

**Needham Finance Committee
Minutes of Meeting of January 10, 2011**

The meeting of the Finance Committee was called to order by the Vice Chair, Matthew Borrelli, at approximately 7:06 pm in the Community Room at the Needham Public Library.

Present from the Finance Committee:

Matthew Borrelli, Vice Chair

Members: John Connelly, Richard Creem, Richard Lunetta, Richard Reilly, Steven Rosenstock, Lisa Zappala

Also Present:

David Davison, Assistant Town Manager/Director of Finance

Richard Merson, Director of Public Works

Robert Lewis, Assistant Director of Public Works

Louise Miller, Assistant Purchasing Agent / Office Manager, DPW

Anthony Del Gaizo, Town Engineer

Rhainhardt Hoyland, Superintendent of Water and Sewer

Edward Olsen, Parks & Forestry Superintendent

Steven Hawes, Supervisor of Garage Division

Vincent Roy, Superintendent of Water and Sewer

Mario Araya, Superintendent, RTS

Citizen Requests

No citizens requested to speak.

Approval of Minutes

There were no comments or corrections for the minutes of January 5, 2011 that had been previously distributed.

MOVED: By Mr. Reilly that the minutes of January 5, 2011, be approved as submitted. Mr. Connelly seconded the motion. The motion was approved by a vote of 6-0-1, with Mr. Rosenstock abstaining.

Review Operating and Capital Budget Request: Municipal Lighting

Mr. Connelly presented the budget, which includes a total of \$256,000, representing an increase of \$2,700 over the FY11 budget. The energy line is up almost \$7,000, while the repairs line decreases by \$4,000. Mr. Borrelli asked about savings due to changes to LED lights. Mr. Del Gaizo reported that the savings realized in that program has been split into two fiscal years. The FY12 budget includes part of that savings. The budget does not have an increase in maintenance costs because they have a three year contract keeping the price stagnant. They did try to

calculate costs of lighting by kilowatt hour, but the street lights work differently, and they pay rates on a flat fee, not by kwh.

Review Operating and Capital Budget Request: Department of Public Works – Operating Budget

Mr. Reilly presented the budget. He stated that review of this budget is complicated because the department is using a different accounting approach between FY11 and FY12. The money for drains work has been moved out of the general fund budget and split into the water and sewer budgets. It appears that the change increase costs from approximately \$400,000 to \$600,000. Mr. Reilly provided a handout showing spreadsheets. The department's overall increase is consistent with the overall town budget, at approximately 2%. However, within the different divisions, there are some discrepancies. There are increased energy costs. There are also increases in the costs of fertilizer and seed, which will present a challenge going forward and needs to be offset by savings somewhere.

Mr. Merson stated that the DPW has established a sustainable truck replacement program, and the department has tried to tweak it further. They are getting along with some equipment longer. There is a need for a facility upgrade, as the current building is insufficient though they are working to keep it running.

Mr. Connelly asked the philosophy behind the changing in accounting for drains work, and whether any economy was being achieved. It appears that about \$225,000 more is being spent on drains, including 2 FTEs, and \$80,000 of greater expenses. Ms. Miller stated that the drains expenses are carried in the sewer enterprise fund budget request, but that there is only a realignment of costs, and no new positions were created. The department still has 28.0 total FTEs, but 1.7 FTEs doing drains work were allocated differently. They studied each employee to determine who was doing what work, and found that they had previously been underestimating the total drain work being done by 1.7 FTEs.

Mr. Davison stated that the change of the general fund budget to the water and sewer budget was at his request. The Finance Department will have reduced accounting work tracking two funds rather than three funds. The DPW determined how the work was allocated among the departments. Mr. Connelly stated that the increase in drains due to reallocation should have a corresponding reduction somewhere else. Mr. Davison stated that the requested increase in the drains program reflects both an increase in due to shifting of the accounting and an increase in spending. In response to a question from Mr. Reilly, Mr. Davison stated that the cost of drains was approximately \$450,000 last year and it is now approximately \$518,000. The \$68,000 difference represents an increase in the purchase of services of \$10,000 from FY11 to FY12 plus an increase in the number of dollars that used to be paid by sewer receipts now being paid by general fund receipts. Ms. Zappala stated that the sewer fund was paying for drains work out of their receipts, and now the general fund will bear to the cost.

