

**Needham Finance Committee
Minutes of Meeting of December 15, 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: Richard Creem, Richard Lunetta, Richard Reilly, Steven Rosenstock, Lisa Zappala

Also Present:

David Davison, Assistant Town Manager/Director of Finance

Ann DerMarderosian, Member, Future School Needs Committee

Chief Paul Buckley, Fire Department

Debra Bonanno, Fire Department

Chief Tom Leary, Police Department

Lieutenant Chris Baker, Police Department

Lieutenant John Kraemer, Police Department

Lieutenant Phil Droney, Police Department

Lieutenant John Schlittler, Police Department

Ann MacFate, Director, Library

Rose Doherty, Chair, Trustees of Needham Free Public Library

Citizen Requests

No citizens requested to speak.

Approval of Minutes

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

MOVED: By Mr. Rosenstock that the minutes of December 8, 2010, be approved as submitted. Mr. Borrelli seconded the motion. The motion was approved by a unanimous vote of 7-0.

Discuss and Vote Appointment to Future School Needs Committee

Mr. Zimbone welcomed Ms. DerMarderosian and told her that the record of her appointment to the School Future Needs Committee is missing, so that the Committee would like to reaffirm her appointment. He asked her to give the Finance Committee an update on the Future School Needs Committee's activities. Ms. DerMarderosian described how the Committee estimates the expected school enrollment. When she first began working with the Committee, they included utility costs in their consideration. However, they decided that utility costs were outside of their purview, and currently they project only the number of students. They have improved their methodology from

relying on birth records to using census data. As a result, their estimates have become more accurate. In 14 of the last 15 years, their accuracy has been within 1%, whereas it used to be closer to 2%. The kindergarten is the most difficult to predict. For later grades, they use a retention factor. Ms. DerMarderosian stated that each member of the Future School Needs Committee has strengths that help with the process.

The most current issue affecting potential enrollment is the Charles River Landing development. They have some enrollment information, but do not know if the students were new to the Needham schools or not. Ms. DerMarderosian stated that when they do not have sufficient information to make a specific adjustment, they rely on their overall methodology. Mr. Borrelli asked whether the economy is causing students to shift from the private schools into the public schools. Ms. DerMarderosian stated that there was a trend toward the public schools, moving from 85% in public schools in 2002, and upward yearly to 92% in 2009, but the Committee believes that this has topped out. The preliminary estimate for 2010 is 89%, but she feels that is high. Ms. Zappala asked whether students that have enrolled in private schools in earlier grades are coming to the public schools in later years. Ms. DerMarderosian that that students that went to private schools used to stay, but that recently there was a spike in enrollment that may be attributable to students coming to the public schools, or to changes in housing. She noted that the School Department used to run their own estimates of enrollment, but that now they rely on the Future School Needs Committee's estimates.

MOVED: By Mr. Creem, that Finance Committee appoint Ms. Ann DerMarderosian as its Representative to the Future School Needs Committee in accordance with Needham General By-Law 2.7.2.1 Mr. Borrelli seconded the motion. There was no further discussion. The motion was approved by a vote of 7-0.

Review Operating and Capital Budget Request: Fire Department

Mr. Lunetta presented the Fire Department budget request. Ambulance revenue is up, and the number of permits remains constant. There are 4 staff vacancies due to retirements. Occasionally, low staffing causes an ambulance and a ladder truck to be removed from service. All salary increases are contractual. The requested operational line items are below those in the FY2011 budget, mostly by pushing off expenditures, something they understand cannot continue over time. Overtime levels are expected to run a deficit of \$282,491. That deficit is offset by retirements, and expected to be covered by a draw from the reserve fund. The FY12 request assumes fuel consumption will be at the same level as previous years. There are no recommendations to replace fire trucks, as the Quint originally scheduled for replacement in FY11 was pushed to FY13.

Mr. Reilly asked what drove up actual fuel consumption in FY10, and whether there might be an upward trend. Chief Buckley responded that he does not expect an upward trend, and that he is comfortable with the projection for FY12. Mr. Creem asked two questions about the situations when the staffing dropped below the threshold requiring the department to take a ladder truck and an ambulance out of service. First, how does that affect mutual aid? Second, how will this issue be addressed in the future? Chief Buckley responded that the threshold depends on the station, but that anytime there are fewer than 13 people on a shift, that a ladder truck and an ambulance must

be taken out of service. The same staff is available for both vehicles. It does delay their response, and cuts back on the ability to give care and to bring in revenue. They do rely on other towns for mutual aid, but other towns rely on them as well. There is a good system in place and everything balances out well. To solve the staffing problem, the department would need an increased budget to ensure a unit of 14 at all times. This would increase overtime expenses as well.

