

**Advisory Committee Meeting  
Juliani Room, Wellesley Town Hall  
Wednesday, August 29, 2018, 7:00 p.m.**

Those present from the Advisory Committee included Jane Andrews, Julie Bryan, Todd Cook, Rose Mary Donahue, Bob Furlong, Mary Gard, Jeff Levitan, Bill Maynard, Dave Murphy, Lina Musayev, Betsy Roberti, Mary Scanlon, Tom Skelly and Andrea Ward.

Tom Skelly 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. Moderator's Orientation for Advisory Committee Members**

Don McCauley, Town Moderator, welcomed the new Advisory members and thanked them for their willingness to serve.

- Advisory is a remarkable institution and gives unique perspective
- Advisory doesn't report to the Town Moderator
- Opportunity to be the eyes and ears of Town Meeting (TM)
- Primary duties are to review and make recommendations on all proposals that will come to TM; not a decision-making committee; tasked with providing extensive evaluation and due diligence of all proposals going before TM
- Through process, Advisory members will see remarkable volunteers and officials manning the volunteer boards in the town
- Advisory operates with an atmosphere of respect and collegiality while exploring assumptions and digging deeply into proposals to evaluate them in a way that is not feasible on the floor of TM
- Key to Advisory is diversity of points of view; outlook and experiences of Advisory members allow them to look at all angles of each proposal
- A proposal that produces a lot of discussion at Advisory might sail through TM with no comment, or there might be a lot of discussion on another proposal that Advisory had less concern with
- Advisory helps TM by shaping proposals through views and questions that might come up
- Key to Advisory is back and forth discussion; Advisory members should not be reticent to ask a question even if it's a tough or uncomfortable one; Town boards value Advisory's perspective and help
- Advisory has investigatory powers under Town bylaws; broad remit in what it can look into
  - If Advisory members want to do an inspection, conduct site visit, or obtain financial information, don't be afraid to ask
- In the past, Advisory efforts to look into issues have helped lead to changes (e.g., formation of Town-wide financial plan; creation of Facilities Management Department (FMD))
  - Among Town government, Advisory is uniquely "un-decentralized" body—has broad perspective—while the rest of Town is decentralized government
  - Advisory has unique ability to evaluate and compare and contrast priorities in Town, particularly when get into budget season

- Technical issues with respect to Open Meeting Law, which applies to Advisory; Town Counsel can come and present or serve as resource to Advisory if desired
- All outside communication, such as a reporter asking questions, should go through Advisory Chair
- One area of communication that's a challenge is the liaison function
  - Specialization through liaison assignment is essential to Advisory process
  - Advisory's discussions will produce questions that liaisons will bring back to the boards
  - Important and helpful to process to develop a relationship with the boards; get a lot of good information and feedback
  - Be mindful that Advisory members are not the champions of the boards; Advisory is there to ask questions, evaluate and ultimately to help TM with its evaluation of proposals
- Tradition of Advisory is not to take public positions on local issues; Advisory members are asked not to endorse local candidates or work on campaigns; Advisory needs to be impartial
- Those on Advisory who are not TM members should run for TM, so they can vote at TM on the issues they have discussed
- Remarkable camaraderie on Advisory that's built on respect and discussion and a common love for the Town

There was a question whether Advisory members may advocate for candidates and take positions in state and national elections: Yes.

There was a question as to how Advisory members will find out about the issues related to their committee assignments: It will take time to learn all the issues; Advisory members should attend the boards' meetings and observe discussions there; new Advisory members should also review last year's Advisory Report.

There was a question as to how many Advisory members are *not* Town Meeting members: Seven.

Advisory members are encouraged to reach out to the Moderator with any questions.

### **7:23 p.m. Finance Director's Municipal Finance and Budget Review**

Sheryl Strother, Finance Director, and Blythe Robinson, Executive Director, presented.

