



Town of *Wellesley*
 FY2021 Budget Request
 Group Insurance: Mission, Services & Priorities

Group Insurance

The Group Insurance budget covers the Town’s share of health Insurance premiums for active and retired employees. In addition, it includes life insurance, dental insurance, long term disability insurance, an employee assistance program, and the Town’s share of the Federal Medicare Tax. The tax-impact budget request is net of reimbursements from the Enterprise Funds for their personnel.

Group Insurance benefits for active and retired Town and School employees continue to comprise a significant percentage of the total budget, with the health insurance component growing at a faster rate than revenues. In recent years, health insurance has been a major factor in the difficulty of balancing the Town’s budget. In response, the Town has implemented a number of changes, many of which have been subject to collective bargaining.

Recently the Town reached an agreement with its unions, effective July 1, 2018, to replace the “Rate Saver Plans” purchased through the West Suburban Health Group with two “deductible” plans that are more cost effective for the Town. The change will moderate cost and continue to provide an excellent choice of health care plans for employees and retirees. Although the changes in plan offerings will slow the growth in health insurance costs to a more affordable level, **all staffing additions must be thoroughly vetted** because of their negative impact upon benefit costs.

Group Insurance Operating Request							
Org	Object	Account # 01-914 Account Title	FY19 Actual	FY20 Budget	FY21 Request	\$ Variance FY20-21	% Variance FY20-21
21914200	530259	OPEB Consulting	20,000	20,000	20,000	-	0.00%
21914200	575213	Group Health Insurance	16,454,217	16,848,690	17,984,013	1,135,323	6.74%
21914200	578500, 578510 & 575219	FSA, HRA & HSA Administration, Claims, Town Match Fees	246,770	375,000	325,000	(50,000)	-13.33%
21914200		Savings transferred from Health insurance fund	-			-	0.00%
21914200	575212	Health Insurance Consulting & Actuarial Services	2,500	10,000	37,500	27,500	275.00%
21914200	575230	Medicare Tax	1,435,000	1,450,000	1,540,000	90,000	6.21%
21914200	575210	Medicare B Penalty & Refunds		65,000	60,000	(5,000)	-7.69%
21914200	575240	Long Term Disability	46,000	75,000	-	(75,000)	-100.00%
21914200	575220	Group Life Insurance	-	-	-	-	0.00%
21914200	575250	Group Dental Insurance	-	-	-	-	0.00%
21914200	575297	Allowance for Other Insurances	698,800	675,000	675,000	-	0.00%
21914200	578550	VOYA Fees		45,000	30,000	(15,000)	-33.33%
21914200	575260	Employee Assistance Plan	64,800	64,800	64,800	-	0.00%
		Total	\$ 18,968,087	\$ 19,628,490	\$ 20,736,313	\$ 1,107,823	5.64%

Worker's Compensation

The Town self-funds its Workers' Compensation program and has a dedicated employee within the Human Resources department to manage all claims and cases. The program includes the cost of reinsurance to protect against catastrophic cases. An actuarial analysis is performed annually to determine the adequacy of the self-insurance fund and to identify an annual appropriation amount. Because of several years of good claims experience, the Town has reached the balance recommended by its actuarial firm and has therefore been able to keep the 2021 contribution level to 2020.

Workers Compensation Operating Request									
Org	Object	Account # 01-912 Account Title	FY17 Actual	FY18 Budget	FY19 Request	FY20 Request	FY21 Request	\$ Variance FY20-21	% Variance FY20-21
01912200	578010	Approved Special Expenses	\$517,860	\$517,860	\$287,700	\$245,048	\$244,149	\$ (899)	-0.37%

OPEB Liability Fund

Other (than Pension) Post- Employment Benefits (OPEB) liabilities are the cost of the Town's actuarially –determined obligation to subsidize a portion of retiree medical insurance for retired Town and School employees. Drivers of OPEB liability costs include health care costs, the size of the eligible population, and the level of benefits provided. Health care cost inflation, an aging population, consistent benefit offerings, and longer life expectancy have collectively served to increase OPEB costs in recent years.

