

**Needham Finance Committee
Minutes of Meeting of January 26, 2011**

The meeting of the Finance Committee was called to order by the Chair, Richard Zimbone, at approximately 7:03 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: John Connelly, Richard Creem, Richard Lunetta, Richard Reilly, Steven Rosenstock, Lisa Zappala (arrived 7:50pm)

Also Present:

Tedi Eaton, Town Clerk

Jamie Brenner Gutner, Executive Director, Council on Aging

Susanne Hughes, Chair, Council on Aging Board

Jon Mattleman, Director, Needham Youth Services

Janice Berns, Director, Health Department

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Director of Finance

Christopher Coleman, Assistant Town Manager

Evelyn M. Pones, Town Collector/Treasurer

Citizen Requests

No citizens requested to speak.

Review of Operating Budget and Capital Request: Town Clerk

Mr. Creem presented the Town Clerk's budget. The Town Clerk has the responsibility of implementing new regulatory and legal requirements such as under the new ethics law and open meeting law. Both have caused significant additional work. The Town Clerk also administers elections. In FY11, there were an unprecedented 6 elections, three of which were scheduled. There are currently two elections scheduled for FY12. Ms. Eaton is president of the Massachusetts Town Clerks Association which was successful in getting state reimbursement for two special state elections. Needham received \$29,000.

The overall budget for the Town Clerk's office has decreased from FY11 to FY12, due in major part to one fewer scheduled election. Headcount is level at 4.6 FTEs. The net salary line, including the Town Clerk's increase in salary and COLAs, decreased with lower election costs. Ms. Eaton stated that there was also a change in staff, and a new person hired at a lower rate. The PRD-1 on page 8 includes a correction. In past years, the Department Assistant 2 has been listed as working 10 hours per week, but this has been changed to reflect that she has actually been working 12 hours per week. Services, supplies and expenses are down overall, primarily due to the decrease of one election, despite an increase in postage costs.

Mr. Creem stated that the Town Clerk's office is seeking to slowly replace deteriorating voting booths. The Town clerk plans to purchase four 4-unit voting booths in FY12. Ms. Eaton stated that five more are needed with four being replaced in FY12. It is likely that one or two will be needed for FY13, which should be sufficient. The law requires there to be a certain number of voting booths per voter.

Mr. Creem discussed the performance factors, and described the responsibilities of the Town Clerk. He stated that revenues were up in FY10, and in FY09. He stated that the Town Clerk's office is well-run and handles new legal and regulatory responsibilities well.

Review of Operating Budget and Capital Request: Human Services Department (formerly Diversified Community Services)

Mr. Rosenstock recused himself before the discussion of the Human Services Department budget, stating that his wife was an employee of the department.

Mr. Lunetta presented the Council on Aging (COA) portion of the budget. The COA's mission is to work with community groups and community members to enhance the quality of life of older citizens. They currently have 3 FTEs, plus one part-time employee, with no vacancies. They may require additional staffing when the new senior center opens. They are currently undergoing reaccreditation by the National Council on Aging, which takes place every 5 years. Current economic conditions have caused an increase in the number of people under age 60 seeking the COA's services. The COA gets funding from several grants. The Formula Grant for \$44,500 covers the salaries of a part-time social worker and a part-time outreach worker. A SHINE grant for \$118,000 covers the salary of the SHINE Director, Assistant Director and an outreach worker, and trains 46 volunteer wellness counselors. They also receive donations which go to a transportation fund (current balance \$15,000) or a donations fund (currently at \$28,000). The COA has applied for a Department of Transportation Mobility Assistance grant which would cover 80% (or \$51,113) of the Senior Transportation Van show on p. 1-19 of the Capital Improvement Plan. If awarded, the van would be removed from the CIP. The remaining cost of the van would come from the Friends of the Elderly. Mr. Lunetta stated that the COA is a great value to the Town despite level funding and staff, due to its collaborations, efficiency, and effective solicitation of donations of money and services.

