

**Needham Finance Committee
Minutes of Meeting of January 19, 2011**

The meeting of the Finance Committee was called to order by the Chair, Richard Zimbone, at approximately 7:00 pm in the Charles River Conference Room 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

Richard Merson, Superintendent of the Department of Public Works

Steve Popper, P.E., Director of Construction & Renovation

Charles Laffey, Director of Facility Operations, Public Facilities

Carys Lustig, Administrative Analyst, Public Facilities

Citizen Requests

No citizens requested to speak.

Follow-Up Discussion of Town Counsel Operating Budget Request

Mr. Reilly stated that the Professional and Technical Expense line in the Town Counsel budget is \$190,000. After discussing the issue with Town Counsel David Tobin, Mr. Reilly stated that the cost is likely to be closer to \$240,000. Using that adjusted total for FY2011, the average expense for this line item is approximately \$233,000. The basic request for this line remains at \$190,000 for FY2012. There is also a DSR-4 request for \$36,500, bringing the total of this line item to \$226,500. While a case could be made for an additional \$6,500, future legal costs are uncertain. Mr. Reilly suggested that the additional \$36,500 is reasonable as a good faith effort to estimate expenses, and the additional \$6,500 could be used elsewhere in the budgeting process.

Review Operating and Capital Budget Request: Community Preservation Commission

The expense line for the Community Preservation Commission is 5% of the estimated revenue in order to conform to the law's mandate that 5% be set aside for administrative and operating expenses. Overall, the budget is level funded with some reallocation among line items. There is no indication yet of where CPA funding will likely be applied in FY2012.

Review Operating Budget Request: Park and Recreation

Mr. Rosenstock presented the Park and Recreation budget request. He pointed out that both personnel and department expenses were lower than in the FY2011 approved budget. It appears that the Rosemary Pool issue can be resolved for one more year given the one-year extensions for the necessary permits. The DEP had originally taken the position that a new permit would be

required, but Governor Patrick's permit extension law appears to apply to the permit for the Rosemary Pool. Mr. Merson stated that there are pending legal proceedings regarding the work at Rosemary Pool. The draining of the pool into the lake was challenged by a downstream property holder. The DPW cleaned the pool without draining it last summer, which was not a totally satisfactory approach. As part of a stimulus package, virtually all permits were extended for two years. The Town is taking the position that the Rosemary Pool permit is covered by this law, the there may be a legal challenge to this position. Mr. Merson also described alternatives to draining the pool that have been discussed. The Capital Plan contains a request for \$3 million to renovate the pool, repair the parking lot and address surface water runoff issues.

Mr. Rosenstock described the various revolving funds that enabled Park and Recreation to operate on a virtually break-even basis.

Review Operating and Capital Budget Request: Department of Public Facilities

Mr. Creem presented a budget overview. The Construction and Facilities Maintenance divisions are working together closely and effectively. The Construction Division handles designing and building capital projects costing more than \$500,000, and the Facilities Maintenance Division handles the upkeep of all Town buildings and smaller capital construction projects. Unlike most towns, Needham's town-side Facilities Maintenance Department is responsible for the maintenance and energy costs of school buildings as well. The Construction Division is currently overseeing the Town Hall renovation project, the Newman HVAC and modular classroom project, along with necessary changes at Pollard to accommodate displaced students, and the design of the Senior Center. The Construction Division employs a Director of Design and Construction, whose salary is partially funded by project budgets, as well as an Administrative Specialist and a Project Manager. The Project Manager is currently working on being certified as an OPM. There are also 2 temporary Project Managers for the Newman project. While most of the funding for Project Managers comes from the project budgets, it is not covered 100%. Also, the Town is responsible for their salaries as long as they are on the payroll. Their time is allocated against the project costs, and the remaining balance ultimately closes out to free cash. Currently, 0-50% of the Project Manager's (Tiffany Shaw's) salary is charged to construction projects. The two temporary Project Managers' salaries are charged to projects at approximately 75-100%, as determined monthly. The Town is seeking MBSA for one of the temporary Project Managers' salaries, and expecting 40% reimbursement. From 0-50% of the Director's salary is charged back to projects. However, the type of activities that can be charged to construction projects is limited by law. The Town seeks to charge as much of his salary as possible to construction projects, but cannot charge administrative or operational activities to such projects. The Town Manager has asked the Construction Division to reduce the salary line by 1.0 FTE. They expect to be able to achieve this by charging sufficient project manager time to construction projects. Due to need, the Administrative Assistant's time will be increased to 1.0 FTE in FY12. The Town Manager and Director of Construction plan to reorganize the division during FY14.

The Operations Division has started implementing a facilities maintenance software suite that provides electronic work orders and streamlines the department's functions. They now use a preventative maintenance system which automatically issues work orders for ongoing

maintenance needs. They expect soon to add a capital planning module which will notify the director when major items should be included in the five year capital plan. It also tracks expenditures to give priority to certain items. This is expected to require a larger budgetary commitment to keep up with the work orders, but the buildings will be better maintained, and more maintenance data will be readily available. A more detailed presentation could be made at a later meeting.

The overall DPF budget includes an increase of 1.0 FTE in FY12, reflecting the need for a new custodian at the PSAB when the current custodians shift back to the Town Hall. The Construction Division has a salary line increase of 36% due to the two temporary project managers. The Operations Division regular salary line is increased by 4.01% due to the hiring of a new custodian, plus changes required by the collective bargaining agreement, including steps, snow pay and a COLA. The overtime line, however, has decreased by 9.5%. The expenses for the Construction Division are level-funded compared to FY11. Non-energy expenditures are increasing by 6.6%, with details shown on the DSR-2.

