

Approved Jan. 13, 2020

**Advisory Committee Meeting
Zoom Video Conference
Wednesday, January 6, 2021, 6:30 p.m.**

Those present from Advisory Committee included Shawn Baker, Julie Bryan, Tom Cunningham, Lauren Duprey, Jake Erhard, Jennifer Fallon, Neal Goins, John Lanza, Jeff Levitan, Bill Maynard, Deed McCollum, Corrine Monahan, Patti Quigley, Mary Scanlon and Doug Smith.

Julie Bryan called the meeting to order at 6:30 pm.

6:30 p.m. Citizen Speak

There was no one present for Citizen Speak.

Julie thanked the committee and those involved in the community for their respectful and thoughtful discussions as part of the democratic process.

Minutes Approval

Patti Quigley made and Mary Scanlon seconded a motion to approve the November 4, 2020 minutes.

Roll call vote:

Bill Maynard – yes
Patti Quigley – yes
John Lanza – yes
Mary Scanlon - abstain
Deed McCollum - yes
Jennifer Fallon – yes
Jeff Levitan – yes
Corinne Monahan - absent
Shawn Baker – yes
Doug Smith – yes
Jake Erhard – yes
Tom Cunningham – yes
Lauren Duprey – abstain
Neal Goins - yes

Minutes were approved 11 to 0.

6:40 p.m. Town Clerk FY 22 Budget and Overview

KC Kato, Town Clerk was present.

Provided an overview of what the Town Clerk’s office does, the responsibilities of the Town Clerk’s office, and office revenue generation. FY22 budget request and the FY22 Town Clerk Operating request were reviewed.

Questions and Discussion

- Will the Vote by Mail numbers continue to be high after COVID?

- They will be higher than what we've seen before COVID but there are people who like to go to the polls. It is estimated that half will continue to utilize Vote by Mail and half will go to the polls. But it won't be the percentage we see now due to COVID.
- Will the drop box stay?
 - Yes, it is cemented into the ground and will not be removed.
- Is there generally an increase in costs for elections when there is a national election?
 - The presidential election is more expensive with early voting as there are additional costs to run voting offsite and to hire people to man those locations. Those expenses are not in the FY22 as there will not be early voting. There is discussion about whether local elections can have early voting, but we don't have large numbers of people coming in for early voting in general. Early voting is probably not cost-effective for local elections. In September, there was a significant amount time needed for processing votes because there were two elections.
- What's the estimation of how much more time was spent due to changes, and is there overtime?
 - Overtime was not budgeted in FY21. Overtime is reflected in FY21 actuals, but the cost will be supported and covered by CARES money. There were a significant number of hours incurred that are covered elsewhere. It cost an additional \$4000 for each election for work to process the ballots and mail.

Financial Update and Overview

Sheryl Strother, Financial Director; Meghan Jop, Executive Director and Tom Ulfelder, Select Board (SB) were also present.

The development of the FY22 budget guidelines was explained. The budget is built on policies designed to move the Town forward in a fiscally sustainable way. The Town did well in FY20, but it is clear that we will be short in FY21. Decisions were made to make changes and see how the pandemic needs play out. In looking at FY22, it is possible revenues will not rebound immediately.

Questions and Discussion

- Where did the cash capital policy of 6.2 – 6.8% come from when it was set in 2018?
 - We had a range of what the Town can afford historically, and we looked at what other communities were doing. We put it in policy as a starting point. The question we ask is how we can meet commitments to keep the Town infrastructure strong.
- What would it take to lose an A in our Triple A rating? Can the reserve policy go back to 12% instead of 15%?
 - No one is saying we must stay at 15%. But before we start chopping into the 15% let's see what departments can do to tighten belts. The additional reserves (15% vs 12%) may have to cover the Town for more than one year. Wellesley is not laying off people.
 - A lot of the rating is related to the reserves, policies and confidence in the leadership of the Town. Rating agencies need to know up front if there are changes, and the plan to get back on track. There needs to be a steady plan and not a one-year response.
- CPC funds are used for many projects but we don't see them in the sources of income although the projects are shown on the capital side.
 - The CPC fund is considered self-balancing, so the monies are taken out of the equation since they are not taxes or local receipts. In capital they are shown as a source. We are trying to balance the operating budget.
- There are multiple areas of longevity in various departments' budgets and it seems like an estimate.
 - Unions have longevity in their contracts and it is an estimate.

