

Needham Finance Committee
Minutes of Meeting of February 12, 2025
To view a recording of the meeting on YouTube:

<https://www.youtube.com/playlist?list=PL3PRZZjHC3yFvWuO8IwFGgK3KaPYkTyxK>

The meeting of the Finance Committee was called to order by Chair Carol Smith-Fachetti at approximately 7:00 pm in the Great Plain Room at Needham Town Hall, also available via Zoom teleconferencing.

Present from the Finance Committee:

Carol Smith-Fachetti, Chair

Barry Coffman (via zoom), Ali Blauer, Paul O'Connor, Joe Abruzese (via Zoom), Karen Calton (via Zoom), Tina Burgos

Absent from the Finance Committee

John Connelly, Vice Chair; Lydia Wu

Others Present:

David Davison, Deputy Town Manager/Director of Finance

Molly Pollard, Finance Committee Executive Secretary

Cecilia Simchak, Assistant Director of Finance

Joe Prondak, Building Commissioner

Katie King, Deputy Town Manager

Myles Tucker, Support Services Manager

Kate Fitzpatrick, Town Manager

Citizen Request to Address the Finance Committee

None

Approval of Minutes of Prior Meetings

MOVED: By Mr. O'Connor that the minutes of meeting February 5, 2025, be approved, as distributed and subject to technical corrections. Ms. Blauer seconded the motion. The motion was approved by a roll call vote of 7-0 at approximately 7:02pm.

FY26 Department Budget Hearings: Building Department

Mr. O'Connor provided an overview. The level service request for 2026 is \$950,120, a 3.2% increase over FY25. There was a request (DSR4) to convert a part-time position into a full-time role, factoring in a potential retirement, with an additional budget impact of \$30,043, bringing the total to \$980,163. However, the Town Manager's budget defers this request, keeping the

2026 budget at \$950,120. No capital requests were made, and state collections from 2022 to 2024 varied significantly.

Ms. Smith-Fachetti inquired about the part-time to full-time conversion and the anticipated retirement. Mr. Prondak explained that the current part-time employee has been considering retirement but remains due to another resignation. If that employee retires, the goal is to hire a full-time replacement to address backlog issues with state-mandated annual inspection certificates for various public facilities. The department is significantly behind, completing only 30-40 inspections per year out of the required approximate 160 annual inspections.

Mr. O'Connor asked about potential liability for missed inspections, Mr. Prondak was not sure of any legal ramifications. Mr. Prondak acknowledged that essential facilities, such as restaurants with liquor licenses and daycare centers, are prioritized because their operations depend on these certifications. Other inspections, including those for multi-family residential buildings, are delayed. Ms. Blauer asked about the expiration schedule. Mr. Prondak explained some 160 buildings with a yearly inspection timeline, but there are approximately 40 additional buildings with 5 year certificates.

Mr. Abruzese asked about the backlog and whether urgent inspections are prioritized over others. Mr. Prondak confirmed that facilities requiring regulatory approvals jump the queue, causing others to remain unaddressed. Mr. Coffman questioned how much more could be accomplished with full staffing. Mr. Prondak estimated that while they aim to complete all inspections, achieving full compliance would take several years. Ms. Blauer asked how long inspections take, and Mr. Prondak explained that smaller restaurant inspections typically last 30 to 45 minutes, with violations documented and follow-up inspections required. He noted that larger complexes, such as North Hill, require significantly more time.

Mr. O'Connor inquired about how the electronic permitting system overhaul integrates with the process. Mr. Prondak explained that the ViewPoint Cloud (VPC) system was adopted around 2020, just before the pandemic, and was rushed into implementation. He highlighted redundancies in the system and the need for updates to reflect evolving codes. Staff is actively identifying necessary changes and reviewing permit applications to streamline processes. He cited the need to develop a new permit for ADUs, which was not anticipated when the system was initially designed. Due to staff shortages, updating the system remains a significant challenge.

