



Town of Wellesley Town-Wide Financial Plan

ANNUAL TOWN MEETING

JUNE 22, 2020





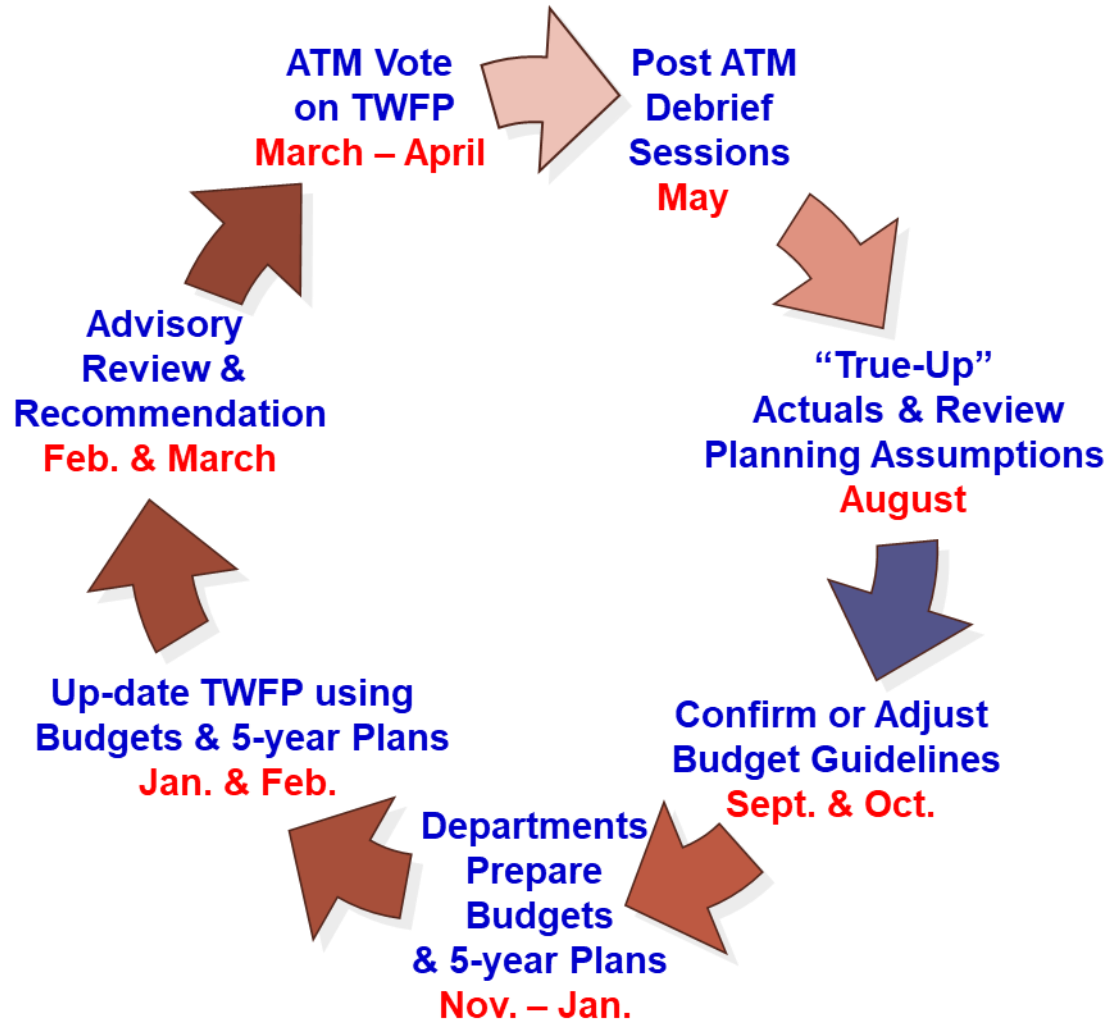
ARTICLE 2

That this Town Meeting hereby acknowledges presentation of the Town-Wide Financial Plan and the Five-Year Capital Budget Program pursuant to Section 19.16.2 and 19.5.2, respectively, of the Town Bylaws.



