

Town of Needham
Meeting of the Finance Committee
Needham Public Library
1139 Highland Ave., Needham, MA
February 16, 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

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.

Accept Minutes of Prior Meetings

MOVED: By Mr. Reilly, to accept the Minutes of the Meeting of January 27, 2010 as submitted. Mr. Connelly seconded this motion, whereupon the motion passed by a vote of 9-0.

MOVED: By Mr. Creem, to accept the Minutes of the Meeting of February 3, 2010 as submitted. Mr. Reilly seconded this motion, whereupon the motion passed by a vote of 9-0.

More time was requested to review the submitted Minutes of the Meeting of January 11, 2010 and no action was taken.

Draft FY11 Operating Budget Review

Mrs. Zappala distributed to the Committee a spreadsheet including line by line itemizations of the appropriated FY10 budget, actual expenditures from FY08 and FY09, department budget submissions, the Town Manager's budget recommendation, and possibilities for the Finance Committee's recommendation. Mrs. Zappala stated that in drafting these scenarios she had sought to fund the Reserve Fund closer in line with its FY10 appropriation, fully fund the Assistant Town Accountant Position proposed for half-funding by the Town Manager, and put the \$20,000 proposed by the Town Manager to be cut from the Legal budget back on the table. In addition, Mrs. Zappala noted the preliminary assessment from the Minuteman School, a

reduction of \$66,472 from the previous year's assessment, and proposed the possibility of using \$55,000 of this amount to fund a high school teacher proposed by the Superintendent to be cut from the School Department. For other areas with flexibility in the budget, Mrs. Zappala noted a \$364,595 turn-back in the Employee Benefits and Employer Assessments line item for FY09 as a result of savings in Health Insurance. Mrs. Zappala distributed information on the requested appropriation for Health Insurance, which includes the costs of current enrollment as of October 2009 plus a budgeted increase of 15 active subscribers and a projected 7 percent rate increase. In response to a question from Mr. Zimbone, Mr. Davison stated that the Employee Benefits and Employer Assessments line item from FY09 included approximately \$7.9 million for Health Insurance, approximately \$100,000 for Unemployment Assessments and \$385,000 for Workers' Compensation. In response to a question from Mr. Lunetta, Mr. Davison stated that the Unemployment Assessment and Workers' Compensation appropriations were completely expended in FY09. Mrs. Zappala noted potential savings from employees electing rate-saver plans, however, added that more employees than projected subscribing to Town Health Insurance plans and/or higher rate increases than expected could put the Employee Benefits and Employer Assessments line item over budget. In response to a question from Mr. Rosenstock, Mr. Davison stated that he expects that the Town will be notified of next year's rates prior to Town Meeting. In response to a question from Mr. Reilly, Mr. Davison stated that he expects to expend 95 to 96 percent of the Health Insurance appropriation based on November data, however, Mr. Davison clarified that due to leaves of absence and other personnel changes during the year, a more accurate projection cannot be arrived at until approximately April.

With regard to potential savings in other departments, Mrs. Zappala presented a potential savings of \$8000 in the Department of Public Works beyond the Town Manager's proposal, consisting of \$5000 in energy savings due to planned installation of higher efficiency traffic lights and an additional \$3000 in recouping costs for field lights. According to Mrs. Zappala the Assistant Purchasing Agent/Office Manager of the Department of Public Works, Town Manager and Assistant Town Manager were comfortable with these numbers. Mrs. Zappala also stated that the Town Manager expressed a willingness to cut her own Communications appropriation by \$5000 for FY11. Mrs. Zappala also noted a potential savings of \$10,000 in the Fire Department budget, however, noted that the Fire Department presented a budget with its expenses reduced from FY10 and expressed concern over the message that would be sent should the Finance Committee cut this budget further. Mr. Zimbone expressed a belief that additional energy savings could be achieved from the Public Facilities Department line item. Mr. Zimbone reported that his own analysis was based on actual and projected usage of kilowatt hours of electricity, therms of natural gas and gallons of heating oil, whereas departmental budgets had previously been based on using dollar amounts of prior years and multiplying by an escalator. According to Mr. Zimbone the drop in energy prices may result in anywhere from \$750,000 to \$1,000,000 left over from the energy appropriation for FY10. Mr. Zimbone noted that the Town Manager had removed \$400,000 from the Public Facilities Department request for the Executive Budget, and stated that according to his analysis an additional \$250,000 could be removed. However, Mr. Zimbone stated that the Town Manager, Assistant Town Manager and Director of Facility Operations were not completely comfortable reducing the budget by this large an amount based on only four months of data from the current fiscal year. Mr. Zimbone praised the Director of Facility Operations and for his and his department's efforts toward reduction of energy

consumption and presented a reduction of \$125,000, noting that this amount was essentially shifted to the Reserve Fund and would thus be available should the projected energy savings not be achieved.

