



**November 6, 2023, Special Town Meeting
Fiscal Year 2024 Budget Update
Submitted by the Select Board**

October 17, 2023

Dear Town Meeting Members:

In preparation for the November 2023 Special Town Meeting (STM), the Select Board ("the Board") has produced this FY24 Budget Update to provide Town Meeting Members with information on the Town's current financial picture and some preliminary considerations for the FY25 budget. The primary financial focus at STM will be on union compensation settlements and a supplemental appropriation to right size the Fire Department. The other projects and zoning initiatives on the STM warrant will be addressed in the Advisory Report. The Board will provide the annual Town-Wide Financial Plan (TWFP) in advance of Annual Town Meeting in March 2024.

As you will see in this update, the Town has a higher than expected reserve position due to non-recurring revenue and exceptional turnback related to staff vacancies. Staff positions have been challenging to fill in recent years for two main reasons: the ongoing effects of the pandemic on the labor market, and non-competitive salaries for non-school employees. With the FY24 union settlements and FY25 anticipated budget, the Board is proposing to focus on our greatest asset: our staff. Many non-school positions are below the median salary level of comparable communities and the Board has determined that some adjustments to compensation are necessary for hiring and retention of valued staff. Over the past 12 years, the Town has prioritized funding to meet our Pension and OPEB obligations, in addition to making substantial capital investments to address deferred maintenance and fund new construction. These strategies have put the Town in a strong position with our pensions and OPEB obligations and our capital assets, and now it is important to look toward the future to continue to ensure competitive compensation and full staffing, and to maintain services.

In support of that goal, Executive Director Meghan Jop has undertaken a comprehensive review of the Town's human resources services in partnership with the Human Resources Board. Ms. Jop has formed a Human Resources Working Group and has secured two Community Compact grants. The UMass Boston Collins Center has been selected to conduct a full review of the function and structure of the Town's human resources operations. The Town has also received funds for a wage and classification study, which will be put out to bid upon the hiring of a new Human Resources Director. These studies will be conducted during FY24 and when they are completed, Ms. Jop and the Human Resources Working Group will offer recommendations to the Human Resources Board and Select Board. Any budget impact is likely to take effect in FY26.

FY24 Budget Update Highlights:

- FY23 revenues outperformed the Town's conservative assumptions by \$10.5 million at year end, principally due to non-recurring revenue and staff vacancies.
- The Town's reserves totaled \$34,157,812 (18.92% of subsequent years' revenues) at the close of FY23 (June 30, 2023). In Article 3 on the STM warrant, the Board is recommending the use of \$360,000 from reserves to supplement the FY24 budget appropriation to the Fire Department. The Town's favorable reserves position may also benefit FY25 budget initiatives.

- The Board is currently discussing FY25 budget guidelines and anticipates funding the Town's capital plan at the high end of the Debt Policy range (6.8% of recurring operating revenues).
- Additional considerations for the FY24 and FY25 budgets include the impact of the School Department settled contracts (FY23-FY25) and the current non-school Town union contract settlements (FY24-FY26) which are proposed for Town Meeting approval.

Revenues

Performance of Past Revenue Assumptions

In FY23, the Board continued to apply conservative revenue assumptions given the lingering effects of the pandemic on revenues from New Growth, Motor Vehicle Excise Tax, Investment Income, Meals/Hotel/Motel Tax, and Building Fees. The Board is pleased to report that at the close of FY23 (June 30, 2023), revenues outperformed the conservative assumptions by \$10.5 million due to several factors:

