

TOWN OF WELLESLEY



ADVISORY COMMITTEE LETTER Annual Town Meeting — Monday, March 25, 2019, 7:00 pm Wellesley Middle School Auditorium

TERM ENDS 2019

Jane Andrews
Rose Mary Donahue
Dave Murphy
Tom Skelly, Chair
Andrea Ward, Secretary

TERM ENDS 2020

Todd Cook, Vice Chair
Mary Gard
Paul Merry
Lina Musayev
Betsy Roberti, Vice Chair

TERM ENDS 2021

Julie Bryan
Bob Furlong
Jeff Levitan
Bill Maynard
Mary Scanlon

To the Citizens of the Town of Wellesley:

March 4, 2019

Annual Town Meeting (ATM) will convene on Monday, March 25th, 2019 at 7 PM in the Wellesley Middle School Auditorium. All residents are welcome to attend. The proceedings may be followed on Wellesley Media Corporation's Government Channel (Comcast Channel 8, Verizon Channel 40). The ATM will also be live streamed at www.wellesleymedia.org/live-streaming.

I am writing on behalf of the Advisory Committee to provide you an overview of the budget for Fiscal Year 2020 (FY20), which runs from July 1, 2019 to June 30, 2020, and to briefly describe several other significant matters that Town Meeting will take up.

Notable matters coming before the 2019 ATM include:

- A proposed balanced budget for FY20, including both operating and capital items (Article 8)
- Funding for the Special Education Reserve Fund (Article 11)
- Additional funding for the Town Hall Exterior Restoration Project (Article 17)
- Design funding for the renovation of the Wellesley Main Library (Article 18)
- Funding for replacement of elements of the Middle School steam pipe distribution and heating system (Article 19)
- Design funding for other Middle School repairs, including exterior facade, interior doors/cabinetry/millwork, selected HVAC systems, and kitchen (Article 20)
- Funding for softball field construction (Article 21) and replacement of the Sprague turf fields (Article 22)
- Funding for acquisition of a new fire engine (Article 24)
- Amending the Zoning Bylaws through general renumbering, recodifying certain sections, updating the off-street parking provisions and adding a new section concerning outdoor lighting (Articles 29 through 32)
- Amending the General Bylaws to update fees and to transfer responsibility for personnel policies from Town Meeting to the Human Resources Board (Article 35)
- Amending the General Bylaws and providing funding to allow electronic voting at Town Meeting (Article 36)
- A Citizen Petition asking Town Meeting to pass a resolution commemorating Indigenous Peoples Day instead of Columbus Day (Article 38)

A comprehensive *Reports to the Annual Town Meeting* containing the Advisory Committee's recommendations and all related board and committee reports to the 2019 ATM will be mailed to all Town Meeting Members. The report will also be posted on the Town's website at <http://www.wellesleyma.gov>. Copies of the report will be available at the Town Clerk's office and at the Wellesley Free Library.

The Advisory Committee was continually impressed by the dedication, expertise and knowledge of all those who presented to us throughout the year. The Committee was also awed by and grateful for the many hours that elected and appointed officials, Town employees, and other concerned citizens devote to make our Town run so efficiently and effectively. Not only does Wellesley have an excellent, dedicated and highly professional staff, but volunteerism is alive and well in Wellesley, too. All the people who came before us this year share a common goal of making Wellesley a better place in which to live. The Advisory Committee always welcomes input, whether through the Citizen Speak opportunities that are available at all our meetings or via email (advisorycommittee@wellesleyma.gov).

Sincerely,

Tom Skelly, Chair
Advisory Committee

Key Features of the Proposed FY20 Budget July 1, 2019-June 30, 2020

	FY19	FY20	\$	%
	Budget	Request	Inc/(Dec)	Inc/(Dec)
Sources of Funds				
Taxes	\$ 128,943,120	\$ 133,966,698	\$ 5,023,578	3.9%
State Aid	10,347,974	10,682,235	334,261	3.2%
Local Revenue	11,031,434	11,428,143	396,709	3.6%
Free Cash to balance	2,646,079	2,500,000	(146,079)	-5.5%
Other free cash items	-	1,985,670	1,985,670	0.0%
Other Sources	1,615,088	1,476,945	(138,143)	-8.6%
CPA Funds	918,000	887,500	(30,500)	-3.3%
CPA to offset debt	550,244	552,044	1,800	0.3%
Exempt Debt	12,001,845	10,888,408	(1,113,437)	-9.3%
Total Sources	\$ 168,053,784	\$ 174,367,643	\$ 6,313,859	3.8%
Uses of Funds				
School	\$ 74,428,918	\$ 76,783,930	\$ 2,355,012	3.2%
Other Town Departments	37,700,743	38,974,935	1,274,192	3.4%
Employee Benefits	30,049,712	31,092,999	1,043,287	3.5%
Cash Capital	5,305,108	5,913,417	608,309	11.5%
Debt Service (inside Levy)	4,002,083	4,300,000	297,917	7.4%
Other Uses	4,015,131	5,861,910	1,846,779	46.0%
Exempt Debt	12,552,089	11,440,452	(1,111,637)	-8.9%
Total Uses	\$ 168,053,784	\$ 174,367,643	\$ 6,313,859	3.8%
Surplus/(Deficit)	\$ (0)	\$ -		