Since 2006, the Town has been a leader in the Commonwealth in providing an aggressive strategy to fund its OPEB liabilities by 2037. OPEB contributions were increased annually over the course of a decade using a capital exclusion as part of the plan, and eventually OPEB contributions were funded entirely within the levy. The current actuarial funding schedule recommends a level annual appropriation of \$3,432,000, which no longer adds a structural imbalance to the budget. The funded status has continued to improve and the Town now expects the past service liabilities to be fully funded by 2032, with an assumed interest rate of 6.625%. The Retirement Board manages the OPEB investment at the Town's request, and secures actuarial valuations every two years.

OPEB Operating Request									
Org	Object	Account # 01-919 Account Title	FY17 Actual	FY18 Budget	FY19 Actual	FY20 Request	FY21 Request	\$ Variance FY20-21	% Variance FY20-21
01919200	596998	OPEB Non-Excluded	\$2,400,000	\$3,432,000	\$3,432,000	\$3,432,000	\$3,432,000	\$ -	0.00%
01919200	596999	OPEB Excluded	600,000	-	-	-	-	\$ -	0.00%
		EXPENSES TOTAL	\$3,000,000	\$3,432,000	\$3,432,000	\$3,432,000	\$3,432,000	\$ -	0.00%

Pension/Retirement Contribution

The majority of Town employees participate in a defined benefit pension plan, the Wellesley Contributory Retirement System (WCRS). Public School teachers and certain administrators are members of the Massachusetts Teachers' Retirement System, to which the Town does not contribute. WCRS members are required to contribute between 7 and 11% of annual covered compensation (depending upon their hire date. The majority are now at the 11% level: 9% on the first \$30,000, and an additional 2% on the rest). The Town is required to pay its share of the actuarially determined contribution, which includes amortization of past service costs. Employees do not participate in Social Security and contribute significantly more to their own retirement than private sector employees contribute to Social Security.

A chart of the town's pension contributions from FY17 – FY21 is shown below:

Retirement Operating Request									
Org	Object	Account # 01-910 Account Title	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Budget	FY21 Request	\$ Variance FY20-21	% Variance FY20-21
		Contributory Retirement Pension	\$ 7,562,273	\$ 7,835,775	\$ 8,350,000	\$ 8,851,507	\$ 9,438,070	\$ 586,563	6.63%
								\$ -	0.00%
64*	575010	Sewer Contribution	(110,268)	(114,256)	(121,754)	(130,695)	(141,553)	\$ (10,858)	8.31%
74*	575010	Water Contribution	(257,292)	(266,597)	(284,092)	(304,954)	(330,291)	\$ (25,337)	8.31%
64	202049	MLP Contribution	(744,853)	(771,792)	(821,746)	(850,422)	(921,561)	\$ (71,139)	8.37%
		West Suburban Veteran's District	(10,097)	(10,462)	(11,150)	(8,921)	(9,477)	\$ (556)	6.23%
		Wellesley Housing Authority Contribution	(49,649)	(50,805)	(54,833)	(68,606)	(69,407)	\$ (801)	1.17%
01910200	575010	Contributory Retirement Pension	\$ 6,390,114	\$ 6,621,863	\$ 7,056,425	\$ 7,487,909	\$ 7,965,781	\$ 477,872	6.38%

From FY97 until FY09, the Town did not make contributions to the WCRS, because the system was fully funded and investment earnings were more than sufficient to cover the annual cost to the Town. Town employees continued to make their contributions during this period, however. Following the severe downturn in global financial markets in 2008, the Retirement Board made the prudent decision to resume appropriating Town contributions to the system. Beginning with \$1 million in funding for FY10, and ramping up quickly, the contribution increased each year for several years, to achieve an actuarial funding schedule, before leveling off at a rate in line with annual revenue increases by FY16.

The FY21 appropriation of \$7,965,781 (up 6.38% from FY20), has been increased slightly to allow for an increase in the COLA (cost of living) base, which was recently approved by Town Meeting. Scheduled increases slow to under 3.5% annually after 2021, falling into line with or under expected revenue growth.

This schedule will achieve full funding by 2030. The MLP, Water, Sewer and Wellesley Housing Authority each contribute their share of the pension costs. The current amortization schedule is based upon the assumption that the average annual investment return for pension assets will be 6.625%, which is more conservative than other systems within the Commonwealth, but in line with assumptions of other systems nationwide. As has been the case historically, the WCRS is one of the best funded systems in the Commonwealth.

Unemployment Compensation

The Unemployment Compensation budget is used to reimburse the Massachusetts Division of Employment Security for actual claims paid on behalf of the Town. The Town has the option of paying a fixed percentage of payroll, or actual expenses, and has chosen the latter, less expensive approach.