- The Town had unusual interest earnings of \$5.7 million due to high interest rates and the borrowed funds on hand for the Hardy and Hunnewell Elementary Schools. The Town borrowed a significant portion of funds relatively early to secure the lowest possible interest rates. As a result, funds available for investment were significantly higher than normal. This level of interest earning is considered non-recurring.
- The Town experienced ongoing budget outperformance, including permits (+\$2,553,554), Motor Vehicle Excise Tax (+\$433,284), Meals/Hotel/Motel Tax (+\$313,673).
- The Town received a one-time FEMA reimbursement of \$229,266.
- Tax collection had several significant payoffs of Tax Title settlements and 41A deferral payoffs totaling \$823,703. The Town does not budget for these income streams, but instead records them on receipt. These settlements and payoffs are considered non-recurring.
- The Town and School Departments had turnback of \$7.8 million due to ongoing hiring challenges. Although the Town expects a certain level of turnback in any given year, this level is considered exceptional, and the Town is taking action to address recruitment and retention issues. This high level of turnback is considered non-recurring.
- Health Insurance had a turnback of \$1.7 million due to reduced enrollments, in large part due to hiring challenges mentioned above.
- FY23 was the final year of ARPA Revenue Replacement of \$1.5 million. Again, this is a non-recurring income stream.

For the FY24 budget, revenue projections were increased by 16.9% over FY23 projections for Licenses and Permits, Motor Vehicle Excise, and Meals/Hotel/Motel Tax. The Board also budgeted \$400,000 to offset a continued loss in parking revenue from meters and commuter lots.

Status of Reserves

Due to the pandemic and the associated economic uncertainty, the Board reduced capital spending for several years by setting funding at the lower end of our capital funding policy and deferring or eliminating capital projects. In doing so, the Board sought to maintain higher reserves than specified in the Town's Reserve Policy (which calls for reserves in a range of 8 to 12% of subsequent budgeted operating revenue). Reserves were also bolstered in FY22 and FY23 by unprecedented turnback associated with hiring challenges and ARPA Revenue Replacement funds.

Beginning in FY22, the Board strategically addressed deferred capital projects by setting funding at the upper end of our Debt Policy and injecting Free Cash to fund deferred capital projects. Significant capital projects funded through Free Cash in FY 22 and FY23 include:

- \$1,693,856 Repaving of Middle School Parking Lots
- \$397,100 Land Use Department relocation
- \$195,129 Police Department Antenna
- \$1,250,000 LED Light Fixture Replacement at High School
- \$13,000,000 Town Hall Interior
- \$100,000 DEI Equity Audit
- \$531,075 Warren HVAC Design Study
- \$885,000 Fire Engine

At the November 2023 Special Town Meeting, the Board is proposing a \$360,000 Free Cash appropriation to the Fire Department to supplement the FY24 Budget as follows:

- New firefighter position (\$69,000), plus benefit costs (\$20,000)
- Overtime correction for deputy chief positions and night shift differential (\$181,000)
- Increase in expenses for uniform costs for anticipated 8 new hires in FY24 and promotions of officers (\$60,000)
- Consultant services to provide educational and management training to internal Fire Chief candidates and to evaluate internal operations (\$30,000).

FY25 Budget Considerations

The Board began discussing the FY25 budget and budget guidelines at the end of August by reviewing the results of the FY23 year-end closing. With the positive performance of revenue assumptions in FY23, the FY25 local revenue assumptions have been increased by 6.5% compared with amounts budgeted for FY24. The Board is working to finalize budget guidelines in October and is gathering input from other boards and departments. The preliminary discussions have continued to focus on the high end of the Debt Policy range of 6.2 to 6.8% of recurring revenues. (As a reminder, the Debt Policy includes funding for both inside-the-levy borrowing payments and cash capital projects.)

As in prior years, the key issues impacting the Town's financial planning include:

- Growth in personnel costs
- Rising costs of employee benefits
- Facilities and other capital needs.

The largest recurring item in the year-over-year growth of the Town budget is the cost of wage increases (cost of living adjustments or COLA) for existing employees. Most Town employees are unionized, and their annual wage increases are a subject of collective bargaining. There are 14 unions representing 1,129 employees, the largest of which is the Massachusetts Teachers Association (813 positions).