Mr. Reilly asked about the \$1700 communications expense, noted for legal notices, that was in the FY11 budget, but not included in the FY12 budget. He asked whether this expense moved elsewhere. Chief Buckley replied that they do not need to run legal notices every year, so he cut that expense. It was not moved to another part of the budget. If he ends up needing money for that, he will need to come back to request it. Mr. Borrelli asked whether the permit fees cover the costs and whether there are plans to increase the fee. Chief Buckley responded that the department is probably losing money given the administrative costs and the hourly rate of inspectors, but that he feels it would be unfair to contractors and homeowners to increase the fee at this time. In response to a question from Mr. Borrelli, Chief Buckley responded that the mileage costs in the budget were for in-state education programs when someone takes their personal vehicle.

Mr. Zimbone asked why overtime is carried at a deficit each year rather than in the budget. Mr. Rosenstock replied that the \$445,000 fire overtime amount is based on a contractual obligation to minimally fund that amount. The Town has been able to live without adding more to that amount. Adding more will mean a new higher operating number. Mr. Lunetta added that overtime is a moving target. He stated that as long as the Town Manager and Finance Committee understand the department might be back for more overtime money, then it is reasonable to keep this amount. Ms. Bonanno stated that they do try to forecast overtime expenses, but not within the budget. Mr. Reilly stated that as long as the overtime does not run over every year, there is not a need to put more money in the overtime budget. Mr. Buckley stated that in 2 of the last 6 years, the fire department has asked for reserve fund transfers to cover overtime.

Reserve Fund Transfer Request

Mr. Davison reported that he will need a reserve fund transfer for legal expenses in the near future. A settlement in the high school case is not final, so the expenses cannot be determined yet. There was a discussion about problems with the high school contractor.

Review Operating Budget and Capital Request: Police Department

Mr. Rosenstock introduced the police department budget request. He stated that calls for service were up significantly from a 3-year average of 26,214 in FY07-FY09 to 27,332 in FY10. Motor vehicle violations were up from a 3-year average of 3662 to 4124 in FY10. The requested budget for FY12 shows a salary line decrease from the FY11 budget, due to changes in staff. The headcount remain the same. EMT stipends are down, and Quinn payments are up. Requests for holiday pay and elections costs are decreasing. All together, the requested personnel expense line is down approximately \$20,000 from the FY11 budget to the FY12 request. There is a 2.7% increase in the expenses from the FY10 actual expenses to the FY12 budget request. The operations are basically the same, with no significant changes, and costs are consistent. Lt. Kraemer stated that fuel costs were increasing, using the cost figures from the Finance Director.

Mr. Reilly asked whether crossing guards were still included under temporary personnel. Chief Leary replied that the numbers are the same, but the breakout is different. They are included in the regular salary and wage line.

Mr. Borrelli asked about the impact to the department when the Ford Crown Victoria is discontinued next year. Lt. Kraemer stated they are considering many different vehicles including other manufacturers. Chief Leary stated they are mindful of the need to adapt current equipment to different cars. Lt. Kraemer stated Crown Victorias will be available to purchase through the FY11 budget and at the beginning of the FY12 budget. Mr. Reilly asked whether they had a parts inventory, and whether it was greater than one year's worth. Lt. Kraemer stated that they do, and that he would prefer to stay within the same manufacturer, but they could transition the fleet if necessary. Mr. Reilly suggested it might be better not to keep so much stock because of potential changes.

Finance Committee Updates

Mr. Zimbone reported that Green Needham Collaborative Chair Michael Greis asked the Board of Selectmen to take the necessary steps to qualify Needham as a Massachusetts Green Community. The Selectmen are appointing a working group to address this, and are looking for volunteers. Mr. Lunetta offered to serve as the Finance Committee representative. Mr. Zimbone and Mr. Borelli also plan to volunteer, serving in other capacities. The study group will hold a number of meetings until the end of March at which point their recommendation is due to the Board of Selectmen.

Mr. Borrelli stated that the School Department held a budget workshop with the Finance Committee liaisons. They discussed the use of federal one-time funds, and that a large portion is restricted to salaries. They discussed what may happen next year to class size when these funds are gone. He sent the Schools a list of questions including whether new programs from the past are revealing savings. They meet again January 4 for further discussion.

Ms. Zappala added that she relayed Mr. Rosenstock's concern about declining scores relative to other towns, and whether increasing class size is affecting the quality of education. The Superintendant indicated that they are gathering information to assess that. They are continuing to look for ideas as to how to control the budget while maintain class size.