Unemployment Compensation Operating Request									
Org	Object	Account # 01-913 Account Title	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Budget	FY21 Request	\$ Variance FY20-21	\$ Variance FY20-21
01913200	596087	Transfer to Unemployment Comp	\$ 150,000	\$ 150,000	\$ 150,000	\$ 100,000	\$ 100,000	\$ -	0.00%

Compensated Absences

The Compensated Absences budget provides funds to pay eligible employees for sick and vacation time earned in prior years upon retirement, termination or death subject to the provisions of the respective collective bargaining agreements. Because these payouts cannot always be predicted or absorbed, this appropriation serves as a reserve for non-school budgets. Any unused amounts at fiscal year- end revert to free cash. Non-union contract employees are not compensated for unused sick time, and vacation carryover is limited by Town bylaws and Human Resources Policy.

Compensated Absences Operating Request									
Org	Object	Account # 01-950 Account Title	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Budget	FY21 Request	\$ Variance FY20-21	% Variance FY20-21
01950100	519020	Sick Leave/Vacation Buyback	\$ 75,800	\$ 142,786	\$ 76,830	\$ 120,000	\$ 120,000	\$ -	0.00%



Town of *Wellesley*
 FY2021 Budget Request
 Cash Capital and Debt Service

CASH CAPITAL AND DEBT SERVICE

Cash Capital includes appropriations for the purchase of equipment, furnishings, minor construction projects or other capital assets that aren't financed by debt; or non-recurring departmental budget items (such as a recertification, for example, or other study that is only required periodically). Typically capital items have a useful life of five years or more and a cost of over \$10,000.

Computers are handled several ways. Individual computers are generally included in the operating budgets, because of their short life. The IT department provides annual operating funds for the routine replacement of individual computers for departments using the Town-supported software. Larger computer systems or networks would most likely be included in capital. School computers are specifically categorized as capital because municipal finance laws allow schools (unlike non-school departments) to transfer money between personal service and expense operating budgets.

Cash Capital Trend

Department	FY17	FY18	FY19	FY20	TWFP 19	Revised
					FY21	FY21
Selectmen	349,913	364,009	240,679	452,089	397,234	451,016
Public Works	1,954,000	2,173,000	2,026,000	2,276,000	2,532,100	2,236,000
Facilities Town	676,500	322,000	691,000	913,000	1,082,000	565,000
Facilities School	1,073,500	1,553,000	1,159,000	937,000	1,083,000	1,435,000
Schools	784,920	2,009,253	947,629	1,101,028	1,105,550	1,104,921
Library	131,300	100,612	76,800	124,300	169,300	94,300
Natural Resources	77,000	141,500	99,000	80,000	202,500	105,000
Morses Pond	-	40,000	40,000	-	39,000	-
Health	8,561	-	-	-	-	-
Planning	80,000	-	25,000	30,000	-	-
Town Clerk	16,385	-	-	-	36,000	36,000
Grand Total	5,152,079	6,703,374	5,305,108	5,913,417	6,646,684	6,027,237

Debt Service is the annual portion of the amortization of /and interest on a loan that is used to procure capital assets. These capital assets are generally larger than the items purchased using cash capital.

Capital projects cash be financed with debt that is either “**inside the (tax) levy**” or “**exempt**” from the constraints of proposition 2 ½. Inside the levy debt competes with other operating budgets for funds each year, whereas the cost of exempt projects can be added on top without that restriction.

The Town had been passing operating overrides (permanent increases) for a number of years in the early 2000's. With the increased capital needs, the focus has shifted in the last 10 years toward debt exclusions (temporary increases that expire when the debt is paid down).

Because of the pressure on other departmental budgets, the Board of Selectmen recently established a policy requiring spending on (1) cash capital and (2) debt service on capital projects financed **inside** the levy, to remain within a target of 6.2%-6.8% of the annual operating revenue.

Many significant capital needs have been identified, and prioritizing limited resources is an ongoing and constantly evolving effort. The Five –Year Capital Budget program (included in appendix X) outlines expected capital requests for the coming years and identifies the potential sources of financing. The Selectmen have added a Major Project Summary schedule to their Town-wide Financial Plan to help communicate and plan for upcoming debt exclusion votes.

