

Approved August 31, 2022

**Advisory Committee Meeting
Zoom Video Conference
Wednesday, August 31, 2022, 6:30 p.m.**

Those present from Advisory Committee included Shawn Baker, Doug Smith, Susan Clapham, Wendy Paul, Madison Riley, Rani Elwy, Gail Sullivan, David Prock, William Schauffler, Pete Pedersen, Christina Dougherty, Jeff Levitan, Al Ferrer, Jenn Fallon, and David Prock

Shawn Baker called the meeting to order at 6:30 pm and introduced members of Advisory in attendance.

Citizen Speak

There was no one present for Citizen Speak.

FY22 Financial Results

Lise Olney, Chair, Select Board; Tom Ulfelder, Vice Chair, Select Board; Colette Aufranc, Select Board; Sheryl Strother, Finance Director; and, Meghan Jop, Executive Director, were also present.

The preliminary FY22 financial results were presented; these reflect that Town finances in 2022 continue to be impacted by CO-VID. At year-end FY22 the town is beginning to look towards the FY2024 budget; reserve levels continue to be strong. Reserves are estimated around \$28 million, which is in excess of the Select Board (SB) reserve policy of 8 to 12% of next year's projected revenue. Two reasons for the excess in reserves are that (1) local revenues exceeded budget and (2) departmental operating turnback was greater than budgeted. Reserves currently are at 20% of projected revenue for the next year. The Town-Wide Financial Plan (TWFP) indicated one of the uses of free cash could be for the Town Hall interior project, but this amount can be increased. The SB will start discussions about budget guidelines for FY24. The Town Hall Interior project was discussed at the 8/30 SB meeting, and is scheduled for presentation to Advisory 9/7.

Discussion/Questions

- In terms of one-time government handouts, how much did we get in total last year? If we have around \$20 million in free cash, would it be correct to say if you take the \$20 million minus the government handouts, the difference is what you would have otherwise?
 - No, those funds didn't flow through free cash. \$1.5 million would have gone towards the revenue replacement and the other ARPA grant went to the \$1.5 million that Town Meeting authorized for borrowing for PFAS (which we then supplemented with county ARPA funds). Commonwealth ARPA funds are given to us and we expend them; we then show that we've expended them and close it out at the Commonwealth level. We had some funds that came in through earmarks that both Senator Creem, Senator Rausch and Representative Peisch have worked with us to achieve. \$600,000 went to the Housing Authority; \$100,000 to MLP; the DEI task force was funded by grants. Close to \$1,000,000 of funds that were received either through competitive grant funds or earmarks that do not flow through free cash.
- A question was asked if free cash could be used for an operating kitchen at the COA or for the Recreation Department for Morses Pond or for other needs in town if it is not being used for the costs for Town Hall.
 - We operate on a five-year capital plan with a methodology for organizing and prioritizing projects. The town wants to continue to vet projects through a process which considers all constituencies and priorities. We have a dialogue about the priorities. Each constituency thinks their project is the most important in the town so we look at all the projects in the five-year capital. We try to avoid "flying in" new projects. We fund

projects on an annual basis but we don't pre-fund project five years out and then hold up funds in a current year. The placeholders that are on the five-year plan are contingent upon further study. For example, Morses Pond is still in the feasibility stage and does not have a schematic design which helps fine-tune the cost. In this case the anticipated cost is currently three times the cost that was originally anticipated so it's not ready for funding. It would be challenging to hold taxpayer dollars for the future potential project when we have projects that are moving forward that have already been vetted. We are operating on a 5-year plan to prioritize projects and we would like to continue to pursue that. We fund projects on an annual basis.