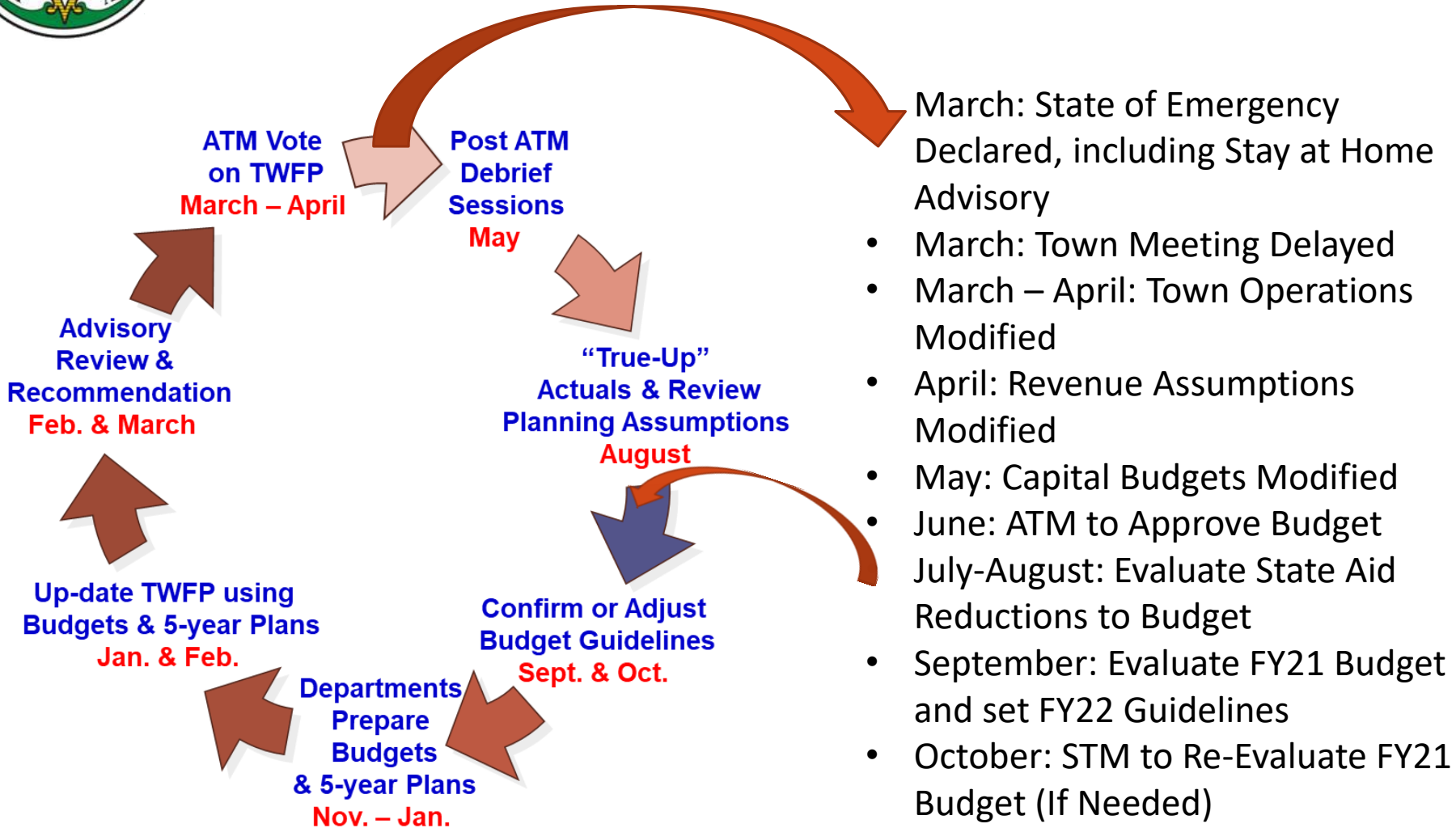


TWFP Cycle





TWFP Cycle – COVID-19





TWFP Guiding Principles

5 “P’s”

