

**Needham Finance Committee
Minutes of Meeting of December 8, 2010**

The meeting of the Finance Committee was called to order by the Chair, Richard Zimbone, at approximately 7:04 pm in the Charles River Conference Rooms at the Public Services Administration Building (Temporary Town Hall.)

Present from the Finance Committee:

Richard Zimbone, Chair; Matthew Borrelli, Vice Chair

Members: John Connelly (arrived 7:23 pm), Richard Creem, Richard Lunetta, Richard Reilly, Steven Rosenstock, Lisa Zappala (arrived 7:15 pm)

Also Present:

David Davison, Assistant Town Manager/Director of Finance

Patricia Carey, Director, Park and Recreation Department

Dave DiCicco, Chair, Memorial Park Trustees

Karen Peirce, Assisant Director, Park and Recreation Department; Member, Commission on Disabilities

David Tobin, Town Counsel

Richard Hardy, Chair, Historical Commission

Christopher Coleman, Assistant Town Manager

Elizabeth Dennis, Director of Human Resources

Citizen Requests

No citizens requested to speak.

Approval of Minutes

There were no comments or corrections for the November 3, 2010 minutes that had been previously distributed.

MOVED: By Mr. Reilly that the Minutes of November 3, 2010, be approved as submitted. Mr. Borrelli seconded the motion. The motion was approved by a unanimous vote of 6-0. (Ms. Zappala and Mr. Connelly had not yet arrived.)

There were no comments or corrections for the November 8, 2010 minutes that had been previously distributed.

MOVED: By Mr. Lunetta that the Minutes of November 8, 2010, be approved as submitted. Mr. Reilly seconded the motion. The motion was approved by a unanimous vote of 6-0. (Ms. Zappala and Mr. Connelly had not yet arrived.)

Review Operating Budget Request: Trustees of Memorial Park

Mr. DiCiccio stated that the Trustees did not spend much the previous year, as there was a gap between employees, and work was not being done. The money is used mostly to care for plantings and the veterans' area. Signage work was planned but not done. Mr. Reilly asked about improvements to the kitchen facilities that had been previously discussed. Mr. DiCiccio stated that the work was underway, but had another funding source. Mr. Zimbone asked what the \$350 repairs and maintenance expense request was for. Mr. DiCiccio explained that new carpeting and screens were needed.

Review Operating Budget Request: Personnel Board

Mr. Creem described the Personnel Board's function, and how it has changed from having more executive function to be more advisory in nature under the Town Manager form of government. The Personnel Board must approve certain changes before they can be presented to the Board of Selectmen. It also makes all recommendations to Town Meeting regarding personnel issues.

The Personnel Board also conducts ongoing evaluations of job classification and compensation. In FY2010, the Town Manager's executive budget provided salary of \$600 and professional and technical services expense of \$11,000. The Board receives extensive administrative support from the staff in the Town's Personnel Department. The FY2012 requests are the same as last year, and are based on actual. Mr. Creem believes the request is appropriate.

Ongoing compensation and classification studies are needed since it is not possible to strictly stick to the schedules from the Olney study. The Personnel Board relies extensively on the Personnel Department staff to reevaluate classification and compensation matters. A further consideration is that the principal of Olney Associates has retired and sold the business. The principal will come back and do some work with the Town, but not for the long term. There is a schedule for studying various employee groups each year over the next five years. Mr. Zimbone asked whether the Olney system was unique or if the information was transferable. Mr. Coleman responded that the new company bought the system, so they could continue with the system with that company. Ms. Dennis added that evaluation systems are generally used by the people that develop them. Mr. Lunetta stated that Olney supported the Hay system, and used it with all its municipal clients, including Needham.

Mr. Lunetta asked Mr. Coleman to explain why the Town does classification assessments every year. Mr. Coleman stated that in the past, other towns were often giving 3% COLAs to employees, but with the information gained from these assessments, Needham had been holding increases to around 2.5%. He said that other towns were generally doing evaluations every 10 years, though certain problems would be addressed between evaluations. In response to a question from Mr. Zimbone, Ms. Dennis stated that new positions were evaluated under the Hay system, and that she and Mr. Coleman would also do evaluations. Ms. Zappala noted that doing classification studies in smaller pieces helped maintain a more consistent expense budget. Mr. Lunetta asked whether Ms. Dennis knew

how much it cost the Town in terms of Town staff time to perform evaluations. She stated that she had not analyzed that cost.

Mr. Rosenstock asked the Finance Committee whether there is a continued need to have a Personnel Board. Mr. Lunetta replied that he served on the Personnel Board and considered that question when the Town transitioned from the old Human Resources procedures to the system under the Town Manager. He stated that in light of the shift to Town Manager form of government, the Personnel Board is used less in the day-to-day running of Human Resource functions. He noted that the Town's Personnel Director is succeeding very well without that day-to-day input. As a result, there has been a decrease in the need to convene the Personnel Board. Mr. Lunetta feels it is time to re-evaluate the essential functions of the Personnel Board in light of the existing laws. Mr. Rosenstock noted that the consultant's costs could become part of the Personnel Department's budget.

