

Town of Needham
Meeting of the Finance Committee
Broadmeadow Elementary School
120 Broadmeadow Rd., Needham, MA
February 3, 2010

Minutes

Members Present:

Lisa Zappala, Chairman	Rick Lunetta
Rick Zimbone, Vice Chairman	Dick Reilly
Matt Borrelli	Steve Rosenstock
John Connelly	Mike Taggart
Richard Creem	

Also Present:

Dave Davison, Assistant Town Manager
Chip Davis, Administrative Assessor
Roger MacDonald, Management Information Systems Director
Evelyn Poness, Town Treasurer and Tax Collector
Michelle Vaillancourt, Town Accountant

Call to Order

Mrs. Zappala called the meeting to order at 7:04 pm.

Citizen Requests to Address the Finance Committee

There were no citizen requests to address the Finance Committee.

Finance Committee Operating Budget Review

Mrs. Zappala presented the Finance Committee's operating budget request of \$31,118. Mrs. Zappala noted that the salary and expense totals were identical to the appropriated FY10 budget, although stated that a newly hired Executive Secretary could have a lower salary than the previous Executive Secretary who had achieved higher steps on the pay scale.

Minuteman Regional Career and Technical High School Operating Budget Review

Mr. Taggart presented the Minuteman Regional School Committee's voted budget of \$16,238,679, a 7.2 percent decrease from the appropriated FY10 budget, and stated that the amount of this budget preliminarily assessed to the Town of Needham is \$369,261, a 15.3 percent decrease from the FY10 assessment. Mr. Taggart reported that Minuteman's level service budget was said to be over \$18 million, however, the Superintendent had submitted proposed cuts including five administrative positions, four teaching positions, four accepted retirements, reductions in supplies and materials, cutting the Auto Body and Office Technology programs, and reduction of the late bus resulting in a \$1.8 million reduction. According to Mr. Taggart the Minuteman administration is attempting to address concerns that Minuteman has a higher per-student cost than other vocational high schools and the perception that it is cheaper for out-of-district students to attend Minuteman than students in the district. In response to

questions from Mrs. Zappala and Mr. Rosenstock, Mr. Taggart stated that the Minuteman budget is assessed in arrears, e.g. the FY11 assessment is based on enrollment as of October 1, 2009, and that as of that date Needham had 17 students enrolled at Minuteman, out of a total of 680, 450 of whom come from within the Minuteman district. In response to a question from Mr. Creem, Mr. Taggart reported that last year's preliminary assessment ended up as the actual assessment and the FY09 assessment dropped significantly from the preliminary assessment, adding that while the assessment is based on enrollment share it is not a linear function.

Finance Department Operating Budget and Capital Requests Review

Mr. Creem presented the Finance Department's operating budget base request of \$2,131,960, a 1.4 percent increase over the appropriated FY10 budget exclusive of adjustments from the Settlements and Classifications line. Mr. Creem also provided an extensive overview of the Finance Department including the evolution of its functions and its challenges today. The changes in the Finance Department budget request from noted by Mr. Creem included step increases and a cost of living adjustment from the Independent Town Workers Association contract running through June 30, 2010, reductions in the Repairs and Maintenance and Rental and Leases line items due to reclassification as Communications expenses, an increase in the Communications line item to reflect charges for an RCN line replacing an insufficient earlier line, an increase in the Professional and Technical line in part due to anticipated increased service and processing costs, an increase in Other Purchased Services due to increases for outside collection for ambulance service, increases in supplies and a decrease in Travel and Mileage.

With regard to the Office of the Assistant Town Manager and Finance Director, Mr. Creem expressed concern over a lack of clerical support in the office, although noted the Town's generally favorable interest rates in comparison with other AAA-rated communities and a limited number of comments on the Town Audit. Mr. Creem provided information on the Assessing Office, noting that the Office must ascribe a full and fair cash value to the each of the Town's approximately 9500 residential properties, 400 commercial and industrial properties, and 1000 personal property accounts, as well as processing over 30,000 Motor Vehicle Excise tax bills annually. Although the Town has its next triennial revaluation year scheduled for FY12, Mr. Creem stated that the State Legislature is considering changing this to a five-year cycle or grouping municipalities in thirds. Mr. Creem reported that the Assessing Office has captured 100 percent of new growth in connection with building projects, and also stated that the number of changes from abatements has been favorable. Mr. Creem also noted the Office of the Parking Clerk, mandated by Massachusetts General Laws Chapter 90, Section 20A, and stated that only a small number of appeals have resulted in a formal hearing.