Mr. Borrelli suggested that the Committee go through the budget request department by department, starting with Administrative, p. 6-9. Mr. Reilly stated there were no significant changes, but a reduction. Mr. Merson stated that there will be savings when the DPW moves to

the PSAB and uses the copiers that are there. The leases will expire on the current copiers. The Engineering budget p. 10-13 has a small increase, but also includes a DSR4 request on p. 36 for a monumentation program. Mr. Del Gaizo reported that this was originally in the capital plan, but changed to a DSR4 at Mr. Davison's request, as it did not qualify. Mr. Del Gaizo described how the program will survey and replace monuments that have been moved or removed, usually during residential landscape or construction work. The monuments are 6" by 6" granite posts sunk 4 feet into the ground. They have a hole in the top that represents mathematical property boundary line. The monuments are used by surveyors hired by residents. If the closest monument is very far, it requires a lot of work to do a property survey, and is very expensive. State law requires the Town to provide street monumentation. There is no fine for not complying, but it is an issue of responsibility. The Town cannot provide the monumentation without money for the monuments and surveys.

Mr. Rosenstock asked about the number of monuments in town, and how many have been moved or removed. Mr. Del Gaizo stated there are many in town, but that they are required at each change in direction of a street line and the beginning and end. In some areas, there are none. Mr. Merson stated that they do not have specific information. In response to a question by Mr. Rosenstock about that salary expense for this program, Mr. Merson stated that the DSR4 should have the entire \$25,000 cost of the program as an expense, as none of it was actually salary. The Town would use a survey company that would pay their employee. Mr. Lunetta asked whether this monumentation could be electronic. Mr. Del Gaizo stated that there is also a DSR4 on p. 40 that covers an electronic monument grid system, but it is based on the physical monuments.

Mr. Borrelli turned to the garage budget on p. 14-17 and asked about there was a big jump in the number of gallons used from FY10 to FY11. Ms. Miller stated that to some extent it was attributable to the March 2010 storms and related remedial work. Mr. Reilly asked why the Public Facilities had a 15% increase in gas usage. Mr. Merson stated that he was not familiar with that fleet. Mr. Borrelli asked whether the addition of "green" vehicles has had an effect. Mr. Merson stated that it is too early to tell. They have been using approximately 3 vehicles for one year.

Mr. Borrelli stated that that expense line increased in the highway and traffic budget. Mr. Hoyland stated that costs associated with asphalt and related materials have increased dramatically. They usually enter into three year contracts, and the contractors are very wary of being stuck with rising prices, although there is a formula that allows for some state reimbursement under certain circumstances. He stated that the current cost of asphalt is \$68 per ton.

Mr. Reilly stated that the DPW budget includes a special allowance of \$1,900 per person for many employees as stand-by pay so that people to be on call for storms plus a clothing allowance to pay for boots and coats. This is on top of the fact that the Town provides boots and coats as necessary, and does not check to see if the money is spent for the specified purposes. Mr. Davison stated that the breakdown is \$1,500 for standby pay, and \$400 for clothing. The clothing part is paid as salary, and is part of the collective bargaining agreement. In response to several questions, Mr. Davison stated that the \$400 clothing payment is considered compensation

for retirement, but does not count as part of the hourly rate for overtime pay. Mr. Lunetta asked if it were paid as a stipend not counted toward retirement, could it save any substantial amount of money. Mr. Davison replied that he would defer to the Town Manager, but he believed it would not be a material amount.

Mr. Borrelli asked whether the 20% increase in traffic signal maintenance takes into account the new LED lights. Ms. Miller answered that it takes into account the new LED lights and the fact that there are four additional traffic lights in town. Mr. Borrelli asked whether there was any discussion of having property owners plow sidewalks instead of the town. Mr. Merson stated that the town owns approximately 52 miles of sidewalks, and only plows those that are primarily used for walking to schools. Mr. Reilly asked about the DSR4 on p. 41 and whether the roadway and sidewalk maintenance work could be handled by outside contractors. Mr. Merson replied that the town does prep work before paving as well as follow-up. He looked into bidding out the work a la carte, and found that the bigger contractors often subcontract that work, and it is very expensive to contract out the parts of the work that the town now does in house. He stated that he hoped that the Town would soon be able to do entire paving work for some smaller jobs. They are looking at the best way to work more efficiently, and how to use paving staff in off seasons. Mr. Reilly asked why this was 8th priority. Ms. Miller stated that there is a capital request that goes with it, the request for a Grade-All in FY13. Mr. Connelly asked whether the priorities were from the DPW or the Town Manager. Mr. Merson replied that the DPW determined the priorities, but did consult with the Town Manager. The first priority, the nutritional program for natural turf, is time sensitive. Many criteria come into play in prioritizing. The roadway and sidewalk program is the last priority, and will involve a lot of discussion. They will put together more information as the project seems to be ready to move forward. Mr. Connelly stated that it involves safety, especially of school children, and that it seems that it should be a higher priority of other projects that don't involve safety, such as monumentation. Mr. Reilly stated that it warrants serious consideration as it involves safety and potentially saving money.