Mr. Creem commented that the Personnel Board exists to set the salaries of elected officials which must be set by Town Meeting or a subset. The Personnel Board was part of an effort decades ago to make sure there was an independent body seeing that people were being treated fairly. The Board of Selectmen is legislative, and executive functions have been transferred to the Town administration. He believes that a properly formed Personnel Board with appropriately designated functions is justifiable. Mr. Zimbone noted that in the private sector, a subset of a board can decide the salary of other board members. The Finance Committee can only comment on this issue. He stated it would be useful to know if other similar towns had a personnel board. Mr. Coleman stated that in the towns where he has worked there were personnel boards which offered the expertise in policies and procedures, and were part of union grievance procedures. Mr. Lunetta stated that grievances can go through arbitrators, and that since the Hay system has been in use, grievances based on classifications have declined significantly. Furthermore, almost all grievances heard by the Personnel Board have gone on to arbitration, so that expense is not avoided.

Finance Director's Overview of FY2012 Departmental Spending Request Book

Mr. Davison described the layout of the departmental spending request books presented to Committee members, and the information that is included in it. He also outlined the schedule leading up to the budget which will be presented to Town Meeting.

Mr. Davison pointed out certain differences in the budgets from prior years. The cost of work done by the DPW on drains was moved to the Sewer Fund budget. Also, the Diversified Community Social Services are now officially known as Human Services.

Mr. Zimbone asked whether the Town Manager discussed the Capital Plan at the Board of Selectmen's meeting. Mr. Davison stated that she showed her preliminary recommendations for the next 5 years, but that there was limited comment on it. Mr. Reilly added that there was some discussion of the capital replacement schedule. Mr. Davison stated that the Selectmen's next meeting will discuss the Capital Plan and whether they suggest changes. The Board of Selectmen also discussed their budget priorities. They had

a subcommittee address priorities. They voted on it with minimal comment. Mr. Creem noted that the Board stated that they wanted the Town to maintain level services, and not just to try to work within last year's budget. Mr. Reilly stated that he did not see a goal of expense containment. He raised the issue of whether one-time funds should be used to find better efficiencies rather than to simply fill in gaps, which is only a short-term solution. Mr. Davison stated that the Board gives the Town Manager guidelines and allows her to make decisions within those guidelines.

Ms. Zappala stated that efficiencies may not show cost savings right away. The School budget has much shortfall from the decrease in circuit breaker funding. The School Department is trying to come up with better ways to decrease shortfalls such as the Special Ed bus program. The Town Manager is also trying to provide services with better efficiencies that might not yet be showing reduced costs, such as combining three departments into Planning and Economic Development. Mr. Reilly stated that sometimes it is also helpful to bring in someone from outside rather than an internal person to show where the Town can cut back. Mr. Rosenstock stated that there has been an efficiency study at the DPW.

Review Operating Budget Request: Commission on Disabilities

Ms. Peirce reported that the expenses for the Commission on Disabilities have been used for cameras and promotional activities. The cameras capture pictures of cars that abuse handicapped parking. Mr. Rosenstock asked how much money has been brought in. Ms. Peirce said she would get that information. Ms. Peirce stated that one camera has been purchased and they plan to buy another. They are hoping to find a volunteer high school student to help with a survey showing all the handicapped parking spots in town, and to help make sure the spots are adequately marked so that restrictions can be enforced.

Review Operating Budget Request: Town Counsel

Mr. Reilly stated that the Town Counsel budget request includes a 2% increase in the hourly rate, or approximately \$5/hour higher, still a comparatively modest rate. The requested increase also attempts to normalize the budget, since in recent years there have been a number of reserve fund transfers for legal costs. Mr. Reilly stated that he had not yet had a chance to look into the numbers sufficiently, but he will look at whether using an average is appropriate. Mr. Tobin stated that he can try to project costs, but he does not always know what litigation is coming. He has tried to determine an average.

Mr. Reilly stated that there was a budget increase last year, since they knew some litigation costs were coming, and he would like to dig further into the numbers to be assured of what is appropriate for FY2012. Ms. Zappala stated that the Finance Committee discussed increasing the legal budget last year, and she agrees Mr. Reilly should look into raising it again. Mr. Rosenstock stated that some increase appears justified, but that the Committee needs to know how much. Mr. Reilly stated that he would get a more refined number for an upcoming meeting.