HERE

Department of Public Works

The DPW cash capital plan for FY21 is \$2,236,000. Approximately half (\$1,073,000) of the capital requested represents vehicle and equipment purchases. Street and sidewalk improvements total \$660,500 and playgrounds improvement requests are \$375,000. Capital needs are significant in the next five years, and these same categories account for most of the requests.

Facilities management

There are fewer projects requested by Facilities for FY21, but the projects are larger. The largest project (\$900,000) is for chiller replacement at the Sprague Elementary School. Sprinkler replacement projects at the RDF total \$400,000, and High School HVAC projects total \$225,000. During the next five years, 63.6% of the Facilities projects relate to the Schools, and School Facility projects are 20.6% of all cash capital requests over the next five years.

Schools

The School request of \$1,104,921 is comprised primarily (85.2%) of technology needs. Technology needs continue to be significant, and sometimes uneven, with \$5.8 million in technology expenditures over the next five years. In fact, school technology represents 15.1% of all cash capital during this period.

Because of the significant expenditure and very short life of these assets, compared with other cash capital items, technology purchases should be thoroughly evaluated to determine if there are other more cost- effective solutions.

Over the next five years, Cash Capital and debt services costs on projects identified by each department will greatly outstrip the Town's policy. Each year, it will be necessary to revisit the timing of capital projects and re-prioritize based upon the overall needs of the community. This exercise is imperative to avoid compromising the operating budgets. Further, exempt debt projects will place a significant burden upon the taxpayers, so it will be important to creatively and cost-effectively deliver essential services so as to avoid requests for operating overrides.

Debt Service

This budget provides funds to pay the FY21 debt service (principal and interest payments) due on all Town permanent and temporary loans, except those of the Enterprise Funds, which are paid from their respective budgets.

The capital plan shows the entire costs of projects in their expected year of appropriation. However, debt service budgets for these capital projects and their associated tax impact are based upon estimates of the timing of cash flows (staggered vs all at once). These cash-flow needs evolve based on changing construction schedules. Debt service appropriations for debt that has been issued (existing debt) are more predictable than for debt that has not yet been issued. The Town-Wide Financial Plan shows the projected average tax impact of the various projects to be funded with debt.

The Town takes pride in maintaining its Aaa bond rating, which enables it to borrow at favorable interest rates. Most debt is amortized using a conservative level-principal (rather than level payment) approach. Shorter amortizations, which cause debt appropriations to decline quickly and minimize interest charges, are a hallmark of the Town's policy. In recent years, the Town has saved significant amounts by refinancing existing debt at lower interest rates.

Outside the Levy "exempt" debt service has declined in recent years as completed projects have been paid down. There will be a number of significant projects proposed for debt exclusion in the next five years, including two elementary schools, Middle School systems work, and accessibility modifications to Town Hall.

Debt Service	FY17 Budget	FY18 Budget	FY19 Budget	FY20 Budget	FY21 Request	FY20-21 Change
Total Inside Levy Debt Service	3,649,455	4,000,000	4,002,083	4,300,000	5,000,000	16.28%
Outside the Levy Debt Service	12,873,498	12,740,608	12,552,089	11,440,452	11,191,579	-2.18%
TOTAL Debt Service	\$ 16,522,953	\$ 16,740,608	\$ 16,554,172	\$ 15,740,452	\$ 16,191,579	2.87%



Town of *Wellesley*
FY2021 Budget Request
Traffic and Parking: Mission, Services & Priorities

Mission

The mission of the Traffic and Parking Department is to facilitate vehicular and pedestrian safety and orderly movement throughout the community through the appropriate application of traffic regulatory and warning devices. The Department also maintains municipal parking lots and on-street parking meters. This budget is funded from parking meter receipts.

Funds for Traffic and Parking expenditures are provided by parking meter receipts from on-street parking meters and the municipal parking lots and are deposited into the Town's Traffic and Parking Fund. In FY21, receipts are projected to be \$1,224,100 This budget funds the Traffic Fines Processing Department; traffic engineering services; meter maintenance; snow removal; sanding services for the Town's parking lots; and parking lot repair and maintenance.