Mr. Reilly presented the Veterans' Affairs portion of the budget. Veterans' Affairs administers veterans' benefits under federal and state laws and regulations. They have advisory and ceremonial roles. The Veterans Affairs function was transferred to a shared regional office in the spring of 2010, making budget comparisons difficult. Mr. Reilly provided a handout showing that the department is essentially level-funded. The budget for the Town's personnel costs for the veteran's district has decreased since the FY11 budget, because last year it was unknown what the Town's share would be. This year, the Town was assessed \$45,000, which is part of the expense line. There is a dedicated Care of Graves/Coordinator of Ceremonies budgeted at \$2,500 plus a part-time allowance of \$500. The budget for care of graves and flags and markers which has increased under the new regional district, but the Town receives 75% federal reimbursement.

Mr. Reilly then presented the Youth Services budget. He described the Youth Services as an extraordinary benefit for the Town, dealing with youth and family issues, and focusing on prevention. There is concern that increased class size at the High School may be increasing stress on a segment of the student body. The department has maintained a flat budget, except for the purchase of a Blackberry for the Director, which has had the effect of making him constantly available. Youth Services uses outside funding for some programs which has the benefit of providing programs that could not otherwise be afforded, but the downside that there is no certainty of its continued receipt. A total of \$332,335 was spent on Youth Services, which is almost 40% more than the Town appropriates. The Town needs to consider what will happen if outside funding is reduced.

Mr. Mattleman reported that the department is always changing, and sometimes growing. They are now working on a new bullying program, having people referred from schools. The bullying problem is more in depth, intense, and at younger ages than they initially expected. They receive depression and suicide crisis calls once or twice a week. He feels they are meeting the needs of the community. He provided a handout detailing major accomplishments.

Mr. Borrelli asked about the reliability of the grants to the COA and Youth Services. Ms. Gutner stated that the COA's Formula Grant is a line item from the State Executive Office of Elder Affairs, and depends on the state budget. She does not expect it to go away, but the amount may change. It has been consistent the past couple of years. The SHINE grant, most of which goes to the salaries of SHINE counselors is not expected to dry up. It provides sophisticated Medicare counseling. Mr. Mattleman stated that they continue to submit grants, and they are competitive though the submissions take much time to prepare. Mr. Reilly suggested that they consider outside grant writers.

Mr. Connelly asked for a senior center update. Ms. Gutner stated that the RFP for an architect is out. The PPBC will meet February 7 to narrow the choices, and meet again on February 14 for interviews.

Mr. Rosenstock returned after the end of the discussion of the Human Services Department budget.

Review of Operating Budget and Capital Request: Health Department

Mr. Reilly presented the Health Department budget. The department's mission is to maintain essential public health services, as explained on p. 3 of their budget request. Emergency preparedness has been a drain on its resources in recent years. Turnover of restaurants requires significant resources. The department is seeking to focus on youth substance abuse programs and has recently launched Project Interface, a program to facilitate referrals to mental health professionals. Ms. Berns stated that the program, which was piloted in schools, matches individuals with counselors who are available to meet with them. It has been expanded and is available to all in town for all mental health issues. They have made 125 referrals, and all are satisfied. They receive donations of about \$5,000 per year from the Beth Israel Deaconess Hospital, a foundation in town, and a family in town who lost a child. That money covers all mental health. They also have a contract with Riverside Community Care for uninsured people.

Mr. Reilly stated that department expenses are virtually flat for FY12. The largest component of expenses is the Riverside fee, which has increased. Compensation increased by 0.5%. Full time staffing of 4.6 FTEs represents only 80% of the personnel costs. The balance is for temporary or part-time personnel.

Mr. Reilly stated that an important part of the Health Department's finances is the additional revenue from grants and donations that help support its activities. Ms. Berns distributed a chart showing grants and donations received in the past nine years. Mr. Reilly stated that funding abuse programs is very important. Given the level funded by the Town, the department must work to find additional sources. Mr. Rosenstock asked whether these grants and donations are funds on top of Town funding. Mr. Reilly stated that they are in addition to Town funding, though they are often very specific as to where the funds can be spent. In response to a question from Mr. Connelly, Ms. Berns state that the Environmental Health agent works almost entirely making sure that regulations are followed, mostly inspecting food establishments.