- A request was made for assistance in locating budget materials and documents.
- A question was asked how the FY22 turnback amounts compares to other years' turnbacks. And, if we budget conservatively to always preserve free cash levels within the range of the 8 to 12% of revenues, do we typically have turnbacks and has this been unprecedented turnback?
 - It is pandemic-related. It has been very hard to hire people. When the economy is back to normal, we will want those staffing levels but there might still be turnback. We consciously held things back because we did not know how bad the pandemic would be or how long it would last. There were other municipalities that were allowed to do a 1/12th budget but we wanted to balance the budget and we slowed our capital spending to figure out where we stood so some of the turnback is related to reduced capital spending. We budgeted conservatively to maintain the reserve level of 8-12%. We typically have turnback but this is unprecedented turnback.
- Do we know how over budget or under budget we are on an annual basis?
 - This was presented to the SB last night. We showed a continuum of free cash year over year. The Budget Books have all the documents. Last year's TWFP from last year also shows a history of free cash.
- Is the additional pandemic money from FEMA and from some of the other agencies counted towards the surplus or is that a bonus separate column?
 - When the federal government reimburses, it goes to the bottom line; however, reimbursements do not always line up by fiscal year. For example, the schools spent money on COVID testing from their operating budget and were later reimbursed for it.
- At the request of the Advisory Chair, Mr. Ulfelder provided an historical perspective of the conservative budgeting approach of the town.
 - Back in the early 2000s, the Town had about a \$100 million operating budget and was very short on cash reserves. There have been several decisions that have been made in the face of a growing operating budget and capital budget and to fund capital projects. In addition, these decisions helped make better more informed decisions about whether the town was going to a debt exclusion with the tax impact or whether we were going to fund a project inside the levy. This was due to a previous Executive Director's belief that if budgets are tight and the money was spent and viewed as a potential scarcity because you didn't know where the next dollars were coming from. It was believed that this conservative approach might leave money that would be subject to turn back but it changed the spending pattern within the departments. It is not as if that money is lost, it simply is returned to free cash for distribution for other purposes the next year.
- A question was asked if the amount of the difference between having the anticipated 20% reserve versus the high end of the target reserves of 12% is about \$12 million?
 - Yes.
- A comment was made that conservatively, it is good to have a cushion in the budget. And we don't want to run out of money but on the other hand we should consider the increase in the cost of borrowing.

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- If the schools were hiring additional teachers for the swing space and if the schools are not able to make those hires, is that another potential turnback area?
 - Yes.

FY23 Risk Management/Workers' Compensation Supplemental

This is Article 3 for Special Town Meeting and there are two motions under this article.

Motion 1 – Workers' Compensation

At the end of FY22 losses were evaluated. In FY22 there were a significant number of claims. This is a request to transfer \$700,000 to Workers' Compensation

Discussion/questions

- A question was asked as to what the town doing for prevention?
 - Two years ago, we started a safety committee to look at these types of injuries to see where we could educate staff. For example, at FMD we do different trainings such as ladder training or OSHA training. Training about OSHA safety standards is offered often. There's also training occurring on an annual basis for wellness and fitness by the HR departments at both the schools and town. Many of the injuries that have created significant cost to the town, involving injury to individuals, are random. We do safety training on an annual basis; we work with our insurance carrier, MIA, to assist us.
- Do you feel that the trend of injuries is going up or do you feel this may be something to do with the trouble that we had hiring people and maybe somehow training is suffering?
 - We have professionals using heavy equipment that can dislodge and injure a shoulder, back or hips. We have people lifting catch basins during water and sewer work. These are physical labor positions. There are teacher injuries at the schools. For example, if a teacher attempts to catch a kid falling in the playground or is working on something in the classroom and uses a chair when they should have used a ladder. For trends that we do see we monitor it and take action. For example, a few years ago, we bought new ladders for every facility in town to make sure we were up to date. We have a full-time position dedicated to workers compensation who evaluates this for the town and works with various doctors and with the employees to see if there's something could have been done differently. There have been instances where we brought in the Department of Labor standards to do an evaluation to see if the town could have acted differently or if the town was at fault for this or the employee at fault. Each incident has a different level of investigation depending on the amount of injury.
- Do you see an upward trend or does it seem like it's a spike that is abnormal?
 - I think is an anomaly and it's not something that we would typically see. I think some of the injuries that have occurred have had a prolonged duration of absence which then increases the costs.
- Do we have an individual in every department who is responsible for the health and safety of the employees in each department? Specifically, do the schools have a safety officer in every school? Concern was expressed about the students in the schools.
 - It depends on the office. FMD and DPW would have safety people but the Select Board's office and the library would not. Clarification was provided that workers compensation is related to teachers' injuries and not to the children.
- Is there one person in town who is responsible for looking at trends and do they issue annual reports on the health and safety and is this available?
 - Yes the employee does both tracking and monitoring incidents annually. It's not available to the public because it's personnel records, but we do our actuarial calculations on an annual basis and look at our claims data and evaluate all the incidents. This is what sets

our cost and determines what we should be carrying in workers compensation; we keep that information for actuarial analysis.

- A comment was made that the medical claims look relatively small. Is that because if there were significant injuries the individual's medical insurance is the first line of recourse or is there a risk that medical could be higher for us in the future?
 - Medical is for very minor incidents. If significant injuries occur at work, the town is responsible for medical costs.

Motion 2, Risk Management

The FY23 request is for \$100,000. The valuations of buildings have increased; as a result, the insurance premium has increased. This sum would be a transfer from free cash. For FY24 we will modify this. We had been seeing about a 10% year over year increase but due to claims (with a 3-year look back) and the increased valuation of buildings and vehicles, the cost of insurance increased. The town didn't receive the FY23 insurance bill until the end of April, which is after the FY23 budget was approved. The \$25,000 deductible for this year has already been met with the fire department loss.