- Is fully funding future pension obligations a policy rather than something we have to do? Wellesley is much more aggressive in this than other Towns. How much cash could be freed up if we didn't fund the pension obligations?
 - The SB feels it is a risk to not fund liabilities. We have a strategic plan in place to have that liability fully funded by 2030 it will be fully funded, at which time additional cash will become available.
 - The Governmental Accounting Standards Board (GASB) now requires the full nature of the liability be presented on the front of the financial statements. It is the Town's responsibility for debt owed in the past. It is a commitment that Town has made and is part of being fiscally responsible. We are not aggressively funding our pension compared to other communities. The Town shall by law raise appropriations to fund the pension. If the Town didn't fund it, we would have to balance the taxes by doing something else. We have to fund what the retirement board says.
 - The Town needs to be able to live within its means to balance the budget. This is similar to the lesson learned the hard way with deferred maintenance and the failure to maintain Town buildings. Actuarial studies are used to determine the amount.
- Do we have an accounting of how free cash was used in the past year? And how much can we spend?
 - Yes, this information can be provided. It was \$2.5 million for snow and ice and one-off projects. In the past we haven't faced the current situation with COVID. There are significant deficits that need to be closed and unpredictable expenses like snow and ice. We need to reserve money and look at the needed draw over the next three fiscal years.
- With respect to debt exclusion projects, over time some projects go away and new projects come on. What does the stack of outstanding and anticipated debt look like – is it generally flat or are there spikes? What is the philosophy on debt?
 - The key is to not have wild spikes and we want the debt to be smooth. We spend a lot of effort looking at capital projections going out over time with a focus on the next five years. We question the affordability of projects both inside and outside the levy.
- What is the tax impact of capital spending over the next couple of years?
 - The five-year impact is that taxes will be 23% above where they are now with the cost of servicing the debt exclusions.
- There was a discussion about the use of actuals in the budget analysis.
 - Actuals for the last half of this year are not going to look like the budgeted amounts. When departments come to Advisory, they will be presenting budget-to-budget comparisons. FY21 actuals are less than budget for many departments. There has been a lot of turnback because, for example, departments have not been hiring. Everyone budgeted for the personnel they need, but they were unable to hire. For example, planning has not been able to hire, and, if they based their year-on-year budget proposals on actuals, they wouldn't be able to hire the people they need in the coming year.
- There was a discussion about the psychological impact to departments if budget is created off of actuals.
 - It was felt that departments would try to spend all their money at the end of the year to give themselves maximum flexibility for the following year. Using budgeted amounts instead for year-on-year guidelines gives the departments leeway to turn back to the general fund. It lowers concerns in the department, and allows them to spend as rationally as possible.
- A comment was made that it would be helpful for Advisory to see actuals when budgets are presented. The actuals would help inform Advisory how the actual department needs during the year compared to the anticipated needs.