Mr. Zimbone asked Ms. Berns to describe the DSR-4s. Ms. Berns stated that the first one is a request to increase funding of the Public Health Program Coordinator by 1.5 hours per week. That person is paid for 12 hours by the Town, plus 6 hours as the Emergency Preparedness Coordinator through a grant. The Centers for Disease Control informed them to expect a 25% decrease in that grant. This DSR-4 would make up that additional 1.5 hours to retain level services. Mr. Reilly stated that it is important to know where the resources are going, to avoid duplication and/or gaps. Mr. Zimbone asked whether there was sufficient work to cover the additional 1.5 hours, in light of the fact that the cuts are not certain and will not be known until September. Ms. Berns stated that there is still a need for the additional 1.5 hours of work.

Mr. Reilly stated that the second DSR-4 was seeking funding for a staff member to attend one major conference each year. He commented that he is very supportive of this request, as peer interaction and recognition is very important in this field.

Mr. Zimbone asked for an update about the safety of the synthetic turf fields. Ms. Berns stated that some zinc has been found on the fields, but that the hot temperatures on the field in warm weather are a bigger concern.

Review of Operating Budget and Capital Request: Minuteman School

Ms. Zappala stated that Needham is part of a group of regional towns that takes on cost-sharing of the Minuteman expenses. There are other towns that pay on a per student basis. The new superintendent has been slowly increasing the costs for the towns that pay per student. How the Minuteman budget is divided, and how many students come from the Needham, both affect the Town's cost. Needham has seen an increase in the number of students. It was 18-19, and now is 26. The assessment next year is based on the enrollment this year. Ms. Zappala stated that she attended a meeting with regional towns and the Minuteman superintendent. She feels that he is taking the school in the right direction, but the facilities are outdated. The superintendent said at the meeting that there are capital items that may be on the Annual Town Meeting warrant. Ms.

Fitzpatrick noted that the superintendent withdrew the request, but expects to organize well for the following year.

Mr. Reilly noted that the Minuteman draft budget showed a 20% increase in health insurance. Mr. Davison stated that that was straight premium costs. Ms. Zappala added that Minuteman costs more per student per year than the Needham public schools, but people think that the vocational option is a good thing. The Town has made an investment in the Minuteman School, and the enrollment is coming back. Mr. Borrelli asked if the school seems healthier since last year when the Finance Committee was discussing whether it made sense to continue as a member of the regional group. Ms. Zappala stated that the enrollment is up, and that they are trying to get non-member towns with a significant number of students to join and participate in the upcoming capital project. She stated that the school was built a long time ago, and not laid out very well, but that the students are engaged. Minuteman's building is not as nice as Needham High School, but the programs are good. Ms. Fitzpatrick stated that the freshman class is up 60% this year. She feels the superintendent has done a remarkable job. He cut the principal, and is recruiting students and realigning programs. She feels it makes sense to continue to work with the school. Mr. Connelly stated that the matter should be reconsidered when the capital project is on the table.

Review of Operating Budget and Capital Request: Townwide Expenses

Mr. Reilly presented the Townwide Expense budget and explained that that most of the costs are actuarially or contractually driven. Mr. Rosenstock added that there are future concerns, however, that need to be kept on the front burner. Mr. Davison stated that the expenses cross all departments of the Town including the schools.

Townwide Expenses are decreasing by 1% primarily because the amount of debt service is dropping. It is a temporary drop, and is not inconsistent with the facility financing plan. There are projects dropping off, such as the High School project, the Wiswall land purchase, and the short-term bonds associated with the High School and the High Rock projects. The \$562,000 of debt for the Town Hall project would have been \$862,000, but \$300,000 is CPA debt. That \$300,000 is carried here, but will be appropriated from the CPA general fund budget.

There is a \$172,000 or 573% increase in the Classification, Performance and Settlements line because an agreement has been reached with only one union at this point. Mr. Reilly stated that the workers' compensation fund needs to be replenished, so that item has increased from \$400,000 to \$450,000. Relative to other towns, Needham is in good shape for funding obligations, but Mr. Reilly stated that he feels the 8% assumed return rate is optimistic. Mr. Reilly also stated that even though the funded ratio had improved from the 6% range to the 10% range, our unfunded liability had increased on an absolute basis because of an increase in total costs greater than the gain in our funded ratio. Containing health costs going forward would be critical in meeting our OPEB liabilities.