Sources of Funds

The 3.9% growth in Taxes is the result of the allowed 2.5% increase in taxes and \$1.8 million of new growth. State Aid reflects a very robust 3.2% increase. Local Revenues (which include interest income, motor vehicle excise taxes, licenses and permits, parking fees, and meals taxes) increased by 3.6%. Free Cash reserves of \$2.5 million used to balance the FY20 operating budget are consistent with FY19. Total use of Free Cash for all purposes of \$4.5 million represents an increase from the \$4.1 million used in FY18 and the \$2.6 million used in FY19. This increase reflects the continued growth of reserves in Town and the prospects for a strongly positive conclusion to FY19. The Town's fiscally responsible, conservative budgeting leads to Free Cash available at fiscal year-end for the next year's budget without compromising the Town's reserve levels. However, Free Cash is not free. It represents the reserves the Town has prudently built up over time and it should be utilized sparingly. The Town's reserves (the sum of the balances in the stabilization funds and Free Cash) are currently projected at 10.7% of budgeted operating revenues, which is within the Financial Reserves Policy range of 8% - 12% established by the Board of Selectmen (BOS) and represents an increase from FY19, when reserves stood at 9%.

Uses of Funds

Schools: The Wellesley Public School system represents the largest use of Town funds. The FY20 School budget put forward by the BOS in the Town-Wide Financial Plan (TWFP) is \$76.8 million. When benefits for new positions are included, this represents a 3.50% increase over last year's budget. This percentage increase is higher than the FY20 budget guidelines established by the BOS last September (3.0% increase for Schools and 2.5% increase for all other departments), but it is less than the FY20 budget that was voted by the School Committee (3.65% increase, or \$77.2 million). The School operating budget plus school employee benefits, school facilities management and school-related capital expenses (including inside-the-levy and exempt debt service related to School buildings) will total approximately \$110.9 million or 65% of the Town's FY20 budget. These costs will increase in coming years as the projects to replace two elementary schools (Hunnewell and either Hardy or Upham) continue to advance. We ask that all citizens of Wellesley analyze this budget carefully. One of the top priorities of Wellesley has been and continues to be educating our children. At the same time, it is critical that the Town remain vigilant in controlling costs and expenses.

Special Education: One of the areas of the School budget over which the School Department and School Committee have little control is special education. The variability and unpredictability of special education expenses, which at \$21.3 million account for approximately 27.7% of the FY20 School budget, makes them difficult to manage. From year to year, the number of students receiving special education services and the complexity of each student's individualized educational program changes. The Commonwealth funds special education on a retroactive basis, which further complicates proper fiscal planning. Please pay special

attention to Article 11 at the 2019 ATM, through which the School Committee and the BOS are asking to increase special education reserves in order to help smooth out variations in expenses in the future and limit intrusion on the general education budget.

Personal Services: Personnel costs make up 75.4% (57.2% salaries and 18.2% benefits) of the overall Town budget. Increases in salary of \$4.27 million (4.6% increase over FY19) continue to be one of the primary drivers of budget increases. FY20 also presents a very interesting additional challenge for the Town budgets. Instead of the usual 52 weeks in the fiscal year, there are 52.4. This means that what would be a 2.5% increase in a department's personal services budget in an ordinary year becomes a 2.78% increase due simply to the additional days in the fiscal calendar. Most of the Town boards have wrestled successfully with this challenge, finding ways to reduce other aspects of their budgets to stay within the 2.5% guideline increase. However, some boards have exceeded the 2.5% guideline, and others have added full time equivalents (FTEs). There continue to be increases in personnel costs due to employees moving up in steps (corresponding to years in service) and across lanes (corresponding to academic degrees for teachers), cost-of-living adjustments for all employees, and the need to bring an employee up to a competitive salary for the particular position.