School Contract Settlements

The School Committee and the five educational unions reached a contract settlement in May 2023 totaling \$11.57 million over four years (FY23 – FY26). The settlement includes the following:

Cost of Living Adjustments (COLA)

Union	FY23	FY24	FY25	FY26	Total
Unit A (Teachers/Nurses)	2.75%	2.5%	2.75%	3%	11%
Unit B (Administrators)	2.75%	2.5%	2.75%	3%	11%
Unit C (Instructional Support Professionals)	5.25%	4%	2.75%	3%	15%
Unit D/E	4%	4%	2.75%	3%	13.75%

Longevity Increases*

Union	FY23	FY24	FY25	FY26	Total
Unit A	5%	5%	5%	2%	17%
Unit B	5%	5%	5%	2%	17%
Unit C	5.25%	4%	2.75%	3%	15%
Unit D/E	4%	4%	2.75%	3%	13.75%

Retention Payments

Union	FY23	FY24	FY25	FY26	Total
Unit C	\$4K/3K	\$3K/2K	\$2K/1K	\$1K/\$0	\$1.59M
Unit D/E	\$4K/3K	\$3K/2K	\$2K/1K	\$1K/\$0	\$170K

Longevity FY23 (*numbers increased by table above)

Unit A – Adjustments based on 20 years of service equal \$3,284 or 3% of Base Pay (increased based on table above)

Unit B – Adjustments based on 13 years of service receive \$1,639 or 1% of Base Pay, 20 years of service same as Unit A (increased based on table above)

Unit C – 7 Years - \$750; 10 Years - \$1,000; 20 Years - \$2,000; 30 Years - \$3,000

Unit D (1,820 hours) – 15-19 Years - \$1,580; 20-24 Years - \$1,710; 25+ Years - \$1,840

Unit D (1,695 hours) – 15-19 Years - \$1,461; 20-24 Years - \$1,584; 25+ Years - \$1,698

Town Contract Settlements

The nine Town union contracts expired on June 30, 2023. The Town was able to bring the Facilities Management Department Custodian Contract to the 2023 Annual Town Meeting for approval. Of the remaining eight union contracts, seven have been settled and will be presented at the November 2023 STM for funding authorization. Based on Town Bylaws, pay schedules for Town staff must be approved by Town Meeting to adjust personal service appropriations. (School Department union contracts do not require Town Meeting action due to the School Committee's ability to transfer funds between personal services and expenses.) Below is a brief outline of the various contract settlements. It should be noted Health Insurance has been bargained with all unions through FY25.

Throughout the contract negotiations, the Select Board and staff made a particular effort to compare Wellesley's compensation and benefits to the Town's peer communities. Compensation of many of the Town's union personnel was found to be considerably below the median. The resulting settlements all reflect an effort to bring the unions to the median (or closer to median) of appropriate comparable communities over the three-year contract duration.

Department of Public Works Union Settlements

Negotiations with the DPW Production and DPW Supervisor Unions began in January 2023. The DPW has recorded a vacancy rate of more than 20% over the past two years so the settlements focused on competitive salaries for attracting and retaining staff. The negotiations also focused on aligning the DPW Production and Supervisory members with the Town's sick leave policy, clarifying holiday and overtime payments, and formalizing alternative work schedules following a successful pilot program. For the Production Unit, management has identified several job descriptions that will be evaluated for reclassification by Human Resources over the duration of the contract.

The COLA for both unions reflects efforts to make progress toward competitive compensation in year one of the contract. In reviewing wages with the Town's 16 comparable communities and regional competitors, Wellesley DPW was found to be lagging in all but one of the job groups, not only in wages, but also in contract provisions such as longevity and sick leave. All the DPW Production job groups fell 6-9% below median in compensation, with light equipment operators falling 10.5% below median. The Supervisory Unit was found to be just at the median for the 6 positions within the bargaining unit.