Mr. Reilly stated that the Reserve Fund request calls for \$1.5 million. In the past, overages in snow and ice removal, fire overtime and legal costs have come from the Reserve Fund. However, it has been suggested that an additional \$350,000 should be moved to those budget

lines, in which case the Reserve Fund should be reduced by \$350,000. Mr. Zimbone asked how the amount proposed in the Reserve Fund in the Town Manager's budget was determined. Ms. Fitzpatrick stated that it was the amount left over. Ms. Fitzpatrick noted that there is an additional \$50,000 in the workers compensation budget line to avoid drawing on the reserve. She stated that the 8% interest rate was decreased from 8.25%, as they are trying to lower the assumption. Mr. Reilly stated that the lower rate could have a significant effect on operating costs. The more financially solid the Town is, the better the borrowing costs will be.

Ms. Fitzpatrick stated that there is legislation that would increase the retirement base for COLAs. Retirees currently average around \$13,000. It is expected that the annual COLA will be about 3% annually. Ms. Fitzpatrick stated that the Town currently pays about \$3.3 million for health insurance for retirees. The overall appropriation for the Retiree Insurance Program and Insurance Liability Fund line is \$3.9 million. 40% of the current workforce is on higher deductible, lower premium plans which will decrease future liability.

Ms. Fitzpatrick stated that she is projecting health insurance costs to increase 5%, since 325 current employees, most of which are teachers are in the lower premium plans. There will also be increases in Medicare and Social Security. People who do not have Town health insurance still get Social Security when they retire. The cost is \$209,000 for FY12. The Medicare line is increasing by 8.5%. It increases as salary increases. It applies to anyone hired before 1986, and these people are rapidly leaving the system. Mr. Davison stated that because of the Section 125 plan, the Town's Medicare payment goes up.

Mr. Borrelli asked about the possible effect of the Governor's proposal to make Towns join the GIC or offer actuarially equivalent plans. Ms. Fitzpatrick stated that she is doing all she can: the Town has joined a regional health insurance group, new hires go into the rate-saver plans, and other employees are being moved into the rate-saver plans when possible. Ms. Fitzpatrick stated that it is unclear whether any community inside the Route 128 belt will be able to offer actuarially equivalent plans to the GIC compared to the lower-cost areas of the state, which is a concern. Mr. Creem also stated that if the Town is forced to make the plan different, it could bring in new subscribers.

Review of Operating Budget and Capital Request: Town Manager

Mr. Zimbone presented the budget for the Town Manager's office. He stated that the budget is essentially level-funded, and there is not much change. He asked Ms. Fitzpatrick to comment on the salary adjustment for the Assistant to the Town Manager. Ms. Fitzpatrick stated that the position is being paid out of grade because of the work being done. Because of the timing, there are three years of increases including a salary increase, steps and one COLA which are in this one year, though it appears as a large single increase for one year.

Town Manager's Presentation of Proposed Budget

Ms. Fitzpatrick presented her recommended budget as presented previously to the Board of Selectmen. She handed out a copy of her presentation. The Town is still on a bridge to FY13.

Difficult choices are being made, and one-time funds are being used in ways they might not otherwise be used in order to keep the Town in a good position.

She said there are 4 key elements to balancing the budget. (1) Contain rates at the RTS. \$200,000 in retained earnings is being used to balance the budget and avoid rate increases. (2) Account for drains and new EPA regulations. The new National Pollutant Discharge Elimination System (NPDES) program restricts water pollutants. The Town must identify and repair issues relating to water runoff. There need to be changes in street sweeping and catch basin cleaning, and they must test water quality around Town. Water that runs off large impervious surfaces must be cleaned. (3) Slow growth of Townwide legacy costs. The Town is trying to eliminate benefit eligible positions, and move people to rate saver plans. (4) Mitigate the structural budget gap.

Mr. Rosenstock asked about the retained earnings at the RTS which Mr. Davison stated are \$419,180. \$200,000 is being used toward the RTS operating budget for FY12, to reduce the Town's subsidy. The intention is not to increase the rate further, and that the recent rate increase will mean a higher level of revenue. Mr. Davison stated that the revenue estimate is always low, because the state prohibits estimating revenue above the previous year's actual revenue. Mr. Rosenstock questioned whether the level of RTS overtime was as high as budgeted. Mr. Davison stated that it was, and the situation is not sustainable. Mr. Borrelli asked about the subsidy to the RTS. Mr. Davison stated that the Proposed Budget, p. 1-18 shows that \$547,673 is contributed from the general fund to the RTS. \$200,000 is RTS revenue, plus non-recurring revenue used to balance the budget and avoid a rate increase. Mr. Rosenstock asked about the \$30,000 in reduced operating expenses. Mr. Davison stated that Vehicular Supplies was reduced \$20,000 and Other Purchased Services was reduced \$10,000. Ms. Zappala stated that there is a risk of taking too much from retained earnings—that other things, like capital, might not be funded next year. Mr. Connelly asked whether there was a reason to believe that returns might increase. Mr. Davison stated that the sticker increase takes place in the spring, when most renewals happen.