In response to a question about the yearly spending on sidewalks and roadways, Mr. Hoyland stated that the DSR1 does budget for the Town to do approximately 3 miles per year of sidewalks. Given the amount of sidewalks in town, that means that all sidewalks are well beyond their life expectancy before replacement. Mr. Rosenstock stated that the DSR4 request provides for 2 more miles of sidewalk. Mr. Hoyland stated that the town is doing the 3 miles with contractors. The DSR4 would add 2 more miles for a total of 5 miles of sidewalk per year. He stated that the Town pays \$35 per foot for sidewalks, or approximately \$180,000 per mile. Mr. Reilly stated that further information is needed to make a determination. Mr. Rosenstock noted that the Town pays approximately \$250,000 per mile to build a road itself or \$360,000 for a contractor. Mr. Hoyland stated that the Town's cost does not include the cost of the equipment. Ms. Zappala stated that we would need to see how funding this would affect the capital plan. She agrees the program makes financial sense, but it is important to understand how it fits in the capital structure.

Mr. Borrelli turned to the Parks and Forestry. Mr. Reilly stated that this area has been increasing the most. He pointed to the first page of his handout that showed that the Parks and Forestry budget has increased 27% from FY2007 to FY2012, while the DPW overall budget has increased

18%. The increase from FY11 to FY12 is 4%, compared to DPW overall of 2%. This is largely because of new fields: additional mowing time, and soil that needs regular nutrient treatments. The important issue is to find offsets to the rising costs, rather than having the large incremental increase. Mr. Merson replied that he needs to talk to others to determine whether he could find offsets in the Park and Forestry budget or elsewhere in the DPW budget.

Mr. Reilly asked about Parks and Forestry's DSR4 requests for fencing on p. 34 and 35 of the DPW budget. Mr. Olsen stated that both are one-time expenses. One request is for crowd control fencing. The Town was renting it for \$2,200 per year, and will make up the cost in six years, while the life of the fencing is 20 years. The Memorial Park and DeFazio fencing are needed for security and safety reasons. Ms. Zappala stated that there had been expensive requests for fencing in the past, including at the Asa Small location that is part of this request. Mr. Merson stated that those requests were from the recreation department and overlooked this section. Mr. Borrelli asked whether Forestry had considered upkeep or possible damage to the fences. Mr. Olsen replied that it is used once or twice a year, and he does not anticipate that it would get damaged.

Mr. Borrelli asked about Rosemary Pool work included on the DSR2 on p. 29 of the DPW request. Mr. Merson replied that the DPW needs to drain the Rosemary Pool to maintain it, but that they have been impeded by an adjudicatory proceeding with the DEP and a resident downstream. Mr. Merson stated that the DPW maintained the pool without draining last year and it was a huge challenge, particularly after the March storms. Mr. Del Gaizo stated that the Town will be allowed to drain the pool this year. Mr. Lunetta asked whether the Town has considered building a wall around the pool to allow draining and maintaining the pool without draining the lake. Ms. Miller stated that the Town looked into the issue and found that it would cost more than \$1 million.

Mr. Borrelli stated that the department gasoline expenses seem very high, and asked whether the number of miles traveled could be decreased. Mr. Merson stated that the department maintains facilities in all areas of town. While they worked out a schedule to mow fields that is as efficient as possible, this is not really possible for other functions. Mr. Reilly stated that diesel and gas expenses were increasing, and that the Committee needs to know what is driving the increases.

Mr. Reilly stated that the vehicular supplies line is high. Ms. Miller stated that the request tried to reflect the reality of the needs in Forestry. The average of the actual expenses over recent years was \$32,306 which they knew would be too low. Instead she used the actual FY10 fuel usage and applied FY12 projected fuel costs. Mr. Borrelli asked that she recalculate the fuel used in FY10.

