

Needham Finance Committee
Minutes of Meeting of January 15, 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, John Connelly, Vice-Chair
Karen Calton (arrived 7:07pm), Barry Coffman, Joe Abruzese, Tina Burgos, Ali Blauer, Paul O'Connor

Absent from the Finance Committee:

Lydia Wu

Others Present:

David Davison, Deputy Town Manager/Director of Finance
Molly Pollard, Finance Committee Executive Secretary
Cecilia Simchak, Assistant Director of Finance
Artie Crocker, Vice Chair of the Planning Board
Josh Tarsky, State Representative
Natasha Espada, Chair of the Planning Board
Lee Newman, Director of Planning and Community Development
Katie King, Deputy Town Manager
Kate Fitzpatrick, Town Manager

Citizen Request to Address the Finance Committee

None

Approval of Minutes of Prior Meetings

MOVED: By Mr. Connelly that the minutes of meeting January 8, 2025, be approved as distributed, subject to technical corrections. Mr. Abrusese seconded the motion.
The motion was approved by a vote of 7-0 at approximately 7:00pm.

FY2026 Department Budget Hearings: Planning and Community Development

Documents: Boards Number of Permit Application Filings FY21-24

Mr. Connelly introduced the FY26 budget request for the Planning and Community Development department, which is categorized into three divisions: Planning, Conservation, and

the Board of Appeals, all of which are consolidated under a single budget line item. The request includes a 4.1% increase in salaries, totaling \$23,134, and a 23% rise in operational expenses, amounting to \$9,400, leading to an overall budget increase of 5.3%. Two significant DSR4 proposals were outlined: one for creating a new planner position with a projected salary of \$85,000 plus approximately \$37,000 in benefits, and another to expand a part-time administrative role from 27.5 hours to 37.5 hours, costing an additional \$14,100. He emphasized the importance of understanding the historical context of these requests, which are carryovers from previous years.

Ms. Newman elaborated on the rationale behind the new planner position, explaining that the current team of two full-time professionals is struggling to meet the growing demands placed on the department. These demands include tasks from the planning board, the select board, and obligations stemming from the MBTA Communities Act, which has consumed a significant portion of staff time over the past year. She highlighted upcoming projects like developing design guidelines and correcting zoning inconsistencies, along with rezoning initiatives and a parking study for Needham center, which are currently beyond the department's capacity to address effectively. The additional planner would primarily manage the permitting load, allowing more experienced staff to focus on advancing these critical planning projects.

Ms. Espada supported Ms. Newman's points, citing the need to postpone several initiatives due to limited resources. She mentioned that some projects require more immediate attention but are often delayed by two or three meetings due to insufficient staff. Mr. Connelly inquired if the proposed planner position was previously existent, to which Ms. Newman confirmed it as a new role, illustrating the department's evolving responsibilities since the last addition to the team a decade ago.

Mr. Crocker weighed in, emphasizing the broader implications of inadequate staffing on the town's growth and development. He noted that with more robust planning resources, the department could have better addressed past and current projects, ultimately leading to more thoughtful and effective planning outcomes.

Ms. Burgos asked about the potential impacts of the recent election on the department's operations. Ms. Newman responded that the election outcomes may necessitate new zoning modifications and design guideline development, which will be presented at the next town meeting. She discussed plans to engage an urban design firm to assist in creating these guidelines.

Ms. Espada added that during the MBTA Communities review, additional community requests emerged, such as examining developments on Crescent Street and other areas. She noted that the department's current workload, exacerbated by a halted development pipeline due to economic conditions, has still required managing multiple projects with limited staff. As development

picks up, the department anticipates an increased workload, further justifying the need for additional staffing.

Mr. Connelly sought clarification on if the new planner would be more junior and free the more experienced members of the planning team to work on newer projects. Ms. Newman confirmed this characterization. Mr. Coffman inquired about the consultants being hired, to which Ms. Newman explained they are used to augment skills and expertise.