Employee Benefits: Employee benefits are projected to cost the Town \$31.1 million in FY20. While this figure represents 18.2% of the Town's operating budget, the health insurance budget is \$574,000 less than had been projected in the 2018 TWFP. The reason for this is the success of the Town's recent health insurance initiatives, which have led a larger than anticipated number of employees to choose less costly high deductible plans. In the plan's first year, 25% of eligible employees, a far greater percentage than was anticipated, chose the high deductible plan, resulting in FY19 savings of approximately \$1.0 million. The Town projects that the combination of employee turnover and education about the benefits of the high deductible plan will result in cost containment over the next two years, with health insurance and other related costs estimated to increase by 3.1% to \$20.2 million for FY20. Pension plan contributions will increase by 6.11% to \$7.5 million, and Other Post-Employment Benefits (OPEB) will continue to be funded with a \$3.4 million contribution. With the pension plan slated to be fully funded by 2030 and OPEB by 2037, the Town remains at the forefront of municipalities in fulfilling its obligations to its retired employees. Bond rating agencies in turn reward the Town for funding these obligations through higher bond ratings, which result in lower borrowing costs for the Town.

Capital Spending: Cash capital in the FY20 budget is \$5.9 million, an increase of 11.5% from FY19 but still below the FY18 level of \$6.7 million. The BOS established a debt policy in 2018 that limits spending for cash capital and inside-the-levy debt-funded projects to a range of 6.2% - 6.8% of recurring annual revenues. For FY20, the Town will be at 6.5%, in the middle of that range.

Facilities and Other Capital Needs: Appropriations will be requested for the following FY20 capital projects, all paid for with inside-the-levy borrowing, transfers, and Free Cash, consequently requiring no override:

- Town Hall Exterior Additional Funding \$575,842 (Article 17) -- Transfer and Free Cash
- Library Interior Renovation (Design) \$268,376 (Article 18) -- Borrowing
- Middle School Steam Pipes Replacement (Construction), estimated at \$4.2 million (Article 19) -- Borrowing
- Middle School Building School Systems (Design) \$1.3 million (Article 20) -- Transfer and Free Cash
- Softball Field Construction \$1 million (Article 21): \$300,000 Town (Borrowing); \$500,000 CPC; \$200,000 private
- Sprague Turf Field Replacement \$1 million (Article 22) -- Transfer and Borrowing
- Walnut Street Design \$150,000 (Article 23) -- Free Cash
- Fire Engine Replacement \$735,000 (Article 24) -- Borrowing

Looking Ahead

Large capital expenditures over the next 10 years could cost as much as \$185 million. Most of those costs will be for the replacement of the Hunnewell School and either the Upham School or the Hardy School. The Hunnewell project will be funded in the usual manner the Town funds large capital projects. For the Upham/Hardy project, the Town is partnering with the Massachusetts School Building Authority and may be eligible for up to 30%, or approximately \$17 million, of the project costs. Please see the School Building Committee link on the Town website for more information about these projects.

<https://wellesleyma.gov/774/School-Building-Committee---HHU>. Construction funding for both the Middle School repairs/renovations (design funding sought at this ATM, Article 20) and a project to repair the interior of Town Hall would, like the elementary school projects, require voter-approved debt exclusions. Potential construction of a Town Hall annex, as well as construction funding for the Main Library renovation project (design funding sought at this ATM, Article 18), would be accomplished through inside-the-levy borrowing. The Town-Wide Financial Plan, which will be reprinted in the Advisory Committee's *Reports to the Annual Town Meeting*, includes a chart showing the proposed major projects being contemplated by the Town and a tentative financing schedule. This kind of information is useful in understanding how the various projects may overlap, analyzing the ability of Town staff to oversee the projects, and planning for Special Town Meetings and possible debt exclusion votes.

The Town is in the process of implementing its recently adopted and state-approved Housing Production Plan. If the Town can reach a threshold whereby 10% of its housing units are deemed affordable (as of January 2019, the Town was at 6.77%), the Town will be able to exercise more control over the type, location and design of residential development. In connection with this effort, there is likely to be a Special Town Meeting (STM) later this spring to consider zoning changes for projects currently under discussion, including a major project at Wellesley Office Park on Williams Street. More details on any potential STM will be forthcoming. You can keep informed about these important matters by accessing the "Current Projects" tab and the Planning Board's page on the Town website. See <https://wellesleyma.gov/> and <https://wellesleyma.gov/1298/Wellesley-Park-40R-District>.



Advisory Committee
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TOWN OF WELLESLEY

ANNUAL TOWN MEETING
March 25, 2019, at 7:00 pm
Wellesley Middle School Auditorium



Advisory Committee Letter

Key topics Annual Town Meeting will be asked to consider:

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