Mr. Borrelli provided detail on the Information Technology Center, stating that the center is responsible for approximately 185 desktop computers, 45 laptop computers, 15 servers, security, mail, network infrastructure, office applications, printers, copiers, storage and disaster recovery. According to Mr. Borrelli the Center faces challenges of computer support demands, as software incompatibility issues force personnel to spend a great deal of time on day to day support, personnel as retirements are on the horizon, and aging technology. Mr. Borrelli stated that the Town's operating system is an IBM A/S 400 at the end of its life and with limited remaining

storage capacity, and holds Town financial records dating back to 1993. Mr. Borrelli reported that the staff at the Center would like to partner with School Department Information Technology, and also to increase virtualization so that employees could have workstations connected to servers hosting applications which he stated would contribute to reducing support and replacement costs. The Department's two DSR-IV requests were both submitted by the Information Technology Center, which Mr. Borrelli presented as \$12,500 for technology replacement and \$52,054 for a Desktop and Network Support Technician. With regard to the Accounting Office, Mr. Borrelli stated that the Office has had issues with staff turnover, including the still unfilled Assistant Town Account position. With regard to the Office of the Treasurer and Tax Collector, Mr. Borrelli stated that Recycling and Transfer Station sticker processing has been an issue, although also stated that collections have been higher than in prior years.

Mrs. Poness reported that the Treasurer and Tax Collector's Office has been working with more individual taxpayers to work out payments than in prior years, stating that the Town had sent 280 letters to delinquent taxpayers, 186 second notices, 83 third notices and will advertise 35 properties for auction. In response to a question from Mr. Lunetta, Mrs. Poness stated that 43 properties had been advertised for auction the previous year, and that she has never actually had to conduct an auction. Mrs. Poness also stated that the Office has had issues with the Recycling and Transfer Station sticker application and may devise a new system, and is working on a system for accepting credit card payments although wants to be assured of the safety of taxpayers' personal information. Mr. Reilly expressed concern over the stated investment yields, noting the FY09 return of 2.32 percent as compared with 2.02 percent for the Massachusetts Municipal Depository Trust index and stating that such a differential of 15 percent or greater could be a red flag.

Mr. Davis stated that the Assessing Office may experience issues in the commercial real estate market, due to the imminent end of many long-term leases which could experience lower rents negotiated by tenants, although added that the residential real estate market remains strong with a 2 percent increase in the average sale price from 2008 to 2009. Mr. Davis reported that bills currently before the State Legislature would assist the Office. In response to a question from Mr. Lunetta, Mr. Davis stated that the number of single family home sales in Needham was 332 in 2009 after totaling 325 in 2008. In response to a question from Mrs. Zappala, Mr. Davis stated that abatement activity has remained steady, at about 150 after 130 in FY08, the last non-revaluation year. Mr. Davis added that the FY09 revaluation resulted in 225 abatement applications, and that the FY06 revaluation resulted in over 500 abatement applications.

Miss Vaillancourt reported that the Accounting Office has had a challenging year with three employees doing the work of 4.5 from November 2008 to May 2009, although stated that all four current employees now have at least a year of experience in the Office. In response to a question from Mrs. Zappala, Miss Vaillancourt stated that the staff consists of the Town Accountant (herself), the Assistant Town Accountant (vacant), an administrative specialist, a payroll specialist (who is leaving but agreed to stay until the position is filled) and a staffer who is shared with the Treasurer and Tax Collector's Office although has been working in Accounting while the office is shorthanded.

Mr. MacDonald reported that the Information Technology Center has moved to the Public Services Administration Building and will soon deal with the move of the remainder of the Town Hall operations. Mr. MacDonald stated that one difficulty has been backwards compatibility of software, adding that with Microsoft Office as a primary tool not everybody has Office 2007 and therefore some with older software cannot open documents produced on newer versions. In response to a question from Mr. Rosenstock, Mr. MacDonald stated that the Center has an application to back up servers and save data electronically at a different facility so that it can be replaced if lost. Mr. MacDonald stated that data is backed up from disk to disk to tapes. Discussion ensued on the security of tapes taken home by employees on a nightly basis and the potential of data storage at an off-site facility. In response to a question from Mr. Zimbone, Mr. Davison stated that the Town's financial information software dates back to 1993 and that although the package is not recommended by its production company, it complies with state mandates including the 37-digit account codes to comply with Department of Elementary and Secondary Education reporting requirements.