Discussion/questions

- How have the rates been trending?
 - Rate trend is about 8-10%.
- Does risk management include cybersecurity insurance?
 - Yes.
- Has this increased substantially.
 - It has not and we just finished up a cybersecurity assessment as part of the audit committee recommendations. This will help with security and will help keep claims down
- Do we go out for bids for insurance every 3 or 5 years?
 - MIA is the Commonwealth insurance carrier. We may go out for specific areas and MIA will be the broker. For example, we purchased small separate insurance binders for the Worcester Street houses.
- Are the number of claims going up?
 - There are a variety of enterprises in town. This covers everything from the ZBA being sued for a 40B to a police officer being in a vehicle incident, as well as covering sewer backups and resulting damage to a home.
- Is any of this increase in claims a result of COVID and the anxiety and whatever COVID has done to all of us?
 - There is always a three-year look back. Some has to do with weather. There has been weather damage to buildings and climate change has been a factor in some of the damage.
- Are legal fees covered in this?
 - The risk management budget does not carry any of the legal fees that we are paying but it does cover legal fees for civil rights litigation. We've had two civil rights claims. There is also a deductible which we pay. And there tend to be additional legal costs that we absorb from town counsel or special counsel.
- Is the trend going upward on this?
 - It falls under our general liability.
- An observation was made that given the number of turnbacks related to unfilled positions, is the increase in injuries on duty related to people have to stretch and do more in their jobs.
 - The costs are reflected in overtime costs but we don't know of a specific correlation.
- Clarification was provided that when the buildings are improved the cost of risk management increases because you've increased the value of those buildings.

- A comment was made that analysis is needed to determine why there are increases in claims and that it would be great to see some analysis that would look at trends like incidents per population or cost of insurance per property value.
 - We get a risk analysis so it's an evaluation of the claims to see where additional training might be needed. Our insurance company also suggests opportunities.
- A comment was made that it would be good to have an analysis of the type of claims and what they were.
 - This is a moving target. We can't predict when accidents happen.
- With the new school buildings, although they are more valuable, they are safer buildings. Is this something that insurance companies look at?
 - There is risk during construction. New buildings are safer than old buildings as safety standards are elevated to all current code standards. There is also a learning curve for new buildings. MIA looks at historical analysis across multiple towns and has experience on these trends. Wellesley is not special and all communities have these similar claims.

Liaison Reports

Pete Pedersen/DPW – DPW did not meet in August; there will be a meeting September 1. Mr. Pedersen reached out to David Cohen to ask what is coming before the DPW and he said to expect to hear more about the Storm Water Enterprise fund which we heard about last year.

Doug Smith – the October STM will be a remote STM. The STM warrant will be signed and posted tomorrow. Next week the SB is scheduled to present the Town Hall project with the consultant. Details on financing the Town Hall renovation project will not come to Advisory until September 14.

Madison Riley/Planning – Planning has been meeting throughout the summer. There is a public hearing on the drainage regulations and bylaws which need to be developed and these certainly play into the storm water issue. There have been many meetings about 93 Worcester as a bio lab is being proposed at 93 Worcester St. at the intersection of Route 9 and 128. There has been a lot of concern and there's another hearing on this. Planning has hired a new staff person who is focused mainly on historical structures. Planning hopes to hire one additional person.

Jeff Levitan/PBC – PBC continued to meet all summer and discussed Hunnewell/Hardy and the Town Hall renovation. Hunnewell has received fixed bids and the costs are relatively under control. The old building is down and they are working on the foundation. Hunnewell is scheduled to open late spring 2024. Hardy is still in the RFP phase and it does not yet have fixed bids and costs are continually being forecast and costs are rapidly escalating due to supply chain issues and inflation. Value engineering was completed for \$3.5 million but only received somewhere around \$2 million. It was stated that we are seeing similar patterns on Town Hall. According to Mr. Levitan, Town Hall started as a \$3.5 million project for handicapped ramps and then became an \$18.5 million project; the last numbers seen were around \$22 million. Mr. Levitan further stated that this is a building full of surprises given its age and uncertainty. Final numbers have not yet been presented, but Mr. Levitan stated that he expects a surprise in costs and that there has also been some scope creep as well. Mr. Levitan indicated that when Advisory gets together with the SB and PBC, he felt there should be questions about cost and cost escalation. Mr. Levitan expressed the opinion that because of the pressure of these three projects, FMD has pushed back on working on DPW's needs and the Recreation Department needs by a year. As a result, it was felt that these departments aren't getting served in a way that they need to be served and basically FMD's position is "sorry we don't have the manpower." Mr. Levitan feels that both those organizations have real needs and their needs are not being met. He stated that everyone has probably heard about a \$1.5 million dollar rebate available from National Grid to help cover the cost of electrification. There is some conversation in town from the Climate Action Committee (CAC) and other members of the community that they don't want gas connections to the buildings. Mr. Levitan stated that the gas connection simply needs to be hooked up to a hot water heater or anything that consumes a little bit of gas; he felt that accepting the rebate should be seriously considered by the Advisory Committee during discussion by this committee about Hardy and Hunnewell because \$1.5 million dollars is a lot of money.