Key Terms of DPW Supervisor Collective Bargaining Agreement:

Contract Covers

- 6 Supervisors

Financial Terms

- Three-year agreement (FY24-FY26)
- COLA: 5% increase in FY24; 3% increase in FY25; 1% increase in FY26
- Add Juneteenth Holiday
- FY24: Increase longevity
- FY26: Add a new step 10 with a 4% increase above step 9 for 10 years of service
- Increase boots allowance from \$250 to \$300
- Double time pay after 8 hours of overtime
- Align with Town's Sick Leave Policy

Longevity

Years of Service	Annual Amount	Hourly Amount
10 - 14 Years	\$1,110	\$0.53
15 - 19 Years	\$1,350	\$0.65
20 - 24 Years	\$1,500	\$0.72
25 - 29 Years	\$1,650	\$0.79
30 - 34 Years	\$1,900	\$0.91
35+ Years	\$1,950	\$0.94

FY24 Cost of Settlement

Total: \$41,321

Total Tax Impact: \$27,548

Key Terms of DPW Production Collective Bargaining Agreement:

Contract Covers

- 75 Positions

Financial Terms

- Three-year agreement (FY24-FY26)
- COLA: 5% increase in FY24; 2% increase in FY25; 2% increase in FY26
- Add Juneteenth Holiday
- FY24: Increase longevity
- FY26: Add a new step 8 with a 4% increase above step 7 for 10 years of service
- Increase boots allowance from \$250 to \$300
- Double time pay after 8 hours of overtime
- Align with Town's Sick Leave Policy
- Change title and agree to review several job descriptions/positions

Longevity

Years of Service	Annual Amount	Hourly Amount
10 - 14 Years	\$850	\$0.41
15 - 19 Years	\$1,110	\$0.53
20 - 24 Years	\$1,250	\$0.60
25 - 29 Years	\$1,400	\$0.67
30 - 34 Years	\$1,550	\$0.75
35+ Years	\$1,600	\$0.77

FY24 Cost of Settlement

Total: \$323,944

Total Tax Impact: \$233,541

Wellesley Free Library Association Union Settlements

Negotiations with the WFL Association and WFL Supervisory Union began in January 2023. The settlements for both unions are identical. The negotiations included considerable discussion of compensation and longevity, settlement of grievances, and allowance of annual union meetings during library operating hours. Similar to the approach taken with the COLA in the DPW union contracts, the COLA for both Library unions reflects efforts to bring compensation closer to the median in comparison with peer communities. Based on wage and turnover data, the Board concluded that a market adjustment was needed for the WFL to remain competitive and retain employees. The Board used FY22 data from the Massachusetts Board of Library Commissioners to compare compensation among 16 comparable communities and communities in the Minuteman Library Network. Two positions in particular (Library Technicians and Librarians) ranked 15th in compensation with a \$6.60 difference in hourly wages for Library Assistants in Waltham and \$5.18 difference with Needham. The Library continues to have challenges filling

both full-time and part-time positions. In FY22, 2 full-time and 15 part-time staff resigned. In FY23, 8 part-time staff resigned.

Key Terms of WFL Staff Association and Supervisory Association Collective Bargaining Agreements:

Contract Covers

53 Positions in Umbrella Association

- 29 Benefit Eligible Library Positions (5 Supervisors)
- 19 Part-time Non-Benefit Eligible Positions
- 2 Benefit Eligible FMD Custodians (Within WFL Staff Association)
- 3 Part-time Non-Benefit Eligible FMD Custodians (Within WFL Staff Association)

Financial Terms

- Three-year agreement (FY24-FY26)
- COLA: 4% increase in FY24; 3% increase in FY25; 3% increase in FY26
- Establishes a new longevity plan for non-benefitted employees
- Increases longevity payments for benefitted employees
- Adds Juneteenth Holiday
- Eliminates 15 cent differential for Circulation Assistant in FY27

Longevity

Years of Service	27.5 - 40 Hrs/Week	20 - 27.4 Hrs/Week	<20 Hrs/Week
10 - 14 Years	\$500	\$300	\$225
15 - 19 Years	\$750	\$450	\$350
20 - 24 Years	\$1000	\$600	\$450
25 - 29 Years	\$1,250	\$700	\$575
30+ Years	\$1,500	\$900	\$700

FY24 Cost of Settlement

Total Cost Library Personal Services: \$75,830

Total Cost Library Expenses: \$13,870

Total Cost FMD Personal Services: \$7,765

Police Dispatch Association Union Settlement

Negotiations began with the Dispatch Union in April 2023. Like many of the unions, the dispatch positions continue to experience high turnover on an annual basis. In FY23, the department had 60% turnover. The position is largely seen as a stepping-stone to other emergency personnel positions such as EMTs, police officers, firefighters, or nursing positions. The goal of this contract is similar to other union settlements with regard to encouraging retention and achieving competitive compensation. In a comparative analysis of 10 communities, Wellesley was ranked 9th with a cost differential to median of nearly \$3,000 (5.3% differential) in steps 1 and 2 of the position; 3.7- 3.3% differential in steps 3 and 4; and 2% differential for a 20-year employee.