In response to a question from Mr. Reilly, Mr. Davison provided information on the yields of municipal bonds, stating that Needham is almost always within 25 points of the municipal market data benchmark. Mr. Davison stated that the .33 differential for 2010 on the June 1, 2009 bond sale was due to a longer coupon. Mr. Davison stated that there are a smaller group of AAA-rated communities with which to be compared, as the weaker AAA-rated communities have since been downgrades, and reported that he has never had to cancel a bond sale. In response to a question from Mr. Reilly, Mrs. Poness stated that the Town receives \$600,000-\$700,000 in ambulance fees. In response to a question from Mr. Rosenstock, Mr. Davison stated that the relatively low participation in direct deposit by employees during the first quarter of fiscal years is due to seasonal labor in the summer and teachers not receiving paychecks over the summer. Mrs. Zappala expressed concern over the Town Manager's recommended \$29,000 decrease from the Finance Department's base budget request. Mr. Davison stated that he recognizes the department as less visible than schools, police, roads etc. and expressed a desire to reconsider the classification of the Assistant Town Accountant's position. In response to a question from Mr. Zimbone as to whether the position is necessary having been vacant for a year, Mr. Davison stated that the auditors expressed concern over lack of staffing in the Accounting Office and of reconciliations not being done in a timely fashion.

Mr. Borrelli presented Finance Department capital requests of \$150,000 to replace the A/S 400 operating system, \$30,000 annually for five years to upgrade network switches and servers, and \$60,000 for a Microsoft Office 2007 upgrade. In response to a question from Mr. Borrelli as to whether a patch would be more prudent than an upgrade to Office 2007, Mr. MacDonald stated that the patch did not provide back and forward compatibility. Mr. MacDonald added that this had not been an issue in the past due to backwards compatibility of Microsoft Office, but that the problem may recur in the future.

Reserve Fund – Historic Levels and Uses

Mrs. Zappala presented data on the Reserve Fund over the past ten fiscal years, including its percentage of the town budget, percentage of total department budgets, and uses over that time.

Mrs. Zappala noted an unusually large Reserve Fund allocation in FY04 for the purpose of funding unsettled contracts, a large transfer in FY06 for fuel and energy due to unusual price increases, the funding of paving the Newman and Mitchell parking lots in FY07 due to there being money left at the end of the year, the Newman allocations in FY08 due to air quality issues, and legal transfers in every year except FY08. In discussing the Snow and Ice Removal allocations, which have varied greatly over this period, Mr. Rosenstock expressed concern that the FY09 Snow and Ice Removal was significantly more expensive on a per inch basis than in prior years.

Finance Committee Priorities in Balancing FY11 Budget

Mrs. Zappala invited questions, comments and concerns from all members in advance of discussing the budget at the following meeting. In response to a question from Mr. Lunetta, Mr. Davison stated that revenues from Enterprise Funds cannot be used outside their stated purposes. Mr. Rosenstock expressed concern over the lack of funding for \$1.2 million in capital items listed for secondary cash. Mr. Zimbone expressed concern over making up \$600,000 in the School Department budget in FY12 currently being funded with one-time revenue. Mr. Reilly expressed concern that a level-service budget should perhaps not be assumed. In response to a question from Mr. Borrelli regarding requests being closer to previous budgets than actual expenses, Mr. Davison stated that the price of any purchased item is not known until it goes out for bid.

Accept Minutes of Prior Meetings

MOVED: By Mr. Reilly, to accept the Minutes of the Meeting of October 21, 2009 as submitted. Mr. Borrelli seconded this motion, whereupon the motion passed by a vote of 5-1-3 with Mr. Taggart dissenting and with Mr. Connelly, Mr. Lunetta and Mr. Rosenstock abstaining.

MOVED: By Mr. Lunetta, to accept the Minutes of the Meeting of January 25, 2010 as submitted. Mr. Reilly seconded this motion, whereupon the motion passed by a vote of 8-0-1 with Mr. Borrelli abstaining.

More time was requested to review the submitted Minutes of the Meeting of January 27, 2010 and no action was taken.

Finance Committee Updates

Mr. Creem updated the Committee on the recent Association of Town Finance Committees board meeting, including information on the Governor's budget, state tax revenues, cuts in the Circuit Breaker and police incentive programs, and a House bill to extend full pension funding to 2040.

Mr. Reilly reiterated his concerns over the differential between Town investment yields and the Massachusetts Municipal Depository Trust index and the offsite data backup sites. Discussion ensued.

Mr. Davison reported that an auction of surplus items from the Town Hall will be conducted in the Selectmen's Meeting Room at Town Hall beginning on Thursday, February 11.

Adjourn

There being no further business, a motion was made and seconded to adjourn the meeting, whereupon the meeting was adjourned by a vote of 9-0 at 9:44 pm.

Respectfully submitted,

Mike Taggart
Acting Secretary