- Pay full cost of current operations/services
- Proactively address emerging issues
- Protect the Town against material risks
- Preserve the Town’s assets
- Plan for the long-term





Key Financial Planning Issues in 2021 (and beyond)

- COVID-19 Impacts on Economy
- Personnel
 - Growth
 - Equitable Salary Costs
- Employee benefit costs
- Facilities and Capital needs





Modified Revenue Assumptions

- New Growth $-\$500,000$ (-28%) down to \$1,300,000
- State Aid $-\$200,000$ made level to 2020
- Local Receipts $-\$1,646,005$ now level to 2020
 - Building Permits
 - Motor Vehicle Excise
 - Investment Income
- Total Reduction $-2,346,005$





Modified Expense Assumptions

- Health Insurance Assumptions - \$200,000
- 25% Cash Capital Reduction - \$1,351,005
- Sprague Chiller Moved to Borrowing - \$795,000
- Town Hall Annex Delayed (less FC) - \$1.3M
- CPC to Fund Lee/Hunnewell Field* + \$200,000

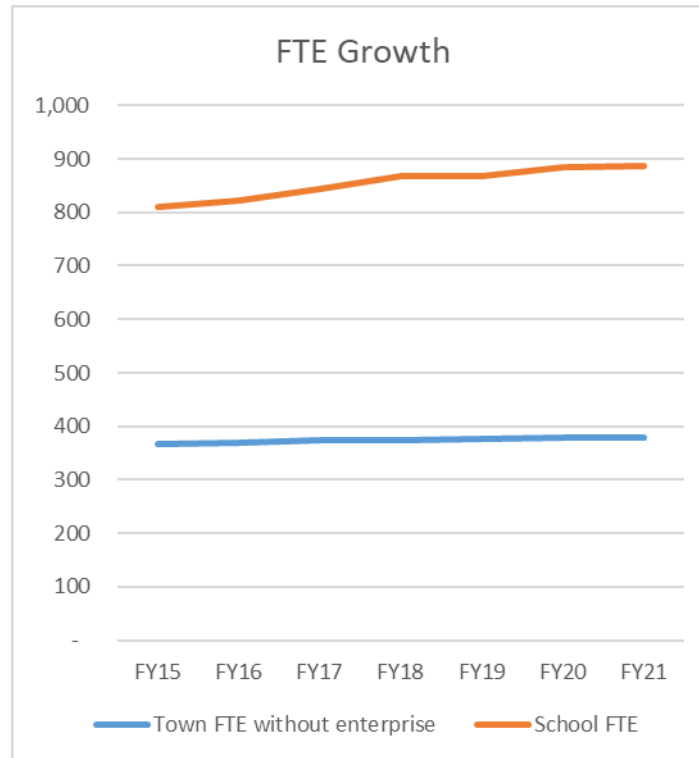
➤ *Reduced borrowing





Growth in FTE- 2015 to 2021

	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>	<u>Increase</u>
Town FTE without enterprise	367	369	373	375	376	379	379	12
School FTE	811	822	843	867	868	884	887	76





Growth in Personnel Costs

	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>	<u>CAGR</u>
Schools	55,683,960	58,223,703	61,371,111	64,226,913	65,898,728	69,366,050	71,611,886	4.28%
Town Depts.	20,041,957	20,600,975	21,252,700	21,918,609	22,712,055	23,585,022	24,661,042	3.52%
FMD	3,734,243	3,820,393	4,051,175	4,357,346	4,585,030	4,716,227	4,712,168	3.95%
Group Insurance	16,212,944	16,206,701	16,138,304	17,576,288	18,984,487	19,645,390	20,736,313	4.19%





Union Settlement Update

Town has 8 Municipal Unions

- Superior Officers √
- Patrolmen √
- Dispatch
- Firefighters √
- Library
- DPW Supervisors
- DPW Production
- FMD Custodians
- School Department 3 Unions – Contracts settled through FY22√





Employee Benefit Costs

- Pension
- Other Post Employment Benefits (OPEB)
- Health Insurance
- Other Employee Benefit Costs