	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>
<u>PERMANENT STAFFING (FTEs)</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>
<u>Full Time-Equivalent Employees</u>					
Position Titles:					
Administrator	0.5	0.5	0.5	0.5	0.5
Parking Clerk	1.0	1.0	1.0	1.0	1.0
Meter/Sign Repair	0.5	0.5	0.5	0.5	0.5
Parking Attendants	<u>2.6</u>	<u>2.6</u>	<u>2.6</u>	<u>2.6</u>	<u>2.6</u>
Total Number of Positions	4.6	4.6	4.6	4.6	4.6

Traffic & Parking Operating Request

Org	Obj	Munis Object # Account Title	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Budget	FY21 Request	\$ Variance FY20-21	% Variance FY20-21
PERSONAL SERVICES									
27293100	511010	Senior Administrator			\$ 44,864	\$ 62,006	\$ 62,006	\$ -	0.00%
27293100	511220	Other Professional	\$ 99,092	\$ 90,072	\$ 47,093	\$ 60,055	\$ 32,154	\$ (27,900)	-46.46%
27293100	511240	Unif Staff	78,284	72,420	67,612	92,648	93,020	\$ 373	0.40%
27293100	514010	Shift Diff	1,529	665	621	2,000	2,000	\$ -	0.00%
27293100	511350	Laborer	57,941	54,355	46,191	55,000	55,000	\$ -	0.00%
27293100	511230	Traffic Officer	32,880	33,409	35,958	36,085	36,085	\$ -	0.00%
27293100	511370	Clerk Assistance	-	-	4,600	4,625	-	\$ (4,625)	-100.00%
			269,726	250,921	246,940	312,418	280,265	(32,153)	-10.29%
EXPENSES									
27293200	521010	Electricity	10,837	11,104	10,995	12,000	12,000	-	0.00%
27293200	524015	Grounds Maint	35,574	37,077	32,458	32,000	32,000	-	0.00%
27293200	524030	Equip Maint	2,068	1,443	-	3,000	-	(3,000)	-100.00%
27293200	529030	Snow Removal	49,434	62,760	54,835	55,000	60,000	5,000	9.09%
27293200	530700	Arch/Eng	54,935	66,580	22,404	75,000	75,000	-	0.00%
27293200	530900	Other Prof	90,711	83,593	97,216	90,000	95,000	5,000	5.56%
27293200	534010	Postage	851	601	662	1,000	1,000	-	0.00%
27293200	534020	Telephone	1,740	1,277	1,046	2,000	-	(2,000)	-100.00%
27293200	534030	Advertising - General	55	-	-	-	-	-	0.00%
27293200	534040	Printing and Mailing	-	578	-	-	-	-	0.00%
27293200	536100	DPW-PW Services	10,849	9,980	17,490	20,000	20,000	-	0.00%
27293200	538090	Other Services	41,425	46,205	47,243	50,000	50,000	-	0.00%
27293200	542010	Office Supplies	747	2,376	522	600	750	150	25.00%
27293200	542110	Uniforms	3,253	1,454	2,007	4,000	4,000	-	0.00%
27293200	543040	Equipment Supplies	7,776	548	2,990	5,000	5,000	-	0.00%
27293200	543050	Paint Supplies	68,198	55,654	45,015	60,000	60,000	-	0.00%
27293200	543090	Other M & R	20,475	23,902	12,620	25,000	-	(25,000)	-100.00%
27293200	552030	Signs Supplies	30,581	26,234	22,546	30,000	30,000	-	0.00%
27293200	571010	Travel-Mileage	2,476	2,151	1,804	3,000	3,000	-	0.00%
27293200	571540	Parking Lot Imp	6,764	-	12,768	20,000	20,000	-	0.00%
27293200	571550	Traffic Calming	31,914	-	46,131	30,000	60,000	30,000	100.00%
27293200	575210	Health Insurance	-	-	13,486	15,000	40,000	25,000	166.67%
27293200	578020	Credit card	28,383	20,786	19,936	30,000	30,000	-	0.00%
Expense Total			499,045	454,303	464,175	562,600	597,750	35,150	6.25%
P/S and Expenses Total			\$ 768,772	\$ 705,224	\$ 711,114	\$ 875,018	\$ 878,015	\$ 2,997	0.34%
Capital Request				\$ 680,000	\$ 150,000	\$ 100,000	\$ 350,000	\$ 250,000	250.00%
Grand Total			\$ 768,772	\$ 1,385,224	\$ 861,114	\$ 975,018	\$ 1,228,015	\$ 252,997	25.95%