Mr. Coffman asked when a recent vacancy occurred, and Mr. Prondak stated that the assistant building commissioner resigned on December 17. Ms. Blauer asked if only the part-time position was handling permit system updates, and Mr. Prondak clarified that all building inspectors share responsibilities. She further asked if resources could be redirected to expedite the process, to which Mr. Prondak responded that increasing staff hours would provide more time for inspections.

Ms. Smith-Fachetti asked if converting the part-time position to full-time would eliminate the backlog, and Mr. Prondak estimated it would take two to three years to fully address outstanding issues. He emphasized that a recurring permitting system, similar to what the health department uses, would automate renewal notices and pre-fill application data, reducing administrative burdens. Ms. Smith-Fachetti asked about the timeline for completing system revisions, and Mr. Prondak said he initially hoped to finish a month ago but now aims for July 1.

Ms. Smith-Fachetti asked about the hiring process for the assistant building inspector position. Mr. Prondak stated they are considering promoting an internal inspector, which would require filling another vacancy, adding at least two months to the hiring timeline. He described hiring difficulties due to private-sector salaries significantly outpacing municipal wages, with qualified inspectors earning \$150 per hour in private industry. Ms. Blauer asked whether making the position full-time would improve recruitment, and Mr. Prondak agreed it would. Ms. Smith-Fachetti asked about hiring outside contractors to help fill the backlog, and Mr. Prondak replied he planned to look into that with salary monies from the open position.

FY26 Department Budget Hearings: Minuteman Regional High School Assessment

Mr. Coffman explained that the budget for Minuteman is largely formulaic and based on Needham's proportional share of costs. He noted that Needham has significantly increased its student enrollment at Minuteman, which aligns with expectations. He reminded the group that prior to the new school being built, the district was restructured from 16 to 9 towns, causing Needham's relative share to increase. The budget estimate included in the report is preliminary, with a finalized figure expected in the spring. He also mentioned that Minuteman is currently evaluating its long-term capital plan.

Ms. Fitzpatrick clarified that approximately \$550,000 of the total budget is for capital costs, which is based on existing capital and debt. Mr. Coffman added that Minuteman has been very successful, with high demand for enrollment. He highlighted the Co-Op program, where Needham students intern with local businesses, such as a plumbing company and the Department of Public Works. He noted that previously, Minuteman had open spots for students from outside the nine-member towns, but now it is at full capacity with only member-town students.

Ms. Smith-Fachetti asked Ms. Fitzpatrick about the approximate \$100,000 reduction and where it originated. Ms. Fitzpatrick explained that the initial estimate was developed in October, however, Minuteman later provided a revised figure, which led to the reduction.

Ms. Blauer inquired whether the cost was based on per-student enrollment. Ms. Fitzpatrick clarified that the assessment is calculated using a four-year rolling average of enrollment, and Needham's share increased due to real growth in enrollment. Mr. O'Connor noted that while Minuteman is expensive, the high enrollment is a positive outcome.

Ms. Smith-Fachetti and Mr. Davison discussed the situation of towns that do not belong to a vocational school district. Mr. Davison explained that those towns must pay tuition for students who successfully enroll in a vocational school outside their district. Mr. Coffman added that some towns opted out of Minuteman due to concerns about the cost of the new building.

FY26 Department Budget Hearings: Select Board and the Office of the Town Manager

Mr. Abruzese provided an overview of the budget describing its three parts: the Office of the Town Manager, the Select Board, and Human Resources. He explained that the budget covers 11 full-time positions and two part-time positions, with a relatively small increase of 2.8% (\$45,586) from the previous fiscal year, primarily due to salary and step increases. He noted a slight net increase in expenses, but some savings were realized from lower-than-anticipated costs for board and committee software. He also highlighted that last year's budget had a 4.8% turnback due to a two-month vacancy in the administrative specialist position. While no DSR-4s were included, there is a DSR-5 request for a compensation and classification study, which is conducted every five years to ensure competitive pay structures and compliance with the Massachusetts Fair Pay Act. Additionally, there is a \$40,000 capital request for replacing items at their end of useful life, for example office furniture.