Mr. Rosenstock expressed concern that squeezing departmental budgets too thin could reduce the Town's future Free Cash and therefore have an adverse effect on cash capital in future years. Mr. Rosenstock noted that the Legal line item has been regularly overspent and expressed a belief that a reduction of \$20,000 to the Legal line item will result in a Reserve Fund transfer of the same amount. With regard to the Assistant Town Accountant position, Mr. Rosenstock stated that his concern was not the position itself but rather the body, considering the Accounting Office has been shorthanded for over a year and with the impending departure of the Payroll Clerk.

Mr. Rosenstock also expressed an opinion that the School Department could fund the additional high school teacher if the Superintendent and School Committee so chose, and stated he was not inclined to increase the School Department line item above the amount voted by the School Committee. Mr. Zimbone expressed disagreement, stating that rapport between the Finance Committee and School Committee has improved greatly within the past few years and adding that the Finance Committee liaisons to the School Department have spent a great deal of time analyzing the School Department budget book. Mr. Zimbone stated that the School Department used some of the Finance Committee liaisons' analysis to make cuts to the Superintendent's original budget request and thus restore a position, and added that he was comfortable increasing the School Department line item to fund the additional high school teacher as the stated priority of the Superintendent and School Committee. Mr. Borrelli expressed agreement with Mr. Zimbone, stating he believed the School Department budget had been ground down as much as possible. Mr. Taggart expressed satisfaction with the improvement in relations between the Finance Committee and School Committee in recent years, but added an opinion that the School Department could fund the position within its budget if so desired. Mr. Taggart also expressed hesitation over the prospect of funding the School Department line item at a higher number than the School Committee's own voted budget. Mr. Rosenstock expressed an additional concern over the message this could send to the School Department. In response to a question from Mr. Reilly, Mr. Creem expressed concern that funding the School Department line item above the amount requested by the School Committee could also have an adverse effect on labor relations with the town-side workforce, noting that several bargaining units have signed contracts with no cost-of-living adjustment for FY11. Mrs. Zappala stated that this is the first time the School Committee has made cuts so as to fulfill its direction from the Finance Committee to submit a sustainable budget, and expressed support of funding the additional teacher. Mr. Connelly expressed opposition to funding the additional teacher, stating that this would defeat the message to the School Department to submit a sustainable budget, and added that he would be uncomfortable cutting small amounts from the Town Manager and Fire Department line items. Mr. Reilly expressed concern with the notion of decreases in the Minuteman assessment resulting in increases to the School Department, and questioned whether an increase in the Minuteman assessment should result in a reduction in the School Department line item. Mr. Zimbone reiterated support for funding the additional teacher in the School Department, expressing that he

did not want the School Committee to submit a budget totaling an amount far in excess of what the Finance Committee would be willing to fund.

MOVED: By Mr. Creem, that the Finance Committee recommend adoption of the following draft budget, and to authorize the Chairman to transmit such recommendation to the Town Manager in accordance with Section 1.11.3 of the Town's General By-Laws:

Casualty, Liability & Self Insurance Program	\$525,000
Debt Service - General Fund	\$11,379,319
Employee Benefits & Employer Assessments	\$10,339,125
Retirement Assessments	\$4,612,378
Retiree Insurance Program & Insurance Liability Fund	\$3,626,375
Classification, Performance & Settlement	\$30,000
Reserve Fund	\$1,213,863
Townwide Expenses Total	\$31,726,060
Town Manager	\$801,189
Town Clerk	\$321,578
Legal	\$282,164
Personnel Board	\$11,600
Finance Department	\$2,131,960
Finance Committee	\$28,618
Needham Public Schools	\$46,114,078
Minuteman Regional High School	\$369,261
Police Department	\$5,279,417
Fire Department	\$6,071,646
Building Inspector	\$461,601
Department of Public Works	\$4,906,879
Municipal Parking Program	\$282,900
Municipal Lighting Program	\$253,300
Public Facilities Department	\$7,379,689
Health Department	\$459,841
Diversified Community Social Services	\$564,400
Commission on Disabilities	\$550
Planning Department	\$232,007
Conservation Department & Board of Appeals	\$111,196
Historical Commission	\$1,050
Library	\$1,333,687
Park & Recreation	\$554,060
Memorial Park	\$750
Departmental Budgets Total	\$77,953,421
Total Budget	\$109,679,481