Ms. Smith-Fachetti asked about the ease of filling the proposed planner position. Ms. Newman explained that she anticipated hiring someone with a master's degree in planning and a few years of experience, ensuring they had adequate foundational skills. She emphasized Needham's attractiveness as a workplace, citing past success in recruiting from prestigious institutions.

Mr. Coffman inquired about how other towns structured their planning departments. Ms. Newman responded, noting that she believes Wellesley and Lexington each have three planners. Mr. Connelly mentioned receiving data from Ms. Newman about departmental activity but pointed out that the number of applications and decisions had decreased over the years, which could undermine the case for increased staffing. He suggested that more concrete examples of unmet needs or projects would strengthen the justification for the new position.

Ms. Espada offered an explanation for the decline in application numbers, attributing it to economic factors that had slowed down development. She noted that state mandates, like the MBTA Communities Act, had consumed significant staff time, potentially leading to an increase in applications once the economic situation improved. Mr. Crocker agreed, emphasizing the importance of planning proactively to avoid being unprepared when development picked up again. He stressed that the current lull was an opportunity to prepare for future growth.

Mr. Connelly requested a more detailed projection of how the new position would impact departmental productivity, suggesting a comparative analysis of project timelines with the current versus proposed staff. Ms. Smith-Fachetti recommended outlining a project plan to illustrate the benefits of having an additional planner. Ms. Blauer supported the idea of detailing a timeline and potential output increase with three planners instead of two.

Ms. Smith-Fachetti asked if the department had considered utilizing interns, specifically those pursuing a master's degree in planning. Ms. Newman explained her reluctance to use interns due to the time required to train individuals without sufficient experience.

The conversation shifted to future development prospects, with Ms. Espada discussing ongoing projects that were on hold due to financial constraints. She highlighted that many developers were retaining permits, suggesting optimism about future development. Ms. Newman agreed, noting that retaining site rights was a strategic move indicating a potential resurgence in activity.

Mr. Connelly noted that every department requesting additional staff had compelling reasons, so a detailed, project-focused justification would help make a stronger case. Ms. Espada emphasized the unpredictability of the market but assured that signs pointed to an eventual increase in development activity. Ms. Newman concluded by acknowledging the department's current workload and the need for additional staff to manage future growth effectively.

FY26 Budget- FY Townwide Budget Hearings

- **Group Health Insurance, Employee Benefits & Administrative Costs**
- **Retiree Insurance and Insurance Liability Fund (OPEB)**
- **Retirement Assessment**
- **Workers Compensation**
- **Classification Performance & Settlements**
- **Injured on Duty & 111F Settlements**

Documents: Needham 5-Year Pension and OPEB Fund Ratios, 10-Year Pension Rate Comparison

Ms. Smith-Fachetti opened the discussion by focusing on the substantial increases in health insurance and administrative costs. She highlighted a projected increase of 10.7%, attributing this rise primarily to ongoing consolidation in the healthcare industry and the rising costs of healthcare materials. The town has managed these costs effectively by offering high-quality, high-deductible health plans and an opt-out program with an incentive for employees who choose not to participate in the town's health insurance. Ms. Smith-Fachetti noted that OPEB expenses are expected to increase by 4.9%. This increase reflects the town's ongoing efforts to meet its funding obligations, currently at a funded ratio of 49%. The town employs a 6.25% discount rate for these liabilities, with the goal of reaching full funding by 2041. Mr. Davison elaborated, stating that compared to other municipalities, Needham's funding level places it in the upper 75th percentile among communities actively working to reduce their liabilities.