#### Introduction

- Ms. Strother has worked for Town for 13 years, in local government for 24 years, and in the private sector prior to that
- Finance Director and Executive Director share perspective of fiscal conservatism
- This presentation is more of an orientation rather than hard core numbers; can come back to Advisory later with more details
- Advisory's charge is to understand the Town's financial and budget background; schedule budget discussions with the Town's boards/departments; understand financial proposals and evaluate these against the Board of Selectmen's (BOS) budget guidelines; inform citizens and TM members with the Advisory book; and, make recommendations to TM
- Advisory's tools include Finance Department and Executive Director staff; training sessions (e.g., Association of Town Finance Committees conference scheduled for November 3, 2018); past Advisory reports; Town's comprehensive financial report, available on Town website; state Department of Revenue comparative data and other financial information, available online

- Introduced budget preparation manual for Town last year; codifying practices that Town has been employing over past 12-13 years

#### Guiding Financial Principles

- Town’s commitment to excellence in all endeavors—education, technology, vision/leadership, community/inclusion and environment—echoed in financial metrics/financial principles
- Guiding financial principles of the Town that are called the 5 “P”s:
- *Pay for the full cost of current services and operations*, including paying for past service liabilities (pension and other post-employment benefits (OPEB)); Pension Board can provide more detailed discussion if Advisory would like
- *Proactively address emerging issues*: e.g., school financing, community needs/vision, housing planning/40Bs, land purchases/use, building construction/use, employee costs (contracts and healthcare), and sustainability
- *Protect against material risk*: Town self-insures for workers’ compensation; Town maintains certain reserve levels and has stabilization funds; protects credit rating and borrowing capacity
  - Town contemplating action this year with respect to special education stabilization fund, which was set up two years ago; School Department Medicaid reimbursements are put into that; fund can be used by vote of Board of Selectmen (BOS) and School Committee (SC); conversation about whether to put more money into that fund

There were questions as to who is going to make decision about adding to special education stabilization fund: BOS will be discussing and possibly bringing proposal forward to Town Meeting as preferred way to handle special education costs as opposed to circuit breaker rollover in terms of transparency; would have to be standalone article at Town Meeting; goal is to identify special education needs that are hard to foresee and whether it makes sense to put money away to smooth those needs out rather than going into Town reserves that are needed for other purposes, as well as recognizing we don’t always know about state reimbursement.

- *Preserve Town assets*: e.g., creation of Facilities Management Department (FMD), asset repairs, replacement cycles
- *Plan for the long term*: multi-year capital planning (we are doing a better job at looking at out years); asset management program; Town-wide Financial Plan (TWFP) requires a multi-year operating forecast (not all towns do that); strategic planning (including Unified Plan initiatives); employee succession planning (many Town managers are older; hard to hire into the municipal field; planning for next generation and identifying employees to take those management spots); tax impact rate for affordability for diverse groups in Town

#### Financial Snapshot

- Local receipts increased significantly from 2017 to 2018; building permits are good largely thanks to the colleges
- Numbers presented here are for FY18, which ended on June 30, 2018; currently in FY19; will be budgeting during the year for FY20
- Interest income was good; as interest rates creep up, has rebounded up to the \$400,000-\$500,000 range
- State receipts are on target; Commonwealth is in very strong position and economy doing well
- Expense turnback was \$1.6 million higher in 2018 than 2017

There was a question as to why the turnback increased: Lion’s share of turnback due to School Department returning \$500,000 that had been over-encumbered in 2017 along with an \$800,000 salary turnback from School Department; overbudgeting of salaries in 2017 and 2018.

There was a follow-up question as to what is being done to prevent this from happening again, and whether Finance is assisting the School Department to prevent a repeat: It would be great to recast 2019 so that 2020 can be built on that base; would like to be able to compare actual to actual; would help with transparency and understanding; certainly there was the potential to have a special education shortfall but all along there was a salary overage.

There was an additional question as to the amount of the total turnback: Around \$3 million.

There was a question whether, since the planned Grove Street paving did not happen, the funds appropriated at Annual Town Meeting (ATM) for that were turned back: Grove Street is a capital project and those funds don't get turned back until completed; DPW had too much work to complete Grove Street and Granite Street this year; in upcoming Town conversations about capital planning, timing of projects and what work can actually be done needs to be discussed.

There was a question as to what happens to turnback money: It becomes fund equity and a portion of that is certified as free cash and is available for use for the whole Town.