Mr. Borrelli asked whether there could be savings from using other than organic fertilizer. Mr. Olsen stated that the synthetic fertilizers don't work as well, though do cost more. However, the soil becomes more sustainable over time using the organic fertilizers, and less fertilizer will be needed. Mr. Borrelli asked the department to provide how much more the organic fertilizer cost than the synthetic fertilizer. Mr. Olsen stated that to cut the Parks and Forestry budget, he would need to cut personnel, though there would be push-back from the union. The department's expenses are low in relation to personnel costs.

Mr. Connelly asked if it would be cheaper to subcontract out the maintenance work at Eliot and Broadmeadow fields in the DSR4 on p. 39 of the request, and since the DSR4 calls for two additional people and costs \$83,549. Mr. Connelly stated that the description of the landscape work in the DSR4 on pages 37-38 is too vague to support.

Review Operating and Capital Budget Request: RTS Enterprise Fund

Mr. Connelly stated that he found the decreasing rate of diversion unsettling and asked for information to explain the downward trend. Mr. Merson stated that the diversion rate depended on how the waste is brought in, and whether people were separating it. The recycling facilities are all available. Mr. Merson added that the department is not sure why the rate is slipping. The recycling in public buildings is low, but the schools are doing a good job. The RTS has not done anything differently that would discourage recycling. Mr. Araya added that other towns are experiencing a decrease based on phone conversations. He noted that yard waste intake is way up. Mr. Connelly stated that it is counterintuitive with all the green initiatives in town that the diversion rate would be decreasing. He stated that the department should think about what to do differently rather than accept the fact. Mr. Araya stated that in October a consultant came in for a waste audit and found that 42% of waste in the trash could have been recycled. He stated that the department needs to get pamphlets out to residents describing items accepted for recycling. He stated that people are often confused. There was discussion of the items that can currently be recycled.

Mr. Lunetta asked whether there was a correlation between the increased cost of disposal bags and the lower diversion rate—that possibly people are frustrated with having to pay more and are unwilling to also make the effort to recycle. Mr. Merson stated that the increase price of bags was intended to create an incentive to recycle more. Mr. Creem noted that it would help if more items could be recycled. Ms. Zappala stated that people seem to want to try, but need reminders.

Mr. Borrelli asked how much the Town was paying for the RTS in FY11. Mr. Davison stated that the final number was more than \$700,000. The state does not allow towns to overestimate revenues, so the Town is conservative with the RTS budget. Mr. Davison added that all of that money is not a subsidy, that \$500,000 actually covers the cost of taking in DPW disposables. Mr. Borrelli stated that leaves a \$200,000 shortfall that should be covered by decreased expenses or increased revenue. Mr. Rosenstock noted that 3 years ago, the Town decided not to subsidize the RTS, since the RTS costs keep increasing. The Board of Selectmen needs to raise revenue. Mr. Araya stated that the recycling revenue is down, but the market is improving. Mr. Reilly stated that there is no reason for the Town's senior discount for trash disposal and it loses the Town \$30,000 per year. Mr. Borrelli stated that the RTS request for a 3% increase with a widening gap between revenue and income is difficult to accept. He understands that recycling is down and that there is commercial waste, but he feels the Town should determine whether there is fat in the budget or whether to ask the Board of Selectmen to find creative ways to increase revenue. Mr. Rosenstock stated that hours could be reduced. Mr. Davison stated that the idea was being considered. He noted that unlike in Forestry, where mowing could be easily reduced, at the RTS the contract calls for employees to get 5 hours of overtime. Mr. Borrelli

asked for the month by month RTS expenses for a better understanding of the department's expenses in the past year.

Mr. Davison stated that it is a state and federally regulated industry, which limits the ability to reduce costs. The Town must make an annual appropriation to monitor the site across the street, which is part of the RTS budget. If the Town chooses to get out of the RTS business, there is still the 40 year obligation to monitor the site. Mr. Lunetta asked whether the fixed costs were greater than the variable costs. Mr. Davison stated that this issue was discussed during the debate over using a flat fee for a sticker or a variable fee from purchase of disposal bags and it was found that the fixed costs were greater. Mr. Borrelli asked whether reducing RTS hours was prevented by the collective bargaining agreement. Mr. Merson said that it would require impact bargaining.