Ms. Smith-Fachetti inquired about the timeline for the compensation study if approved at Town Meeting. Ms. Fitzpatrick responded that funds were last appropriated in 2017, but the study was delayed due to COVID-19, with implementation occurring in FY21. She emphasized the importance of conducting the study every five years to maintain competitive salaries and ensure compliance with fair pay laws. The study will cover approximately 250-275 employees, including managers, administrative professionals, custodians, tradespeople, and public works employees, but will exclude school and public safety staff.

Ms. Smith-Fachetti then asked about the decline in rental revenue from Powers Hall. Mr. Tucker noted that prior to 2021, the space was frequently used for fundraising and community events, but COVID-19 disrupted that usage. While municipal events have resumed, nonprofit organizations have shifted away from large in-person fundraisers. Ms. Fitzpatrick added that the town charges a rental fee, and a per person fee for ticketed events, which helps contribute to maintenance costs. Only nonprofits are permitted to rent the space. The additional custodian fees and lack of kitchen facilities may deter some organizations from using it.

FY26 Department Budget Hearings: Finance Committee and Reserve Fund

Mr. Davison explained the methodology for determining the Reserve Fund budget, which is traditionally set at 1.4% of the prior year's budget, excluding retirement assessments, OPEB, and debt service since those are fixed costs. The town manager has recommended a reserve fund budget of \$1.8 million, which is lower than Mr. Davison's initial level-dollar suggestion. However, the town has not come close to using the full reserve amount in recent years.

Ms. Blauer asked if there was data on how much of the Reserve Fund has been used as a percentage of the total budget over the past few years. Mr. Davison confirmed that the \$1.8 million figure aligns with the historical average usage of the reserve fund.

Ms. Smith-Fachetti then inquired about how Needham's Reserve Fund policy compares to other towns. Mr. Davison explained that most towns do not have a formal policy and that Needham's Reserve Fund is notably higher than those of comparable communities, but this is intentional. One reason is that Needham aims to cover snow and ice expenses through the Reserve Fund, whereas many towns deficit spend for snow removal and then raise the shortfall as an expense in the following year's budget. Additionally, Needham takes a more prudent and conservative financial approach to prepare for unexpected costs.

FY26 Townwide Expenses Budget Hearings: Casualty, Liability, Property & Self-Insurance Program

Ms. Smith-Facchetti noted that this budget is going up by 6%, due to insurance costs rising as well as Emory Grover being included for a full year. Mr. Davison added that insurance rates will likely continue to rise across the country, citing wildfires as an example of a reason for cost increases.

FY26 Townwide Expenses Budget Hearings: Debt Service

Ms. Smith-Fachetti introduced the topic of debt service, noting that while the budget is declining by 3.8%, it's expected to go up in future years. Ms. Smith-Fachetti pointed out that the town will still be paying off the first Pollard School project when it takes on new debt for the upcoming renovation and asked how that would work.

Mr. Davison explained that payments will still continue to be made on the prior loan. He did note that the Pollard project will take two to three years to complete, there will likely be a gap before major payments for the new project begin. Mr. Abruzese asked whether having outstanding debt on an asset that may be replaced—such as Pollard—poses any financial or legal issues. Mr. Davison clarified that this is not a problem because municipal debt is backed by the town's tax levy rather than by the asset itself, unlike a mortgage where a home serves as collateral.

FY26 Townwide Expenses Budget Hearings: Needham Electric, Light & Gas Program

Mr. Davison outlined the budget for the Needham electric light and gas program, which proposed a 5.7% increase. This budget covers electricity and natural gas for all public buildings, streetlights, and traffic signals. It also funds costs associated with solar electricity, including town-operated charging stations, as well as streetlight and signal repairs. Additionally, a minor portion goes toward technical services for solar reporting to state agencies.