Mr. Zimbone seconded this motion, whereupon discussion ensued as follows:

Mr. Borrelli expressed an opinion that the \$55,000 for an additional high school teacher was analogous to the \$29,000 to fully fund the Assistant Town Accountant's position, noting that these were the stated priorities of the Superintendent and Town Manager, respectively, and stated

his preference to fund both positions. Mr. Rosenstock expressed a desire to bolster the Reserve Fund, adding that his preference was to fully fund the Assistant Town Accountant's position but not the additional high school teacher or the restoration of \$20,000 in the Legal line item proposed for reduction by the Town Manager. Mr. Lunetta questioned whether sustaining the Reserve Fund or sustaining the due diligence of both School Department and Town management to produce acceptable budgets was more important. Mr. Reilly expressed concern with the Reserve Fund and Mr. Connelly concurred, expressing a preference to be more conservative in funding departmental budgets.

MOVED: By Mr. Reilly, to amend Mr. Creem's motion to decrease the Needham Public Schools line item by \$55,000 to \$46,059,078 and to increase the Reserve Fund line item by \$55,000 to \$1,268,863. Mr. Rosenstock seconded this motion, whereupon discussion ensued as follows:

Mr. Taggart reported that while the preliminary Minuteman assessment of \$369,261 was still subject to change, the final number has historically been provided in advance of the Finance Committee's March 15 deadline for voting a final budget recommendation. Mr. Borrelli expressed satisfaction with the Reserve Fund as submitted, adding his belief that it would not be appropriate to move the \$55,000 for a high school teacher from the School Department line item to the Reserve Fund without doing the same with \$29,000 from the Finance Department for the Assistant Town Accountant's position. Mr. Lunetta stated that he did not think funding the additional high school teacher would jeopardize the Reserve Fund. In response to a question from Mr. Lunetta, Mrs. Zappala stated that historically any discrepancy between the preliminary Minuteman assessment and the final number has been shifted to or from the Reserve Fund. Mr. Rosenstock, Mrs. Zappala and Mr. Zimbone all praised the Superintendent of Schools for exerting more control over the school budget process and providing more transparency. Mrs. Zappala and Mr. Creem expressed support for the idea that either both the Assistant Town Accountant position and the additional high school teacher should be funded, or neither should be funded. Mr. Taggart expressed disagreement with this sentiment, stating that the full funding of the Assistant Town Accountant position had been included in the original budget submission by the Finance Department, and added that he was still hesitant to fund the additional teacher on top of the School Committee's voted budget. Mr. Rosenstock recounted past School Committee voted budgets in considerable excess of available money and stated that only within the last few years has the School Committee voted a budget which the Finance Committee could potentially fund. Mr. Zimbone responded that he did not want to lose the cooperation of the School Department achieved within the past few years, and Mr. Lunetta expressed a desire to support this collaboration between the Finance Committee and School Department. Mr. Reilly acknowledged the School Department's budget cuts but noted a net increase in the School Committee's voted budget over the FY10 appropriation, adding that the submitted Reserve Fund has been reduced from its FY10 appropriation. Mr. Zimbone noted that the School Department's proposed cuts have been itemized, distributed and discussed among the Finance Committee and at other public meetings. Mr. Borrelli expressed an opinion that funding neither the Assistant Town Accountant nor the additional high school teacher would have greater adverse effect than not having those amounts in the Reserve Fund. Mr. Reilly questioned the proposed cut of \$20,000 from the Legal budget, stating a projection that this amount would end up being

transferred from the Reserve Fund after all. In response to a question from Mr. Zimbone, Mr. Davison stated that the Town will not receive revised revenue estimates from the State until shortly before Town Meeting in May, noting the House Ways & Means Committee's scheduled April deliberations. Mr. Rosenstock expressed concern over comments with regard to the Accounting Office in the Town's annual Independent Auditors' Report. Mr. Reilly noted items requested by department managers in their submitted budgets that were not recommended for funding by the Town Manager. Mr. Zimbone added that Principals and K-12 Directors requested items that were not recommended for funding by the Superintendent of Schools.