Ms. Miller commented that the RTS budget of \$2 million has increased only \$130,000 since FY2008. The bulk of increases has been in contracts for disposal which are fixed. Most other costs have been close to level dollar. Mr. Reilly stated that the vehicular supplies line was up approximately 40%, and to please provide supporting data.

Review Operating and Capital Budget Request: Sewer Enterprise Fund

Mr. Connelly noted that there has been a big increase in the Sewer budget, due to the drains personnel being placed into the Sewer personnel expense. The drains personnel that had been in Water or the general fund budget are now here. Mr. Rosenstock noted that the drains personnel had been thought to be 4.3 FTEs but have been determined to actually be 6.0 FTEs. Mr. Davison stated that when the drains personnel were in the general fund, it was \$629,000. If the drains personnel had not been moved into the Sewer budget, there would have been a reduction in the Sewer salary line.

Mr. Borrelli asked about I/I work is progressing. Mr. Merson reported that the MWRA measures the Town against other communities in the system and Needham is faring better than others. Though the flow has not been decreasing, Needham is continually on the lower side of the system.

Mr. Reilly reported that the personnel costs of sewer, water, and drains was \$5,070,000 in FY11 and \$5,070,900 in FY12. Ms. Zappala stated that the sewer expenses had gone up dramatically. Ms. Miller stated that it was expenses related to drains in other purchased services. Otherwise, the increase amounted to \$310. Mr. Connelly noted that the sewer FTEs went from 11.0 in FY11 to 12.0 in FY12. The water FTEs changed from 16.0 in FY11 to 18.0 in FY12.

Review Operating and Capital Budget Request: Water Enterprise Fund

Mr. Connelly stated that there was a dramatic increase in energy expenses in this budget request. Ms. Miller stated that in FY10 the department paid \$0.1745/kwh for electricity, but is assuming a rate of \$0.21/kwh for FY12. Mr. Connelly asked whether the Town was rethinking that estimate. Mr. Davison stated the Town is not reconsidering the estimate, because NSTAR charges more

per kwh if electricity usage is reduced. Mr. Connelly stated that if the operation will be the same, then the budget is \$100,000 higher than necessary. He stated that the estimate should be revisited. The benefit of moving the drains expenses to this budget is not showing because of this. Mr. Reilly stated that the fuel usage looks like an overestimate. Ms. Miller stated that she can readjust the diesel and gas usage numbers in the water budget. Mr. Roy stated that he looked at energy usage and the budget was down 2.8%.

Ms. Zappala commented that personnel and supplies were down. Mr. Reilly stated that Public Works supplies were down. Ms. Miller stated that the department entered into a new contract for water treatment chemicals. Mr. Rosenstock asked about the DSR2 on p.5. He noted that \$143,770 was backed out, but that the figure should have been approximately \$202,000. Ms. Miller stated that she backed out the salary expenses, but did not reallocate other costs. She stated that she would provide detail.

Review DPW Capital Budget Request

Mr. Reilly began presenting the capital requests. Mr. Merson stated that the department is doing well, as it works against the tide to hold onto older equipment. The CIP shows the replacement schedule. There was discussion about the Ford Expedition requested to be replaced in the Core Fleet Replacement request. They need an enclosed vehicle to maintain a proper temperature for engineering equipment, to be able to go off road at times for pre-construction surveying.

In response to a question from Mr. Borrelli, Mr. Davison stated that there is not yet enough information to determine the savings from hybrid vehicles. He added that when the gas prices are lower, it takes longer to make up for the additional cost of the hybrid vehicle.

Mr. Rosenstock asked whether the drains dump truck should be a sewer fund item. Mr. Davison stated that it is still a general fund item. Even if the Town were to get out of the sewer business, it would still have to handle drains, so the truck comes from the general fund.

Mr. Connelly suggested that the capital discussion be postponed to provide a sufficient opportunity adequately address the issues.

Finance Committee Updates

There were no updates to report.

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 10:16 p.m.

Documents: Departmental Spending Requests, Fiscal Year 2012, Town of Needham; Packet of Spreadsheets prepared by Mr. Reilly; Memorandum to Finance Committee from Department of

Public Works, dated January 10, 2011 re: Follow-Up to Finance Committee Questions; Capital Improvement Plan FY2012-FY2016, dated January 4, 2011

Respectfully submitted,

Louise Mizgerd
Executive Secretary

Approved January 24, 2011