Pension

- Defined benefit plan for full time employees (over 1,000 hours per year – includes some school)
- Teachers have a separate plan with the State
- Employees are not eligible for Social Security
- Employees contribute 9% of their salary and an additional 2% on earnings >\$30,000 – much more than they would contribute to social security
- Pension reform in 2012 reduced benefits -raised age and years of service requirements
- Limits on cost of living and COLA base





OPEB

- In Wellesley the OPEB liability represents promised health insurance coverage for all pension eligible employees (including Teachers) with over 10 years of service





Past Service Liability

- Liabilities result from the number of years worked:service
- Current year (pay as you go) component
- Unfunded “past service” component
- For Pension – laws have been passed requiring funding of the unfunded piece
- For both Pension and OPEB these liabilities are now presented on the face of the financial statements





Management of Funds: Pension

- Wellesley Contributory Retirement Board
 - Independent Board – not part of the Town
 - The Selectmen Appoints a member – happens to be the elected Chairman of 25+ years, David Kornwitz
 - Other members include two elected members, ex officio, and a member elected by the others
 - The Board directs the Investment of Pension funds
 - Works with Actuary on assumptions for a funding schedule
 - Town “shall” appropriate the funds





Management of Funds: OPEB

- OPEB Funds under the control of the Town Treasurer
- Town has elected to have the Retirement Board manage the investments
- Health Insurance offerings impact the liability





Funded Status

	<u>Pension</u>	<u>OPEB</u>
Valuation Date	1/1/2019	6/30/2018
Market Value of Assets	\$ 187,948,599	\$ 62,623,693
Accrued Liability	\$ 258,553,692	\$ 114,068,593
Unfunded Liability	\$ 60,605,093	\$ 51,444,900
Funded Liability	75.6%	54.90%
Full Funding Year	2030	2032
Assumed Rate of Return	6.63%	6.63%
Market Value of Assets as of 4/30/20	\$201M	\$73M
Unfunded Liability as of 4/30/20	\$64M	\$53M





Health Insurance Background

- Health insurance – mandatory subject of bargaining
 - Plan design, co-pays/deductibles, Town's contribution %
- Procure health insurance through West Suburban Health Group
- The Town opted not to use the newer (adversarial) provisions of sections 21-23 of Chapter 32B, and instead agreed with all of its employee bargaining groups to separately negotiate a three year agreement covering benefits only.
- The Town is in its last year of a three year agreement that negotiated major changes to the health and associated benefit programs.
- Negotiations for a successor agreement would begin in the fall of 2020.





Efforts to Control Health Insurance Costs

- 2006 - Section 18 election
- 2009 - Active employees and new retirees transitioned to Rate Saver plans
- 2013 - Previously grandfathered retirees transitioned to Medicare
- 2015 – “Fallon as preferred provider” agreement
- 2018 – New Agreement for 2019-2021 that introduced deductible plans
- 2020 – New Agreement to be negotiated for July 1, 2021

Initiatives have favorably impacted budget and OPEB liability.





Health Insurance Plan Enrollment

	<u>FY20 Actual</u>	<u>FY21 Budget</u>
Fallon HDHP	213	212
Fallon Benchmark	623	641
Other HDHP	62	65
Other Benchmark	153	158
Optouts	90	100
Subtotal	1141	1176
Medicare Supplement	777	787
Grand Total	1918	1963





FY21 Health Insurance Premiums

	Annual Premium	Town Contribution	Town Share
Fallon HDHP	22,200	78%	17,316
Fallon Benchmark	26,335	78%	20,541
Network Blue HDHP	28,914	58%	16,770
Network Blue Benchmark	35,757	55%	19,666
Tufts HDHP	27,190	64%	17,402
Tufts Benchmark	35,109	60%	21,065
Harvard Pilgrim HDHP	25,363	68%	17,246
Harvard Pilgrim Benchmark	32,711	62%	20,281





Terms of current Agreement

- 3 year agreement – FY19-21
- Reset Town's contribution
 - Fallon Plans – 80% in FY19, 79% in FY20, 78% in FY21, Other Plans – (range 55%-68%)
 - Deductible plans
 - High Deductible Incentives
 - Addition HSA's
 - HRA Refinements
- Opt-out incentives (\$4,500/\$2,250) continue
- Agreement approved by all 11 Town unions
- Yielded 1.0 Million of budget Savings (FY19, FY20)