- Ms. Robinson noted that the Town is excited about the new Assistant Superintendent of Schools, Cindy Mahr; she brings great experience from her prior position in Weston; she is a Wellesley resident; she assisted during the transition of business managers in School Department in 2012
- Revenues exceeded expenditures by over \$1.6 million and reserves have increased to the 9-10% range at this point in time; BOS has a policy to maintain reserves in the 8-12% range so current position is quite healthy
- In the outlook for 2019, local receipts will exceed budget projections this year; state receipts will continue to be strong; new health insurance plans have been implemented but further analysis required (still enrolling School employees in the fall; there will be savings in 2020, but could be hiccups in 2019 as Town pays bonuses for employees to go to high deductible plan); HHU status, demolition delay and 40Bs will also impact 2019; turnback always affected by weather, utility costs and unforeseen delays
- In the outlook for 2020, forecast for local receipts to continue to be strong; hope that new growth will continue to be strong; state still strong; question as to health insurance changes and whether Town has done enough in that area; significant interest in capital projects for various boards; upcoming large capital projects (e.g., HHU, Town Hall interior (ADA requirements that must be addressed within three-year time frame imposed by state in connection with exterior work), PAWS needs, Middle School projects, and some elements of the Unified Plan)

There was a question as whether there are surprises every year: Yes, a good example is the interior of Town Hall; community meeting to be held September 12 to determine Town's feelings about adding on to the present building or constructing an additional, more utilitarian building somewhere else (like Needham did for the equivalent of Wellesley's current "ground floor departments" (land use departments)); interior work on Town Hall needs to happen within the state-imposed three year time frame.

There was a question whether the land use departments have a lot of foot traffic: Yes, Town Hall parking lot is filled with contractors in the morning; however, electronic permitting is being rolled out later this fall, which is expected to reduce foot traffic.

#### Cash Capital Trends

- Cash capital "asks" have increased in recent years; seems to be limitless trajectory

- Requests have led Finance Department/Executive Director/BOS to embark on development of capital projects policy
  - First step was codifying budget process
  - Next step was establishing range for inside-the-levy debt service plus cash capital; BOS set that range at 6.2% to 6.8% of revenues so as not to impact operating budget

There was a request to define cash capital for new Advisory members: Very difficult; was supposed to be items over \$5,000, but now saying maybe items of \$10,000 value, with longer life (e.g., five years); as budget pressure mounts, some boards have been moving items from operating costs into cash capital; need more clarity on this; at present there are hybrid situations, like longstanding practice of keeping police cruisers in operating budget because they are so essential and have a three year life, or School computers in cash capital instead of operating budget to increase visibility and prevent raising Schools' operating budget base by large amount each year.

There was a comment that Advisory would like to discuss with IT Department the practice of replacing servers (at high cost) instead of using the cloud more.

- Cash capital used to be maintenance and catching up; over time has become more “wishes and wants” rather than needs—items that department doesn't want to put in operating budget and have be subject to the guidelines
- Capital should really be capital items, but need a fair way to transition from one system to the other
- IT is spread out in Town and Advisory can help push thinking in this area (e.g., information security, firewalls); Advisory has had some traction in recent years with School computer purchases
- Recent example of how departments collaborated across Town: Library and Schools wanted to install a time and attendance system, and DPW already had one, so convened departments to try to be efficient

There was a comment that when Advisory talked to Schools a few years ago, they were open to discussion about better practices (e.g., Chrome book program working well); clarity around capital projects will be helpful; since ordinary Town capital funding process is three year model (feasibility funding in year one, design funding in year two, and construction funding in year three), would like to begin asking departments for a five year look-out; would like to see two years' worth of thought before going to feasibility.

- Beginnings of a draft capital policy have been presented to BOS and to various boards for comments; goal is to have everyone use the same forms; fleshed out 12 items that would be a reason for a capital expenditure project, to help with evaluation of projects internally; would be great to prioritize across the Town, but unlikely to do so in year one as departments are still working in silos even though they are prioritizing in their own silo
- When all capital projects are put together, it's more than Town can spend; need to find a way that works for Wellesley to make decisions among projects

There was a comment that the Town of Arlington has a separate capital projects committee and boards have to present capital requests five years out.

- Not doing operating override with so many planned projects in Town that will need debt exclusion; we have not tapped our ability to be efficient and creative in our approach to solving problems

There was a comment that the work put in by the Finance Department and Executive Director on the budget side to try to provide uniformity for all boards and departments has been a valuable contribution for Advisory and for boards. There was a further comment that the Unified Plan will provide outline of what the priorities for Town should be.