- Who makes the decision to set the reserves at 15%, and how does that play into overall budget guideline this year of 2.5%?
 - Free cash is what we have in reserves and is 15% of FY21 revenue. However, we have already expended money from that, and we know that we will need \$3.5 million. In addition, the actual percentage at year-end will change based on this year's revenues.
 - Historically, the reserves end up at 8 to 12% consistently. The SB is concerned in the pandemic era about whether revenues will rebound, and is being very cautious and thoughtful about the finances.
- Do we have a sense of where we are with projected revenues for FY21 so far?
 - We have reduced expectations fairly significantly. Traffic and parking revenue is potentially \$1 million lower than budgeted. Investment income has dried up. We are tracking towards a reduced number although we did have some new growth. The CARES Act extension to the end of 2021 will provide some cash that would have had to come from the reserves.
- A comment was made that the current actuals would be helpful to see even if the information isn't all that clear. It will help Advisory form questions over the next couple of months and use them to understand the current position of the Town when departments present budgets. It is difficult to look only at budget-to-budget because then we don't know how the Town is actually faring. It is helpful to have context, otherwise Advisory is working in a vacuum when looking at the numbers.
 - Actuals in the last year and a half will look strange and won't reflect an accurate picture. Context is helpful. Things are being done differently this year.
- There was a discussion about the amount of free cash used in previous years.
 - The average free cash used each year over the past 12 years is about \$3.5 million. For the last few years, the Town used \$2.5 million to balance the budget. The Town doesn't put money into free cash; it is the result of the budget and operating results. Free cash can only be utilized as an appropriation.
 - Snow and ice must be budgeted for at least as much as the previous year in order to obtain FEMA reimbursement. DPW is resistant to putting a larger amount into the budget because it creates a salt or plow inventory. A suggestion was made to project more accurately for snow and ice.
- Is the ability to meet the FY22 budget guidelines determined by the School Department's budget, and is there ongoing dialogue with the School Department?
 - It is the obligation of the SB to work with the School Department as partners to create an accurate budget. Advisory is being given objective information to support their discussions with all departments. Sheryl and Meghan have a great relationship with Cyndy Mahr of the School Department. We respect the School Department's efforts even though we might have disagreements.
 - A comment was made that Advisory is charged with listening to and considering each budget, and to assess whether the budget is reasonable. Advisory's role is not to force any department to squeeze into guidelines.
- Why is investment income down and how does the Town manage investments?
 - There are strict legal requirements regarding investments. The Town is restricted in what it can invest in, and it cannot invest in equities. Investment strategy is oriented towards capital preservation.
- A comment was made that the department budgets have been received and, for the most part, are tracking to guidelines very well. There are a couple of departments that are out of guidelines due to COVID and reclassifications. Departments are doing a good job, and accomplishing what was asked of them.
- A question was asked if restraints on cash capital poses any risk to the Town.

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- This is a year in which we are having to make difficult choices. It will be clear in the Town Wide Financial Plan about those choices and what we are doing and not doing with the funds available. The list of items cut out of the budget will be provided.
- Do we know what CARES money will be for this year?
 - Boards are coming to SB to ask for money. CARES money cannot be used for revenue replacement. It can be used only for unanticipated costs. It has to be expended to be counted. The Town does have money left from the previous \$2.6 million in CARES funding. The CARES extension allows for money received last year to be used in a longer time frame.
- Will Advisory receive a document with actuals?
 - Yes.

Administrative Matters/Liaison Reports/Minutes

Liaison Reports

NRC/Tom Cunningham – NRC met with CPC to discuss funding for the harvester for Morses Pond. CPC will present to Advisory on the 20th.

Schools/Jenn Fallon – 62 children are moving from the Remote Learning School (RLS) to hybrid school. The School Department and BOH are revamping and looking at metrics for school closing. MCAS has been scheduled by the state for the spring. The PSAT schedule is being looked at. Next Tuesday, the district will present a budget to the School Committee. There will be no strategic initiatives in the budget and it will be very bare bones. Schools are presenting to Advisory on March 3.

FMD/Shawn Baker – FMD presented their FY22 budget to the SB; it went smoothly and is within guidelines.

There was a discussion about the list of items Advisory would like each department to talk about in terms of their budgets: to-date actuals; COVID effects short term and long term; items that have been cut from the budget to get to the guideline number and will be put back in the budget in FY23. This includes capital plans for what is being given up or cut back. There was additional discussion about including this information in the liaison write-ups for the Advisory Report due to this extraordinary year and the push-out of expenses.

Advisory will need to have a discussion on Advisory's Warrant article for electronic delivery of the Advisory Report. A survey will be sent out to TMM this week, and a discussion will be held after the results are in.

There was a discussion to clarify the meaning of various municipal financial terms.

9:15 p.m. Adjourn

Mary Scanlon made and Tom Cunningham seconded a motion to adjourn.

Roll call vote

Bill Maynard - yes

Patti Quigley – yes

John Lanza – yes

Mary Scanlon - yes

Deed McCollum - yes

Jennifer Fallon – yes

Jeff Levitan - yes

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Corinne Monahan - yes
Shawn Baker – yes
Doug Smith – yes
Jake Erhard – absent
Tom Cunningham – yes
Lauren Duprey – yes
Neal Goins – yes

Approved 13-0.