Key Terms of Police Dispatch Collective Bargaining Agreement:

Contract Covers

- 10 Dispatch Positions

Financial Terms

- Three-year agreement (FY24-FY26)
- COLA: 4% increase in FY24; 3% increase in FY25; 2% increase in FY26
- New Emergency Medical Dispatch Stipend: 1% increase in FY24; 1% increase in FY25
- Adds Juneteenth Holiday
- Creates Double Time overtime if ordered to work on a scheduled day off, when department is fully staffed

FY24 Cost of Settlement

Total: \$20,202

Police Union Settlement

Negotiations with the Patrol Officers and the Superior Officers began in August 2023. Discussions included statutory changes that have affected the Town's police officers since their last contract. As part of the criminal justice reform in Chapter 253 of the Acts of 2020, the Commonwealth created a civilian Peace Officer Standards and Training Commission (POST) appointed by the Governor and Attorney General. All police officers in Massachusetts must be certified by the POST Commission to work in the Commonwealth. The Board determined that this new certification requirement constitutes a significant change in work requirements for the Town's police officers and the Patrol contract settlement reflects that consideration.

Further consideration was given to Wellesley's standing below the median in a survey of comparable communities. The proposed settlement for Patrol Officers includes a 6% increase in year one to bring Wellesley closer to the median and to recognize the added layer of credentials and oversight that police officers must now maintain in addition to the high expectations of the Wellesley Police Department.

Key Terms of Patrol Officers Collective Bargaining Agreement:

Contract Covers

- 34 Patrol Officers

Financial Terms

- Three-year agreement (FY24-FY26)
- COLA: 6% increase in FY24; 3% increase in FY25; 3% increase in FY26
- Increase EMT Stipend to 5% in FY25
- Add Juneteenth Holiday
- Eliminates Secondary Education and moves all officers to percentage based educational incentives

FY24 Cost of Settlement

\$254,407

Firefighters Union Settlement

The Firefighters Union includes firefighters, lieutenants, and deputy chiefs. Negotiations with the union began in February 2023 and a salary survey was conducted of comparable communities. The study results were similar to the findings in the last Firefighters contract negotiation, when Wellesley salaries were found to be significantly behind peer communities. In the current comparison, Wellesley salaries were behind some peer communities that are operating under unsettled contracts that go back to FY21 – two years older than Wellesley's current contract. The new contract is designed to make a meaningful impact on the competitive pay disparity through a salary adjustment of 4% in year one, and 3% increases throughout the duration of the contract. Establishing a competitive pay scale is particularly critical now because the Fire Department will be hiring to replace as many as eight retiring staff in FY24.

Key Terms of Firefighters' Collective Bargaining Agreement:

Contract Covers

- 5 Deputy Chiefs
- 13 Lieutenants
- 36 Firefighters

Financial Terms

- Three-year agreement (FY24-FY26)
- COLA: 4% increase in FY24; 3% increase in FY25; 3% increase in FY26
- Increase in EMT Stipend by 1% in FY24, FY25, and FY26
- Increase Longevity by \$150 in each year of the contract.

Longevity

Years of Service	FY24	FY25	FY26
10 - 14 Years	\$650	\$800	\$950
15 - 19 Years	\$900	\$1,050	\$1,200
20 - 24 Years	\$1,150	\$1,300	\$1,450
25 - 29 Years	\$1,400	\$1,550	\$1,700
30+ Years	\$1,650	\$1,800	\$1,950

FY24 Cost of Settlement

Total: \$292,498

Total Non-school Union Settlement Costs to Date (7 of 8 unions settled)

Below is the three-year impact of the non-school collective bargaining agreements based upon current staffing. The costs below include the cost of living adjustments (COLA), steps, longevity, and ancillary departmental benefits that are union specific (e.g. night shift differential, EMT Certification, and holidays).

