, which is performed once every two years. (Last valuation was 1/1/17). There was a follow-up question whether the current assumption (6.625%) is down from the previous one: Yes, it is down from 6.75% at the 1/1/15 valuation.

There was a question whether the Town had to reallocate investments more conservatively following the 2008 economic downturn: No, a roughly 65% return-seeking or equity position and 35% fixed income position is where the portfolio has been for a long time. Board is cognizant of fact that 65% return-seeking is probably good for a 20/30/50/100 year period; we don't want to have to see Town go through another significant downturn, which is why we are being more conservative on investment return assumption, to get fully funded sooner, so that we could have a lower return-seeking percentage of portfolio five or ten years from now.

There was a question as to how many retirees the plan includes and whether the demographics are changing: There are currently about 400 retirees; it is a pretty mature plan so it is fairly stable. There is an average age of about 75 among the 309 retirees in pay status; an average age of 64 among the 35 disabled participants; and an average age of 75 among the 59 beneficiaries of retirees. Fairly steady statistics; two years ago, about same number of total retirees. Ten-year threshold to become vested in benefits so have to be career employee.

There was a question as to which figures in presentation would change if we had an assumed rate of return of 8%: Only the “accrued liability” would change. For each 100 basis point increase in the rate of return, there is probably a 15% reduction in accrued liability. Not aware of any municipality with a rate of return higher than 7.5%; that would probably be 10-12% reduction in accrued liability.

There was a question whether the Town will stop funding when the plan is fully funded: No, we won't. Participants continue to earn benefits; will always have an appropriation equal to new growth, and there will always be deviations from assumptions. Will be thinking through a smoothing mechanism.

7:43 p.m. Sustainable Energy Committee FY19 budget

Laura Olton, Chair; Ellen Korpi, Vice Chair; and Marybeth Martello, Administrator, were present.

A few updates since Sustainable Energy Committee (SEC) came before Advisory on November 1

- Massachusetts Department of Energy Resources has designated Wellesley a Green Community. Town will receive an initial grant of \$137,250.
- BOS has approved/endorsed the SEC FY19 budget proposal
- Human Resources (HR) has approved the proposed new department assistant position at Level 43
- Municipal Light Plant (MLP) has approved the continued payment of half of the administrator's salary, including half of the increased hours

Budget Increase to Address SEC's Expanding Portfolio

- Increase administrator's hours from 19.5 to 25 hours per week
 - An increase from \$18,132 to \$23,954 (\$5,822)
 - Represents half the salary (MLP is paying the other half)
 - \$20,000 one-time charge for benefits
 - Current Administrator not planning to be covered by Town's health insurance
- Adding an assistant position for 10 hours per week (starting July 2018)
 - An additional \$9,967 in salary
 - Office set-up expenses of \$4,925

Up to 10% of Green Communities grants may be used toward administrative work, which could potentially offset some expenses in this and future years.

There was a question whether the MLP is also sharing the cost for the new assistant position: No, SEC paying that in full.

There was a question on the \$3,000 “Reallocation of Space Cost” to SEC: The number came from the Finance Department as a standard placeholder. There was a follow-up question on the total one-time expense charge of \$4,925: It includes furniture, phone, filing cabinets, shelving, etc.

On a related note concerning these office set-up costs, the SEC is advocating for the administrator and new assistant to be allowed to work from home, but is receiving some pushback from the Town. The SEC is not a public-interfacing committee. There was a question whether the administrator has remote access to the network: Yes, she does.

SEC Revenue and Financial Savings

- Initiatives offset costs from other departments
- Green Communities Grants
 - Initial Designation Grant of \$137,250

- Up to 10% could potentially support administrative staff
- Future Green Communities grants: potential for \$100K to \$200K, annually
 - However, more towns have become Green Communities, which means that the funding “pot” is being split among more communities
- Grants for Energy Conservation Measures (ECMs) will save on capital and operating costs
- Sustainable Development Guidelines will reduce operating costs for future Town buildings
- Wastewise will reduce waste management costs
 - Food rescue in collaboration with five nearby colleges
 - Looking at opportunities with colleges for food waste diversion
- Sustainability measures protect the environment

There was a question whether there are any specific capital costs that will be offset by the ECMs: Yes: HVAC upgrades (including energy-efficient boilers), lighting, increased number of electric vehicles, Idle Right technology. Looking at using the initial grant to conduct an audit of wastewater and water treatment operations; believe there is a lot of untapped low-hanging fruit there for energy savings. Working with Dave Cohen and Mike Pakstis on this; will set us up for competitive grants in the future, where we must show potential energy savings to obtain the grants.