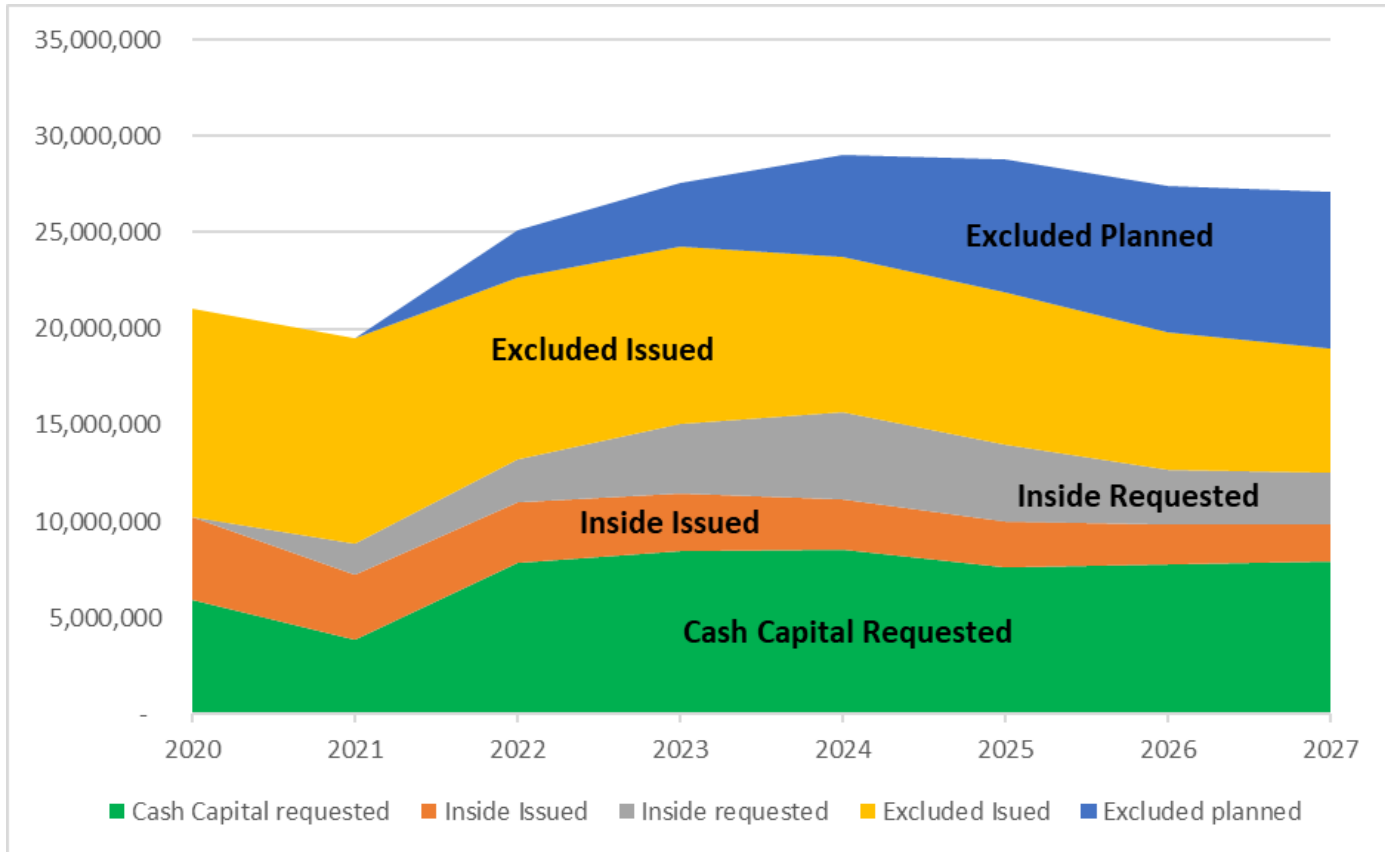
Facilities and Capital

- Projected Debt
- Major Project Financing Schedule
- Reducing Projected Deficit





Projected Debt and Cash Capital





Proposed Major Project Financing Schedule

Proposed Major Project Financing Schedule

5/26/2020

Project	Estimated Cost	Fiscal 2020	Fiscal 2021		Fiscal 2022		Fiscal 2023		Fiscal 2024		Fiscal 2025	
		Fall 2019	ATM 2020	Fall 2020	ATM 2021	Fall 2021	ATM 2022	Fall 2022	ATM 2023	Fall 2023	ATM 2024	Fall 2024
Middle School Bldg Systems Construction	\$14.3M			DE								
Middle School Paving Paving	\$2.0M						Inside					
"Early" Hunnewell School Design	\$4.7M	Inside										
"Early" Hunnewell School Construction	\$52.9M				DE							
MSBA Project Design/Construction	\$60M				DE							
Town Hall Interior Design	\$2.0M				Inside							
Town Hall Interior Construction	\$18.1M								DE			
Library Renovation* Construction	\$4.1M			Inside								
DPW Renovation RDF Design	\$426K						Inside					
DPW Renovation RDF Construction	\$4.8M								DE			
DPW Renovation Park/Hwy Design	\$640K						Inside					
DPW Renovation Park/Hwy Construction	\$7.1M								DE			
PAWS Design	\$2.0M										Inside	
TOTALS		\$4.7M	\$-	\$18.4M	\$114.9M	\$-	\$3.1M	\$-	\$33.4M	\$-	\$2.0M	\$-





FY21 Capital Projects

ATM 2020

- Great Plain Avenue Reconstruction - \$2.75M

STM 2020

- Middle School Building Systems - \$14.3M (Debt Exclusion)
- Library Interior Renovation - \$2.9M
- Library Roof – \$1.2M
- Sprague Chiller - \$795K





Summary of Sources and Uses for TWFP

	<u>FY20</u> <u>Budget</u>	<u>FY21</u> <u>Request</u>	<u>\$</u> <u>Inc/(Dec)</u>	<u>%</u> <u>Inc/(Dec)</u>	<u>FY22</u> <u>Projection</u>	<u>FY23</u> <u>Projection</u>	<u>FY24</u> <u>Projection</u>