- Another example of departments working collaboratively is around community social services; meeting scheduled for September 12 with the Board of Health, Schools, Council on Aging, Police and Fire

#### Debt Considerations

There was a question as to what the likely debt exclusion projects are other than HHU: Middle School bundle, Town Hall interior, maybe PAWS.

- Explanation of debt exclusion: Debt service on excluded debt can be added to the levy and is not within the constraints of Proposition 2 ½; big consideration and raises the tax bill significantly; requires not only Town Meeting approval (two-thirds vote) but ballot vote of all Town voters
  - Excluded debt is put on the tax bill until it is paid off; operating override is a permanent increase in the levy
  - Wellesley caught up on OPEB (past service liability for employees' health care) by doing a debt exclusion

There was a question why, given apparent control mechanisms around Town departments, the School Department is separate: All budgets are controlled and proposed to Advisory in line item detail; budgets are voted by Town Meeting and put in the financial system by line item; every expenditure is measured against the budget; however, state law gives schools more latitude with their budgets.

- Trying to manage debt and protect AAA rating to get lowest borrowing costs possible

#### Next Steps

- Finance Department will be making presentation to BOS at upcoming meeting on where we are on FY19 and then going forward to FY20
- There will be much discussion about capital this fall; already had five meetings; possible round table Saturday meeting to give board chairs an opportunity to talk with BOS re: capital projects; Advisory representatives should attend
- Desire to get Advisory report done earlier/ease the process; Advisory in turn would like to reduce (and make consistent) Article 8 discussions by each board/department, and, where board seeks to have longer discussion of operations/goals, encourage filing of report at back of Advisory book
- Town is hiring a new communications director who will be working on the website

There was a comment that a lot of the timing for the Advisory report is beyond Advisory's control; Advisory gets articles late from proponents and sometimes budgets are not set; would be helpful if boards can, in general, be encouraged to get things to Advisory early/in a timely manner.

#### **8:40 Liaison Reports/Administrative Matters**

##### School Building Committee (SBC)/Jane Andrews

- Encouraged Advisory members who did not attend August 22 meeting with the School Committee/BOS re: Special Town Meeting to watch presentation online before the public hearing scheduled for September 5

- Busy summer for SBC covering two projects – Hardy/Upham MSBA project and the Hunnewell project; these two projects are being run on two separate timelines
- Update on Hunnewell project:
  - Owners' Project Manager (OPM) has been chosen from 14 applicants and three finalists
    - Compass is OPM– one of the founding members is a school committee member in neighboring town
  - Similar process led to selection of SMMA (Symmes, Maini, McKee and Associates) as designer—architects who also worked on the High School project
    - Bill McClay of SMMA is nationally known specialist on sustainability
    - Impressed with ability to build consensus and knowledge of Town
  - Kevin Kennedy is the FMD person assigned to Hunnewell project
  - Getting work plan in place; very active process over the next six months
  - September 20 kickoff meeting at the High School
  - Goal of seeing whether we can start the Hunnewell project before the Hardy/Upham MSBA project; goal is to have a plan by this spring
  - Develop options and community feedback on options; question of whether we go forward before or after Hardy/Upham; save \$6 million if can go first
- The Communications and Outreach Subcommittee of the SBC is working on community feedback; will be a big part of both projects
  - SBC information is currently on the Town of Wellesley website; SBC welcomes feedback about the site

#### Board of Health/Mary Gard

- Round table meeting scheduled with mental health and social services organizations to see where there is overlap; looking for efficiencies; previous meeting that included Police, Fire, Schools and Council on Aging revealed how overworked everyone was

There was a comment that Advisory works at the board level (vs. department/staff level); liaisons should attend board meetings, listen and report back to Advisory; if board seeks Advisory advice, bring questions back to Advisory to get feedback; Advisory role is to help with process and be financial stewards of town.

There was a further comment that September 5, 2018 is the public hearing for the STM warrant and Advisory will vote that night; Advisory will talk/debate about the article so that everyone understands the issues; if Advisory needs more time, vote can be pushed back to September 12.

#### **9:03 p.m. Adjourn**

Tom Skelly made, and Rose Mary Donahue seconded, a motion to adjourn. The motion passed unanimously.

#### **Items Reviewed During Meeting**

*Financial Orientation for Advisory Committee*, Power Point Presentation, Finance Department (August 29, 2018)