Mr. Creem stated that the Operations Division has performed well with its recent reorganization, but expressed concern regarding the Director's workload. There is a structural issue in the department due to the lack of middle management and supervision. The custodians have a structure where custodians report to senior custodians who report to supervisors. However, all non-custodial staff report directly to the Director of Facility Operations. Thus, the Director must manage trade workers (who are then working without supervisory support) while also leading the operations division, overseeing vendor services, and planning for future needs. The Director has considered addressing this concern by pulling the DSR-4 request for a Trade Supervisor and replace it with a newly designed Facilities Operations Supervisor or Assistant Director position. Another issue is an Administrative Assistant that is shared with the DPW but funded by Public Facilities. The Finance Committee has asked the DPW to report on this when they return. While the DPW and Public Facilities Departments might be integrated at some point, there is no immediate plan for this, though Public Facilities is under the general oversight of the DPW director and there is a complementary relationship between the departments.

Mr. Zimbone discussed the energy budget for the Public Facilities Department. Mr. Laffey and Ms. Lustig have been taking actual usage, and using a 3-year average, come up with a volume figure. That is multiplied by energy cost assumptions provided by Mr. Davison. The energy budget, originally estimated at \$2.877 million has been revised and lowered \$50,000 to \$2.827 million. Mr. Zimbone discussed the energy prices assumptions and stated that on first review, the numbers were reasonable. However, gas and oil prices might need to be adjusted upward by \$0.10 or \$0.15 per gallon above the initial estimate of \$2.96, up to \$3.26 per gallon, increasing costs by approximately \$36,000. At the same time, electricity costs may be high. Mr. Zimbone stated that he feels the projected usage numbers may be high.

Mr. Laffey explained that the expenses were adjusted between line items to reflect better tracking of actual expenses. Therefore the overall increase was due to energy and some increased use of materials associated with increased overtime hours. Pest control is a significant cost, particularly because of termites, which are harder to control in light of the need for child-safe approaches.

There was further discussion of the energy line, and whether there was room to reduce the amount. Mr. Laffey discussed FY2012 property projects: Newman School, Town Hall, and moving the DPW into the PSAB. The department is also involved in the preparations for building the Senior Center. There was discussion of the outsourcing of janitorial functions at the High School and Pollard. The improving economy is putting pressure on staffing levels and continuity for outside contractors.

There was discussion of the expanded supervisory and management process associated with Owners Project Manager (OPM) concept. The going rate is 3-5% of the project cost. There was discussion of the CORI review process. The department gets a pass/fail report. Laws for public education are different from general requirements for review of CORI reports.

In the Construction Department, the base budget request is for \$308,000. There are 4.8 people on staff. One staff member is charged to projects at 100%, so the overall net cost is \$308,000. If an additional person can be charged back to another project, then the cost could possibly be reduced by approximately \$80,000. There was further discussion of the charge-back process. The Department is pursuing charging back as much as possible. The budgeted amount, however, must be at least equal to the current year's appropriation of \$226,000.

The Internet Bandwidth Expansion DSR-4 request will be removed from this department, because it has been reassigned to the School Department. The second DSR-4 request is for a Trades Supervisor, which is the reclassification of an existing person to a night supervisor position. The majority of the Operations Division works on the second shift. This would provide a level of supervision where none currently exists.

The Public Facilities capital requests are described in the Capital Plan on p. 1-17 to 1-18 and 5-56. The Core Fleet request for \$25,000 is needed to replace a van with significant body rot. The Small Specialty Equipment request for \$29,563 is for a Mower/Blower for the High School for clearing snow and mowing grass. The request is comparable to a request for a snow blower last year for High Rock. The High School needs this machine because there are more plazas which can become dangerous if snow is not properly removed.

There is a request for a Facilities Maintenance Program for \$450,000, of which \$400,000 is primary cash capital, and \$50,000 secondary cash capital. Mr. Zimbone questioned the value of a consultant in the area of energy efficiency.

The capital budget includes a new roof for High School Building C for \$320,000 in primary debt financing. This was not part of the scope for the High School project. There have been high ongoing repair costs associated with this roof in the amount of \$18,000. In addition, there have been expenses for damages within the building caused by the leaking roof.

Review of Capital Budget Request: Park and Recreation

The Park and Recreation Department capital requests were discussed. There is a request for \$137,500 (secondary cash capital) for Athletic Facility Improvements, as part of an overall

maintenance plan for all fields. The FY12 request is for the renovation of the Walker Gordon facility, including field reconstruction, fences and bleachers. A companion capital request, Playground Structure Replacements (\$25,000 from primary cash capital) would fund playground structure replacements.

Finance Committee Updates

Mr. Zimbone stated that the School Committee held a public hearing on the budget on January 18. There was concern about how the gap would be filled when one-time money runs out. Transportation was also discussed. The School Department requested an additional \$200,000 for increased special education costs, primarily to cover the out-of-district costs for two new cases. There was some discussion of possible savings in the proposed budget. Some School Committee members tried to reinstate those proposed cuts.

Mr. Zimbone also reported on the Green Energy Committee. Only Mr. Zimbone from the Finance Committee will serve on that Committee. Mr. Borrelli and Mr. Lunetta will not serve on the Green Energy Committee, as there was concern of having too many representatives from the Finance Committee.

Adjourn

MOVED: By Ms. Zappala, that the meeting be adjourned, there being no further business. Mr. Borrelli seconded the motion. The motion was approved by a vote of 7-0, at approximately 9:32 p.m.

Documents: Departmental Spending Requests, Fiscal Year 2012, Town of Needham; Capital Improvement Plan FY2012-FY2016, dated January 4, 2011

Respectfully submitted,

Louise Mizgerd
Executive Secretary
(based on notes provided by Richard Reilly)

Approved February 7, 2011