Sources of Funds							
Taxes	\$ 134,008,497	\$ 138,658,709	\$ 4,650,212	3.5%	\$ 143,925,177	\$ 149,323,307	\$ 154,856,389
State Aid	10,714,574	10,685,003	(29,571)	-0.3%	10,885,003	10,885,003	10,885,003
Local Revenue	11,352,726	11,343,995	(8,731)	-0.1%	11,570,875	11,802,292	12,038,338
Free Cash to balance	2,515,000	2,639,066	124,066	4.9%	2,500,000	2,500,000	2,500,000
Other Free Cash items	4,529,670	1,225,409	(3,304,261)	n/a	-	-	-
Other Sources	2,364,445	2,407,851	43,406	1.8%	2,982,100	2,987,100	2,992,100
CPA for North 40	552,044	553,444	1,400	0.3%	553,244	550,244	552,044
Exclusions & Exemptions	10,888,408	10,638,135	(250,273)	-2.3%	12,117,045	12,597,008	13,813,935
Total Sources	\$ 178,925,364	\$ 178,151,612	\$ 1,226,248	0.7%	\$ 184,533,444	\$ 190,644,954	\$ 197,637,810
Uses of Funds							
School	\$ 76,783,930	\$ 80,379,651	\$ 3,596,721	4.7%	\$ 82,791,041	\$ 85,274,772	\$ 87,833,015
Other Town Departments	39,069,488	40,339,811	1,270,323	3.3%	41,914,094	42,961,946	44,035,995
Employee Benefits	31,033,447	32,398,243	1,364,796	4.4%	33,786,225	35,004,269	36,292,839
Cash Capital	5,893,417	3,881,232	(2,012,185)	-34.1%	7,877,499	8,458,996	8,555,411
Debt (inside Levy)	4,300,000	5,000,000	700,000	16.3%	6,551,667	7,520,651	7,737,416
Other Uses	8,404,630	4,961,096	(3,443,534)	-41.0%	4,504,187	4,520,437	4,537,093
Exclusions & Exemptions	11,440,452	11,191,579	(248,873)	-2.2%	12,670,289	13,147,252	14,365,979
Total Uses	\$ 178,925,364	\$ 178,151,612	\$ 1,226,248	0.7%	\$ 190,095,001	\$ 196,888,323	\$ 203,357,748
Surplus/(Deficit-Override)	\$ 0	\$ 0			\$ (5,561,557)	\$ (6,243,369)	\$ (5,719,939)