Ms. Fitzpatrick stated that the Town is working to slow growth in legacy costs. Her FY12 budget proposes to eliminate seven benefit-eligible positions. Two firefighter positions are eliminated. In Public Works, certain mowing and leaf pick-up is being contracted out. The library is taking advantage of turnover to eliminate a full time position and replace with two part-time positions with no benefits. The library already relies heavily on part-time workers. Ms. Fitzpatrick is proposing to move \$30,802 in cash capital to the library operating budget.

Ms. Fitzpatrick stated that she proposes to allocate \$300,000 to the School Department, as she was not comfortable with the Schools using \$800,000 in one-time money for operating costs. This will free up \$300,000 for capital. Also, \$17,557 was moved from Public Facilities to Schools for broadband service. The Schools discovered new need for special education services after their proposed budget was submitted, which led to an additional appropriation of \$105,000 to schools.

Municipal parking revenue is decreasing since the Town is no longer collecting from MBTA spaces. The Town is working with the MBTA on possibly leasing spots in the Mark Lee lot.

Ms. Zappala asked about state revenue. Ms. Fitzpatrick stated that actual receipts in FY10 are lower than in FY09, which were lower than in FY08. FY11 receipts are running behind the levels of FY10. Mr. Davison stated there is almost a level dollar assumption for state receipts. The new meals and room tax is strong. The biggest drop is parking revenue, decreasing by \$300,000. The revenue from local receipts estimate is 2% less than for FY11. Mr. Davison is comfortable that is the bottom. The Governor is increasing Chapter 70 aid, but ¾ of the communities will see a reduction. Mr. Davison assumed in the budget that Quinn benefits are eliminated. For the Veterans' District, he is expecting any reimbursement to be paid directly to the district. He is being conservative about state aid. If it comes in higher it could be used to replenish the Reserve Fund or other identified expenses.

If additional funding from a recurring resource is found to be available, Ms. Fitzpatrick recommends funding certain performance budget items (Library early opening; PT children's librarian; Memorial and DeFazio Fencing; Monumentation project; and crowd control fencing.)

Snow and Ice Removal Budget / Expenditure Authorization

Mr. Davison reported that the Town had commitments of \$592,000 for snow and ice removal through January 21, 2011. He requested to increase the authorization to expend up to a total of \$800,000 during FY11. He felt that would be sufficient for the pending storm plus 3-5 additional minor to average weather events.

MOVED: By Mr. Rosenstock, that the Finance Committee approve the Finance Director's request for the Town to expend up to \$800,000 for snow removal in FY2011. Ms. Zappala seconded the motion. There was no further discussion. The motion was approved by a unanimous vote of 8-0.

Finance Committee Updates

The next meeting is scheduled for February 2, 2011 to discuss outstanding questions and capital items with the DPW. The Committee will also discuss its recommendations for the overall Town operating budget. Mr. Zimbone asked Committee members to prepare any specific concerns they had with the proposed budget. He plans to have a vote on a Finance Committee initial draft budget on February 9. There will be no meeting the week of school vacation, February 21-25.

Adjourn

MOVED: By Ms. Zappala, that the meeting be adjourned, there being no further business. Mr. Connelly seconded the motion. The motion was approved by a vote of 8-0, at approximately 9:30 p.m.

Documents: Departmental Spending Requests, Fiscal Year 2012, Town of Needham; Capital Improvement Plan FY2012-FY2016, dated January 4, 2011; Proposed Annual Budget FY 2012, dated January 31, 2011; Youth Services Information; Health Department Chart of Grants

Respectfully submitted,

Louise Mizgerd
Executive Secretary

Approved February 7, 2011