As a result of the Green Community designation and the grant award, we will now be required to do a lot of additional reporting, which is one reason we need the additional staffing/funding.

8:15 p.m. Permanent Building Committee (PBC) re: Town Hall Envelope project

Matt King, Chair, and Steve Gagosian, Design and Construction Manager, Facilities Management Department (FMD), were present.

- Feasibility study was completed September 2016 by McGinley Kalsow & Associates (MKA)
- Design funds approved at ATM in 2017
- Schematic Design submitted to PBC in November 2017
- Project is currently in Design Development (at 40% drawings stage)

Schematic Design Review

Drawings and photos from the Design Review were presented:

Roofing

- Infrared scans helped analyze conditions
- Not replacing the entire roof, just discrete areas that require attention (failing areas)
- Replacing gutter systems and snow guards, which are bowing out and pulling the flashing out
- Using EPDM for high portions of roof that don't have visual impact

Windows, Trim & Doors

- Refurbishing sashes
- Replacing deteriorating trim with mahogany
- Replacing basement windows
- Replacing entryways that need to be replaced

Masonry

- Looking for a heavy emphasis on the masonry contractor in the bid
 - May want mason to serve as general contractor; ties whole project together
- Urns are in various stages of deterioration due to the elements and the failure of the interior dowels that tie them to the bases
 - Urns have been removed for public safety and for preservation

- Many different kinds of mortar have been used over the years; evaluating the extent of re-grouting
- Stonework has to be matched; several boulders of “Longmeadow Brownstone” have been located in Vermont and we may buy them

Massachusetts Architectural Access Board (MAAB)

- Steve attended preliminary review meeting with Tom Hopkins of the MAAB
- Positive feedback for three permanent variances (two entrances and the circular stairs) we are seeking
- Time variances also viewed as reasonable given clear intent to do interior project (RFP for interior project had just been issued)
 - If interior project doesn’t go forward, the time variance work will have to occur within five-year period
 - Possibility of applying for some permanent variances among those items (e.g., items that don’t make economic sense)
 - Rough estimate for time variance work is in the area of \$800,000 to \$1 million
- Official MAAB meeting on January 8 and Town should hear shortly thereafter
- Architects (MKA) are very highly regarded by MAAB

There was a question on what triggers MAAB review: If you do work that is more than 30% of the assessed value of the building, you trigger review. Town Hall has a low assessment and the amount of work we are planning hits the 30% trigger point for full compliance. We asked for some permanent variances due to economic unfeasibility and the historic nature of the building; we asked for some time variances for items that had more involved renovations (e.g., bathroom renovations, floor elevation differences, floor ramps, and clearance issues in the basement); and we are doing some other work as part of this project, like counter height adjustment.

Proposed Project Schedule

- Design Development complete; it has to be reviewed
- Contract documents will go out to prospective bidders
- Bids will be in hand by ATM

Construction Schedule

- Looking at a June 1 start
- Completion by August 2019
- Recommend no cold weather masonry work
- Prioritize South and West facades for 2018

There was a question whether PBC is asking for partial or full funding for June 1: Most likely looking for full funding. There should not be a need for a Special Town Meeting within Town Meeting in order to make those funds available for June 1. Bids are expected to arrive March 23, 2018; there will be a placeholder in the warrant article until finalized; final costs will be available in time for ATM.

Schematic Design Construction Budget (based on 40% drawings)

- Construction \$4,225,024
 - Primary contractor \$4,175,024
 - What we expect to see in envelope from General Contractor
 - 3 months extended duration \$60,000
 - Placeholder for now

- Interior Access MAAB & Windows \$20,000
- Custodial OT charges \$15,000
- Legal \$2,000
- Architect and Other Professional Services \$241,824
 - Architect and Engineers \$236,824
 - Reimbursables \$5,000
- Other Professional Services \$531,000
 - Owner’s Project Manager (OPM) \$230,000
 - Possibility of FMD serving this role; not sure FMD has the bandwidth
 - Given unique structure, want to be sure we have the right individual as OPM
 - Clerk of the Works \$301,000
 - Looking at possibility of picking up a temporary employee to save on this cost
 - Have done this for Library and Sprague in the past
- Commissioning \$24,000
- Other General Supplies \$34,000
 - PBC Expense \$1,000
 - Builder’s Risk Insurance \$30,000
 - Submittal Exchange \$3,000
- Contingency \$758,077
 - Hard cost contingency (15% of construction costs) \$638,251
 - Soft cost contingency (15% of architect & OPM) \$119,826
- Total Budget \$5,863,925
- Duration is estimated at 18 months

There was a question whether there is redundancy between the Clerk of the Works and the OPM: Two totally different positions. Clerk of the Works is the owner’s eyes and ears on the project every minute of every day; provides a resource for future claims and a record of construction (photographic and documentary). There was a further question whether there are restoration specialists we could tap into: Architect (MKA) specializes in this; they will be on-site weekly and for monumental activities (e.g., replacing first urn, removing one of 50 shingles from roof). Current OPM also has historical renovation experience. This is another reason why we are looking at mason as general contractor; primary component of project.