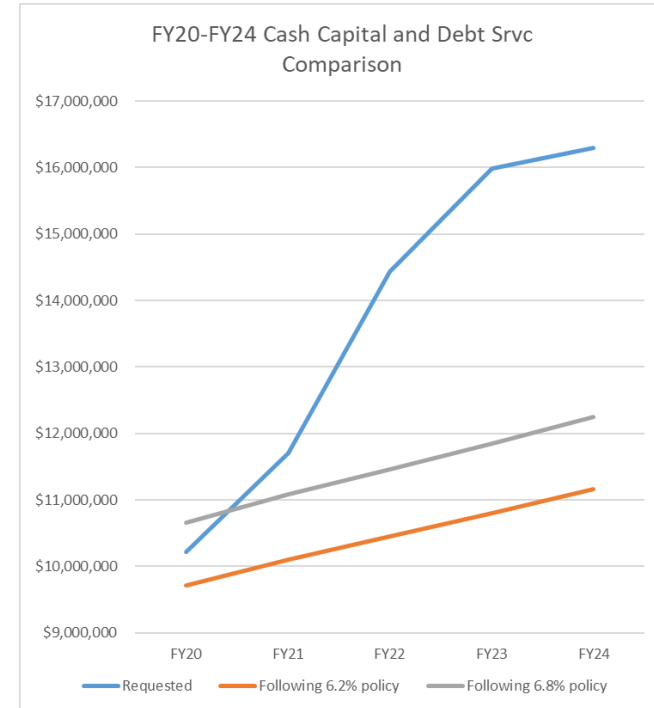




Reducing Projected Deficit Debt/Capital Policy

Impact on Deficit of Debt/Capital Policy

	<u>2022</u>	<u>2023</u>	<u>2024</u>
Projected (deficit)	\$ (5,561,557)	\$ (6,243,369)	\$ (5,719,939)
Debt/Capital	\$ 14,429,166	\$ 15,979,647	\$ 16,292,827
Percent requested	8.67%	9.29%	9.16%
If reduced to 6.8%	\$ 11,329,166	\$ 11,679,647	\$ 12,067,827
Revised deficit	\$ (2,461,557)	\$ (1,943,369)	\$ (1,494,939)





Median Tax Bill

Median Tax Bill

	FY20	FY21	FY 22	FY23	FY24	FY25	FY26	FY27
Levy Prior	\$ 12,094	\$ 12,415	\$ 12,739	\$ 13,071	\$ 13,411	\$ 13,762	\$ 14,120	\$ 14,489
Levy growth	\$ 475	\$ 477	\$ 483	\$ 490	\$ 496	\$ 503	\$ 511	\$ 518
Existing Debt Exclusions	\$ 1,021	\$ 986	\$ 861	\$ 832	\$ 721	\$ 697	\$ 626	\$ 566
HHU	\$ -	\$ -	\$ 73	\$ 71	\$ 355	\$ 344	\$ 649	\$ 630
Middle School	\$ -	\$ -	\$ 33	\$ 155	\$ 150	\$ 146	\$ 142	\$ 139
Town Hall Interior	\$ -	\$ -	\$ -	\$ -	\$ 21	\$ 128	\$ 124	\$ 120
Median tax bill	\$ 13,590	\$ 13,877	\$ 14,190	\$ 14,618	\$ 15,156	\$ 15,581	\$ 16,173	\$ 16,462

Median Home Value \$1,158,000