He highlighted that the town has a solar array at the old landfill, managed by Tesla. The town purchases power from Tesla at approximately 9 cents per kilowatt-hour and sells it to Eversource for an average of 32 cents per kilowatt-hour, making it a profitable operation that generated over \$1 million in receipts last year.

Since the budget preparation, the town secured new contracts for electricity and natural gas. Although the electricity supply price increased from the previous contract (which had expired in December), the town was able to secure a new 36-month contract at 11.98 cents per kilowatt-hour—lower than the anticipated 13-cent estimate. Similarly, natural gas prices came in 20 cents lower than expected, reducing the assumed rate from \$3.34 to \$3.14 per unit.

Ms. Smith-Fachetti asked about the contract durations, and Mr. Davison confirmed that the natural gas contract runs through February 2027, while the electricity contract is locked in through January 2028. He also mentioned a proposed bylaw amendment in the upcoming Town Meeting, which would allow the town to extend energy supply contracts from the current three-year limit to five years. Extending contracts to five years could result in better pricing, with suppliers favoring contract terms of up to 48–60 months.

Ms. Smith-Fachetti asked about the impact of Emery Grover being fully electric. Mr. Davison responded that it is too early to tell, but energy use is estimated based on the architect's projections. Ms. Blauer inquired whether the building was built to meet the specialized Opt-In energy code. Mr. Davison clarified that Emery Grover was constructed under the Stretch code. Future projects will be subject to the newer standard.

Finance Committee Business

Documents: Excel Spreadsheet- FY26 Proposed Department Budgets

Ms. Smith-Fachetti distributed the departmental budget breakdowns for review. She emphasized that the committee needs to vote on these budgets next week and noted that the town manager's recommendations reflect a lack of DSR-4 funding requests.

Ms. Fitzpatrick highlighted the school department's net reduction of over 11 positions and cautioned against adding town-side positions while the schools are cutting staff. Mr. O'Connor referenced the superintendent's earlier comments on staffing reductions and potential Reserve Fund transfers.

Ms. Blauer asked about balancing the operating budget and warrant articles. Mr. Davison explained that most warrant articles are funded through one-time revenue sources, ensuring structural balance for future budgets. He also noted that state aid estimates align with the governor's budget and suggested that additional aid, if available, would likely go toward Chapter 70 school funding.

Concerns about federal funding reductions were raised, with Mr. Davison identifying education and health and human services as areas of vulnerability. Ms. Fitzpatrick also mentioned the potential impact of Medicaid cuts on the Commonwealth's budget.

Regarding future financial planning, Mr. O'Connor questioned the funding strategy for Needham Center's redevelopment, noting that long-term financing is not yet in place. Ms. Fitzpatrick confirmed that the pilot program is funded, but further community decisions will be necessary.

Ms. Blauer inquired about addressing backlog issues in permit processing, by potentially funding one-time contracts. Ms. Fitzpatrick agreed to explore the feasibility of this idea. She also pointed out that alternative funding sources, such as ARPA funds and state aid, have been used to offset budget gaps.

The discussion concluded with a reflection on the challenges of balancing immediate needs with long-term financial stability. Several participants expressed concerns about FY27 being even more difficult, citing historical parallels to post-2008 budget struggles. Ms. Smith-Fachetti acknowledged these concerns, emphasizing that tough decisions will continue to be necessary.

Adjournment

MOVED: By Mr. O'Connor that the Finance Committee meeting be adjourned, there being no further business. Ms. Burgos seconded the motion. The motion was approved by a roll call vote of 7-0 at 8:23p.m.

Documents: Excel Spreadsheet- FY26 Proposed Department Budgets

Respectfully submitted,

Molly Pollard

Executive Secretary, Finance Committee