There was a question why the Clerk of the Works is so expensive (amounts to \$200,000 year): Has to do with hourly rates and markups; we have used someone at UMass Boston whose typical hourly rate is \$70-80; adds up when you include markup from OPM and contingencies. PBC definitely seeking to cut this cost.

Total budget estimate is \$5,863,925; we’ll get another estimate based on further drawings in two weeks; PBC will return to Advisory.

There was a question on how the project would integrate with the interior redesign project: The condition of the building exterior requires early action; the projects will be two distinct projects. There was a comment that delaying the envelope work to do a feasibility study for the interior work would increase costs and add to the deterioration. There are building features that do not meet accessibility standards.

There was a comment/question that given the costs for the OPM and the Clerk of the Works, it might make sense to take some money out of this project and put it into FMD to increase FMD’s bandwidth:

Yes, can also look at freelance professionals to hire as temporary employees; that becomes a temporary solution to the bandwidth problem.

There was a question on the role of the commissioning agent (\$24,000): Commissioning agent activities include reviewing materials to be sure that the documents incorporate all possible advantages, and inspecting elements throughout the project. There was a comment that it really is an independent review of recommendations made by the architect. There was a question whether the commissioning agent has any liability if something goes wrong: The commissioning agent will be procured through the OPM; it's a standard contract and will provide some liability assurance for the Town.

9:25 p.m. Approval of Minutes/Liaison Reports/Administrative Matters

Andrea Ward made and Lina Musayev seconded a motion to accept the minutes from December 6, 2017, as revised; the motion carried unanimously.

Andrea Ward made and Tom Skelly seconded a motion to approve the minutes from December 13, 2017; the motion carried unanimously.

Schools/Tom Fitzgibbons, Jane Andrews & Todd Cook

- Budget as presented to the School Committee is level-funded and within 3.5% guideline
- There were approximately \$350,000 to 400,000 of additional needs that the Schools identified; got that down to about \$150,000-\$157,000 after discussion and questioning
- Budget will be discussed further at School Committee meeting next week

There was a comment expressing concern with the budget, in terms of (1) the items that weren't asked for in a school system that aspires to provide an excellent education, (2) existing pressure on SPED staff, who reported working through lunch hours to manage some of the students and the degree of difficulty of some of the students.

If you back out the out-of-district tuitions from this year's and last year's budget, you end up with an increase of 1.5% year over year. Impact of out-of-district tuitions is enormous this year; one of the big items Town needs to look at; may need a stabilization fund or some other approach.

CPC/Lina Musayev

- Approved the NRC request for the reconstruction of the bridge at the duck pond and the stone fish ramp at Fuller Brook
- Considering request for bathroom facilities at the track and field
- Considering \$200,000 request for survey and analysis of Wellesley Housing Authority properties
- Heard from Historical Commission on replacement of roof at Fells Branch Library; still trying to get more information on costs, etc.
- Working with Town Counsel to develop a formal grant agreement (after ATM)
- Softball Fields improvement group is working with CPC on a \$500,000 request
- Request from Wellesley Historical Society for \$36,000 to continue archiving project
- CPC coming to Advisory on January 24

Additional Discussion

There was discussion about delay of the Middle School paving project. There was a question what the final Town revenue numbers were, in terms of permit revenues and new growth dollars. There was a comment that the real problem is the number of cash capital requests currently before the Town.

9:41 p.m. Adjourn

Lina Musayev made and Alena Poirier seconded a motion to adjourn; the motion was approved unanimously.

Items Reviewed During Meeting

- *Pension, OPEB, and COLA: Presentation to Advisory Committee*, David Kornwitz and Lynn Whynot, January 3, 2018
- *Sustainable Energy Committee FY19 Budget Proposal: Presentation to Advisory Committee*, Sustainable Energy Committee, January 3, 2018
- Town of Wellesley, Sustainability Coordinator Operating Request
- Town of Wellesley, FY19 Budget Request, *Sustainable Energy Committee: Mission, Services and Priorities*, November 16, 2017 (as updated January 2, 2017)
- Curriculum Vitae, Marybeth Martello, Sustainable Energy Administrator
- *Town Hall Envelope Project: PBC Presentation to Advisory Committee*, January 3, 2018