	<u>FY24</u>	<u>FY25*</u>	<u>FY26*</u>
Contract Settlement Provisions in FY24 Budget	\$ 1,200,000		
FMD (approved ATM 2023)	\$ (143,389)	\$ (112,526)	\$ (78,439)
Dispatch	\$ (20,202)	\$ (49,227)	\$ (27,832)
Fire	\$ (292,498)	\$ (261,858)	\$ (217,271)
Library Association and Supervisors (+5 Custodians)	\$ (97,465)	\$ (97,586)	\$ (100,037)
DPW Supv	\$ (27,548)	\$ (15,628)	\$ (31,869)
DPW Laborers	\$ (233,541)	\$ (185,332)	\$ (93,651)
Patrol Officers	\$ (254,407)	\$ (159,420)	\$ (163,343)
Superior Officers (Not Settled)	\$ -	\$ -	\$ -
Settlement Funds Remaining	\$ 130,950		

*Estimated on current staffing

Debt-Funded Capital Projects

Major Capital Project Funding Through Five-Year Capital Plan

The Board continues to evaluate current capital requests on the Five-Year Capital Plan (FY24-FY28) while awaiting the updated capital requests due November 30, 2023, for the FY25 budget cycle. Each year, the Five-Year Plan is extended a year and proposed projects or purchases are reprioritized according to the overall town-wide perspective, current needs of departments, and the application of specific criteria. Additionally, larger building renovation and construction projects of more than \$500,000 follow a prescribed three-phase cycle consisting of a feasibility study, design through bidding, and construction funding, all of which is overseen by the Permanent Building Committee.

The Select Board and Town Meeting do not pre-authorize projects, as each funding authorization must be approved by Town Meeting action or within the applicable omnibus budget. The Town revisits both the Town-Wide Financial Plan and the Five-Year Capital Plan on an annual basis to make adjustments based on alternative funding, modification in capital needs, and revenue projections. For the FY25 budget, the Board is considering a cash capital target toward the high end of the Debt Policy range at 6.8%, as was approved for FY23 and FY24.

The Board continues to engage in a careful and well-reasoned prioritization process to determine what projects move forward, while also working to maintain the Town's current operational performance and staffing. The Board will continue to balance the needs of all constituencies in a fair and predictable manner to keep costs in line with the Debt Policy and to equitably apply alternative funding opportunities.

Conclusion

The Town's ongoing approach to budgeting with conservative revenue assumptions has been very successful in maintaining strong financial health. However, the Town continues to outperform revenue projections and has shown consistently high year-end turnback over the past three years because of languishing vacant positions. The Board has taken decisive action to address this issue by focusing on targeting the median for compensation in non-school union settlements. We have more work to do. Executive Director Meghan Jop and the Human Resources Board are partnering to ensure the Town remains competitive, while undertaking a comprehensive review of the Town's compensation and job classification system, and overall human resource functions

and structure. The Town must remain competitive in the labor marketplace to effectively recruit and retain excellent staff.

We look forward to discussion and collaboration during the upcoming FY25 budget cycle to prioritize needs, projects, and funding (through taxation, grants, and legislative earmarks). Following the Special Town Meeting, reserves will be at the high end of the range, allowing a percentage of Free Cash funds to be available for the FY25 budget cycle, if needed. The Board strives to maintain Wellesley's high-quality services and education within budgetary constraints, maximizing the resources that are currently available to the Town, schools, and community.

Sincerely yours,

Thomas H. Ulfelder, Chair
Colette E. Aufranc, Vice Chair
Elizabeth Sullivan Woods, Secretary
Lise M. Olney
Ann-Mara S. Lanza

Attachment: Current FY24-FY28 Capital Plan