Mr. Rosenstock asked what known legal costs are coming. Mr. Tobin stated that the High School litigation is ongoing, though it is in mediation, and hopefully will be resolved this month. Mr. Tobin stated that there is a matter where the Planning Board approved a subdivision plan which is being appealed by an abutter. There is another matter where a resident continued building when a stop-work order from the building inspector was in effect. Mr. Borrelli asked if we could break out the legal expenses on each case and itemize costs to better understand expenses and to help predict future costs. Mr. Zimbone stated that it would be helpful to pull out litigation from other legal expenses. Mr. Tobin stated that the current fiscal year has been expensive because of litigation.

Review Operating Budget Request: Finance Committee

Ms. Mizgerd reported that the Finance Committee request includes a salary step increase, with no COLA. Overall expenses decreased, with an increase in the professional and technical line for conferences, offset by the elimination of the communications line. The office supply expense was decreased based on past actual expenditures.

Review Operating Budget Request: Historical Commission

Ms. Zappala introduced the budget request and stated that previous chair Carol Boulris had not been submitting expenses, so the Historical Commission actual expenses appear low. Ms. Boulris was encouraged to submit expenses going forward. The money funds plaques for historical homes. Mr. Hardy explained that the Commission used money from the CPC, with some supplemental funding from other groups, to fund a study to identify new inventory of houses with historic meaning to the Town. The owners of historic houses are notified, and can participate, which makes them subject to demolition delay restrictions. If they participate, then a study is done, with photos and research.

Mr. Rosenstock asked whether the Commission had a wish list of other things it wanted to accomplish. Mr. Hardy explained that they hope to improve the website and put up an electronic map showing the locations of historic houses linked to photos and other information. They are looking for High School volunteers to help enter information from an earlier study of historic houses.

Finance Committee Updates

On December 15, the Finance Committee will discuss the appointment to the Future School Needs Committee and hold hearings on the expense and capital requests from the Police and Fire Departments and the Public Library.

Mr. Borrelli stated that at a school liaison meeting, there was a preliminary discussion of the School Department budget request. There will be a budget workshop next week on December 15, and he would like any questions from liaisons by Sunday so that he can send them an e-mail in advance so the School Department can be prepared. Mr. Zimbone asked whether the new transportation program is saving any money. Ms. Zappala stated that they will cover the details of the program at the next meeting. Mr. Zimbone said he was also

interested to find out whether the School Department has determined why they saved so much on substitute teacher costs and whether they did an analysis and eliminated substitutes at the High School.

Mr. Rosenstock stated that the School Department's request was for an increase of only 3.4%. Mr. Zimbone noted that there is a very low COLA for the teachers. Ms. Zappala stated that Dr. Gutekanst submitted a request that is lower than what his staff requested, and that he is trying to keep the budget tight. She expressed concern about the use of one-time funds. She wanted the School budget to rely less on one-time money, but they have gone from using \$600,000 this year to \$800,000 of one-time money in the operating budget. Next year there will be a 2% COLA, plus the need to make up for the one-time money, and she sees them marching off a cliff. Mr. Zimbone stated that this issue needs to be solved, and not put off until FY2013. Ms. Zappala commented that enrollment is also up. The Schools would need a lot more money or to increase class sizes. Most of the spending is contractual, and can't be cut. The School Department is hoping that the circuit breaker reimbursement will return to its previous levels, which is very unlikely. In response to a question, Mr. Davison commented that the Schools need to better control growth. They need to control personnel costs which are a major component of their expenses. They were able to do that into FY2011. Ms. Zappala agreed that the School Department did well with the teachers' agreement. She noted that they are reticent to cut any further programmatic costs, as they have seen programs cut and never put back. Ms. Zappala stated that overall the Schools' budget request seems balanced and justified based on class size, and that they are just trying to make it through to FY2013. Mr. Zimbone stated that he is concerned about FY2013. Ms. Zappala stated she thinks the Schools are preparing for an override. Mr. Rosenstock expressed concern about falling SAT and MCAS scores. In the past, the Town has been "in the middle of the pack" for median household income and in the same place for test scores. However, while the relative income has stayed the same, the results from the schools are slipping.

Mr. Reilly reported that he attended the Board of Selectmen meeting, and they reported that the Town bid out a \$500,000 note at 1.05%. Mr. Reilly also stated that there was a property tax classification discussion. The retail basis stayed flat. There was some decrease in condominium values, but that residential property values overall were stable, although Norfolk County's values were down 9% overall. Also, the Town's commercial values were down. Mr. Davison stated that while commercial values had dropped, there was an uptick in new growth. A change in the law allowed the Town access to information from certain corporations that had significantly underestimated their property values. Also the Charles River project is moving forward. Single family homes, except at the very high end, were holding their value.

Adjourn

MOVED: By Mr. Borrelli, that the meeting be adjourned, there being no further business. Ms. Zappala seconded the motion. The motion was approved by a vote of 8-0, at approximately 8:45 p.m.

Documents: Departmental Spending Requests, Fiscal Year 2012, Town of Needham

Respectfully submitted,

Louise Mizgerd
Executive Secretary

Approved December 15, 2010