Mr. Zimbone stated that over \$500,000 in one time federal funds are available for salaries, intending to keep people employed. The Schools believe that the funds should be used to pay salaries even though the funds will disappear in FY13. Mr. Zimbone would like the schools to take steps to avoid this. Ms. Zappala noted that the Superintendent welcomes new ideas, but is being overwhelmed by state mandates such as new required anti-bullying measures, and improvements in the English learner program, all without funding. Mr. Zimbone stated that over \$700,000 of the Schools' requested increase is needed to cover Special Education tuitions.

Review Operating Budget and Capital Request: Library

Mr. Lunetta introduced the requested Library budget for FY12. Utilization has been trending upward. The department has 14 full time staff and over 40 paid part-time workers. In addition to funds from the local tax levy, the library is funded by state aid, trust funds, Friends of the Needham Public Library, and individual donations. The library must be certified to qualify for state aid. Due to turnover, the library has fallen below the level needed for certification. The director has been assured that it will get a certification waiver since services have not diminished. The library has increased its borrow/loan ratio closer to the point at which it is borrowing from as much as lending to other libraries. The library has increased efficiency with new self-checkout stations. The overall salary and wage request for the same staffing in FY12 is reduced by 18% from FY11 due to hiring of staff with lower seniority. The request for operational expenses also decreased. There are DSR-4 requests for a number of part-time staff, and certain library materials and services to be shifted from state aid funding to operating budget, all needed to avoid compromising service. Mr. Zimbone asked about the State Aid Account information. Mr. Lunetta supplied a document showing the account information.

Mr. Reilly expressed concern that the DSR-4s add up to approximately 7% of the operating request, and if they all continue each year, it will be driving up the budget as state aid decreases. Ms. Zappala stated that every year there is discussion when to bring the DSR-4s into the budget so that the library does not face a year without sufficient funding. A couple of years ago, the library reduced hours. Mr. Zimbone asked what the library would do if they did not get the money for the DSR-4s. Ms. MacFate replied that they would survive, but that residents want the services. Mr. Borrelli asked whether the DSR-4 for Bookletters Software provides information people could get elsewhere online. Ms. MacFate stated that this would provide a link on the library website, and bring many sources and information together in one search.

Mr. Rosenstock expressed concern that the state aid account shows a balance now, but given the encumbrances will be gone in two years, and there will be a deficit. He asked how the library intends to change operations to live within the budget. Ms. MacFate stated that it is a Trustee decision. Mr. Lunetta added that they will need to diminish services. Ms. MacFate stated that it is not easy to cut services with computers driving much of the work. They would need to cut hours. Mr. Borrelli asked whether anything had been implemented from the strategic plan. Ms. Doherty stated that there have been new technology implementations and an increase in efforts for cultural and historic diversity in the collection.

Mr. Borrelli asked about the level of donations. Ms. MacFate stated that they are down, both to the foundation and to the Friends. In response to a question from Mr. Rosenstock, Ms. MacFate stated that the money that is donated is invested, and used to buy materials or for special programs or museum passes.

Discussion

Mr. Reilly stated that personnel costs represent approximately 80% of the budget, so that is where cuts need to be made. Ms. Zappala noted that the library provides a huge service to the town, and is open many more hours than school libraries. She stated that the Finance Committee needs to consider if the library budget should be increased to retain certification. Mr. Lunetta replied that the waiver should be granted for another year. Mr. Reilly stated that he was not sure that the

library recognized the need to moderate spending to retain the bulk of services. Ms. Zappala asked Mr. Davison about the Town Manager's opinion. He stated that last year the Town Manager indicated that some of the library's recurring expenses should migrate to the operating budget, but slowly. He added that this may be a good year, since the dollar amounts are down. Ms. Zappala stated that the town could avoid the decertification issue. Mr. Reilly stated that we should do it now because we can, and not simply to avoid decertification. Mr. Davison stated that the Town is certified now, and would not need to apply for the waiver until fall of 2011, in FY2012. He stated that the library has been mindful of the Town's budgeting approach and employs many non-benefited part-time employees and only 14 full-time employees with benefits. They are fiscally minded as well as service-oriented. Mr. Rosenstock added that if the library were funded up to the amount of certification, approximately \$30,800 more, it would be an increase of 1.35%. Mr. Borrelli noted that the town should keep the level low, because the more it appropriates now, the more it needs to appropriate later.

Adjourn

MOVED: By Mr. Rosenstock, that the meeting be adjourned, there being no further business. Mr. Lunetta seconded the motion. The motion was approved by a vote of 7-0, at approximately 9:29 p.m.

Documents: Departmental Spending Requests, Fiscal Year 2012, Town of Needham; Needham Public Library State Aid Account, October 25, 2010

Respectfully submitted,

Louise Mizgerd
Executive Secretary

Approved January 5, 2011