MOVED: By Mr. Rosenstock, to amend Mr. Creem's motion to decrease the Needham Public Schools line item by \$55,000 to \$46,059,078, to increase the Minuteman Regional High School line item by \$66,472 to \$435,733, to increase the Public Facilities Department by \$28 to \$7,379,717, and to decrease the Reserve Fund by \$11,500 to \$1,202,363. Mr. Reilly seconded this motion, whereupon another motion was made as follows:

MOVED: By Mr. Reilly, to amend Mr. Rosenstock's motion to decrease the Finance Department line item by \$29,000 to \$2,102,960 and to increase the Reserve Fund by \$29,000 to \$1,231,363. Mr. Rosenstock seconded this motion, whereupon discussion ensued as follows:

Mr. Borrelli questioned whether the Finance Committee would be delaying the inevitable by level-funding the Minuteman Regional High School line item as opposed to using the preliminary assessment number and leaving money that could fund the Assistant Town Accountant position and additional high school teacher in the Reserve Fund, expressing a desire to fund both positions if the Minuteman assessment remains at the preliminary number. Mrs. Zappala expressed concern if the Reserve Fund is perceived as too high by Town Meeting. Mr. Borrelli expressed a similar sentiment and added that perhaps the Finance Committee should prioritize potential funding items should the Minuteman assessment be reduced. Mr. Zimbone recounted the 2007 Annual Town Meeting, stating that he has worked hard to develop better relationships between the Finance Committee and School Committee, and expressed a desire to decide today whether or not the additional high school teacher should be funded. Mr. Lunetta expressed a desire to use \$55,000 to fund the additional high school teacher and questioned the importance of keeping that amount in the Reserve Fund. In response, Mr. Rosenstock stated that fiscally prudent management is important to display to bond agencies for the Town to keep its AAA bond rating, and added his belief that a reduction in the Reserve Fund could cause concern for bond agencies. Mr. Rosenstock added that the Snow and Ice Removal line item was overspent in FY09 to the point that the Reserve Fund was not sufficient to cover the deficit, expressing his belief that this circumstance magnifies the importance of discipline in producing a budget. In response to a question from Mr. Rosenstock, all members of the Finance Committee acknowledged a willingness to increase the School Department line item under certain circumstances.

Mr. Rosenstock withdrew his motion, and Mr. Reilly withdrew both of his previous motions.

MOVED: By Mr. Rosenstock, to amend Mr. Creem's motion to decrease the Needham Public Schools line item by \$55,000 to \$46,059,078, to decrease the Finance Department line item by \$29,000 to \$2,102,960, to decrease the Legal line item by \$20,000 to \$262,164, to increase the Minuteman Regional High School line item by \$66,472 to \$435,733, to increase the Public Facilities Department by \$28 to \$7,379,717, and to increase the Reserve Fund by \$17,500 to \$1,251,363. Mr. Reilly seconded this motion, whereupon the motion passed by a vote of 6-3 with Mr. Zimbone, Mr. Borrelli and Mr. Lunetta dissenting, thus amending Mr. Creem's motion as follows:

Casualty, Liability & Self Insurance Program	\$525,000
Debt Service - General Fund	\$11,379,319
Employee Benefits & Employer Assessments	\$10,339,125
Retirement Assessments	\$4,612,378
Retiree Insurance Program & Insurance Liability Fund	\$3,626,375
Classification, Performance & Settlement	\$30,000
Reserve Fund	\$1,251,363
Townwide Expenses Total	\$31,763,560
Town Manager	\$801,189
Town Clerk	\$321,578
Legal	\$262,164
Personnel Board	\$11,600
Finance Department	\$2,102,960
Finance Committee	\$28,618
Needham Public Schools	\$46,059,078
Minuteman Regional High School	\$435,733
Police Department	\$5,279,417
Fire Department	\$6,071,646
Building Inspector	\$461,601
Department of Public Works	\$4,906,879
Municipal Parking Program	\$282,900
Municipal Lighting Program	\$253,300
Public Facilities Department	\$7,379,717
Health Department	\$459,841
Diversified Community Social Services	\$564,400
Commission on Disabilities	\$550
Planning Department	\$232,007
Conservation Department & Board of Appeals	\$111,196
Historical Commission	\$1,050
Library	\$1,333,687
Park & Recreation	\$554,060
Memorial Park	\$750
Departmental Budgets Total	\$77,915,921
Total Budget	\$109,679,481

Mr. Creem's motion as amended then passed by a vote of 6-3 with Mr. Zimbone, Mr. Borrelli and Mr. Lunetta dissenting.

Finance Committee Updates

There were no Finance Committee updates.

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 9:43 pm.

Respectfully submitted,

Mike Taggart
Acting Secretary