Ms. Smith-Fachetti explained that retirement assessment is expected to increase by 8%, with a requested appropriation of approximately \$14.4 million. This figure reflects the ongoing costs associated with managing retirement liabilities. The current discount rate for retirement is set at 6.25%, with a funded ratio of 77.4% as of the most recent data. The town aims to achieve full funding by 2032. Mr. Connelly added that they are awaiting an updated actuarial report, which will provide more clarity on the funding status and help inform future strategies. He mentioned that any reduction in the discount rate is approached cautiously to avoid significant increases in annual contributions. Mr. Coffman asked if there is a statutory amount that needs to be put away, to which Ms. Fitzpatrick noted there is not. Mr. Coffman followed up by asking what the rate of return has been. Ms. King presented two documents detailing the rate of return: *Needham 5-Year Pension and OPEB Fund Ratios, 10-Year Pension Rate Comparison*.

Ms. Smith-Fachetti explained that workers' compensation costs are set to rise by 3.4%, though this figure excludes public safety personnel, who fall under a different statutory framework. Ms. Smith-Fachetti noted that the reserve for injury on duty budget is increasing by 5%, with unspent funds rolling into the 111F Fund to cover potential large claims. Ms. King explained that any balance remaining from the fiscal year can be reserved for such claims, ensuring the town is prepared for unexpected expenses.

Ms. Smith-Fachetti also introduced the classification, performance, and settlements budget, which is reserved for personnel-related expenses arising during the fiscal year. Ms. Smith-Fachetti indicated that this year's allocations would include provisions for the police union negotiations, which are scheduled to begin soon.

Ms. Fitzpatrick provided an overview of a collaborative effort with the town of Dedham to study health insurance costs. Both towns are members of the West Suburban Health Group, a consortium that pools resources to purchase health insurance. The study, expected to inform the FY 27 budget, will explore alternative insurance options to address the challenges posed by consistent 10-12% annual rate increases. The consultant will evaluate the financial implications for the town and the potential impact on subscribers, including retirees.

Mr. Connelly inquired about the health insurance budget, asking if the current figures are placeholders due to ongoing negotiations. Ms. King confirmed that the final rates will be known in March, explaining the budget is based on a 10% increase over the current year. She highlighted past rate increases from Harvard Pilgrim and Blue Cross Blue Shield, as well as the assumption of adding 10 new employees. She also mentioned the impact of the Tufts and Harvard merger, leading to increased costs as employees transitioned to more expensive plans. Ms. Fitzpatrick added that the cost increase is compounded by the system's structure, which affects the town's expenses.

Mr. Coffman raised a question about demographic shifts and their impact on insurance costs. Ms. King responded that the census looks at the split between individual and family plans, with family plans being more costly. She noted the current 50/50 split. Ms. Smith-Fachetti mentioned the rise in high deductible plans and their correlation with younger demographics. Ms. Fitzpatrick explained that these plans are often chosen by both younger and older demographics, citing concerns about deductibles for families with children. Ms. Smith-Fachetti asked if there were anticipated changes in offerings due to the ongoing negotiations with the teachers' union, which Ms. King confirmed there were not.

Finance Committee Updates

Mr. Connelly reported that the schools are facing a potential \$2.5 million gap between their budget request and available revenue. They are exploring options to address this gap, including restructuring requests, delaying some, and offering an early retirement incentive package. He

mentioned that they had identified solutions for \$1.4 million of the gap and were working on addressing the remaining \$1.1 million. Mr. Abruzese observed the strain on the school committee, noting that the superintendent is working hard to find additional reductions. Mr. Connelly highlighted that the IT budget, covering both school and town IT, is not being reduced, unlike the school-specific budget request.

Adjournment

MOVED: By Mr. Connelly that the Finance Committee meeting be adjourned, there being no further business. Mr. Coffman seconded the motion. The motion was approved by a vote of 8-0 at 7:55p.m.

Documents: *Boards Number of Permit Application Filings FY21-24, Needham 5-Year Pension and OPEB Fund Ratios, 10-Year Pension Rate Comparison*

Respectfully submitted,

Molly Pollard

Executive Secretary, Finance Committee