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Jenn Fallon/Schools – it was a successful first day of school; Leda Eizenberg is the new School Committee (SC) chair; SC will present next week on the Williams Street turnaround Warrant article.

Christina/BOH – The BOH would like to attend the American Public Health Association meeting but it is expensive so they will be using money from The Healthy Wellesley Fund. However, it is anticipated that going forward the BOH will ask for an increase in professional licensure money just to anticipate costs future costs of attending these important conferences.

Al Ferrer/NRC – NRC approved the field lights but there have been some issues that still to be discussed. Mr. Ferrer personally raised the issue of the police providing security and assistance on the heavy traffic anticipate on Route 16 and side roads around the field during Friday Night Football games.

Discussion

- Support was expressed for the use of the rebate funds from National Grid. It was felt that it would be unwise to reject the funds. A procedural question was asked as to PBC was directed to build a fully electric building and if it is their call as to whether to accept National Grid's offer. Are they formally charged by the SB to build an all-electric building?
 - The SB is deciding how to finance the building and this is included in the conversations. There are many questions about whether the schools are under some sort of project management to be electrified and if not then it probably can fall to PBC to make the decision. There is a lot of discussion about this and it involves many people.
- A comment was made that the APHA is in Boston this fall, providing a great opportunity for the BOH to attend a meeting of this national organization.
- The Advisory Chair commented that Advisory is charged with evaluating budgets that may exceed the SB guidelines. For smaller boards, like the Board of Health, something like this can put them over budget by a large percentage relative to their budget, but these are worthy in terms of where the money is going. This is just something to consider as Advisory evaluates over guideline departments and boards.
- A question was asked as to why the town doesn't know how to finance the Town Hall renovations. It was felt that the SB should know how to fund it before they approved to proceed with the upgrades.
 - It's the SB's decision as to how they want to fund Town Hall and it is not Advisory's decision. Advisory will wait until they are ready to bring the funding forward.

Administrative

- Advisory members were reminded to check the meeting invite for updates for materials.

Coming attractions

- Town Hall renovation presentation next week.
- September 14: Background write ups for the STM Advisory Report are due to Susan. The history of the Town Hall project from previous Advisory write-ups will be sent out.

Minutes Approval

Jenn Fallon made and Doug Smith seconded a motion to approved the June 14, 2022 minutes

Roll Call Vote

Jennifer Fallon – yes
Jake Erhard – absent
Jeff Levitan - yes
Doug Smith – yes
Susan Clapham - yes
Al Ferrer - yes

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Wendy Paul – absent
Pete Pedersen - yes
Madison Riley – yes
Rani Elwy - abstain
Christina Dougherty - abstain
Gail Sullivan – abstain
David Prock – abstain
William Schauffler – abstain

June 14, 2022 Minutes were approved 7 – 0 (5 abstentions)

Madison Riley made and David Prock seconded a motion to approve the August 10, 2022 minutes.

Roll Call Vote

Jennifer Fallon – abstain
Jake Erhard – absent
Jeff Levitan - yes
Doug Smith – yes
Susan Clapham - yes
Al Ferrer - yes
Wendy Paul – absent
Pete Pedersen - yes
Madison Riley – yes
Rani Elwy - yes
Christina Dougherty - abstain
Gail Sullivan – yes
David Prock – yes
William Schauffler – yes

August 10, 2022 minutes were approved 10 – 0 (2 abstentions)

Adjourn

Jeff Levitan made and Jenn Fallon seconded a motion to adjourn.

Roll Call Vote

Jennifer Fallon – yes
Jake Erhard – absent
Jeff Levitan - yes
Doug Smith – yes
Al Ferrer - yes
Wendy Paul – absent
Pete Pedersen - yes
Madison Riley – yes
Christina Dougherty – yes
Rani Elwy - yes
David Prock – yes
William Schauffler – yes
Gail Sullivan – yes
Susan Clapham - yes

Meeting was adjourned at 8:16 p.m., 12 to 0.

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Documents Reviewed

<https://wellesleyma.gov/DocumentCenter/Index/1770>

- PowerPoint Article 3 – Supplementals
- PowerPoint – SB 8/16/22 presentation
- Draft 06/14/22 minutes
- Draft 08/10/22 minutes