

**Needham Finance Committee
Minutes of Meeting of June 22, 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, Gary McNeill, Richard Reilly, Steven Rosenstock, Lisa Zappala (arrived 7:10)

Also Present:

David Davison, Assistant Town Manager/Director of Finance

Roger MacDonald, Director of Management Information Systems

Dan Gutekanst, Superintendent of Schools

Anne Gulati, School Department, Director of Financial Operations

Kate Fitzpatrick, Town Manager

Citizen Requests

No citizens requested to speak.

Approval of Minutes

MOVED: By Mr. Reilly that the minutes of the Finance Committee meeting of April 27, 2011 be approved as most recently distributed. Mr. Rosenstock seconded the motion. There was no further discussion. The motion was approved by a vote of 7-0. (Ms. Zappala had not yet arrived.)

MOVED: By Mr. Lunetta that the minutes of the Finance Committee meeting of May 2, 2011 be approved as most recently distributed. Mr. Reilly seconded the motion. There was no further discussion. The motion was approved by a vote of 7-0. (Ms. Zappala had not yet arrived.)

MOVED: By Mr. Borrelli that the minutes of the Finance Committee meeting of May 4, 2011 be approved as most recently distributed. Mr. Creem seconded the motion. There was no further discussion. The motion was approved by a vote of 7-0. (Ms. Zappala had not yet arrived.)

MOVED: By Mr. Rosenstock that the minutes of the Finance Committee meeting of May 9, 2011 be approved as most recently distributed. Mr. Lunetta seconded the motion. There was no further discussion. The motion was approved by a vote of 7-0. (Ms. Zappala had not yet arrived.)

Requests for Reserve Fund Transfers

Mr. Davison presented four requests for transfers: three from the General Reserve Fund and one from the Sewer Reserve Fund. The Community Development Department requested that \$600 be transferred from the General Reserve Fund to cover additional salary needs to help cover the cost of the absence and substitute help due to a long term absence. Mr. Davison stated that line 9 mentioned on the request refers to the Classification and Settlement line. Mr. Rosenstock asked whether the expense should be covered by the workers' compensation fund. Mr. Davison stated that the employee is being paid from the workers compensation fund for certain costs, but that expenses such as pay for accrued unused leave must be paid from the department budget.

MOVED: By Mr. Reilly that the Finance Committee approve the request for a transfer from the Reserve Fund in the amount of \$600 to line 18A, Community Development Salary and Wages. Mr. Borrelli seconded the motion. There was no further discussion. The motion was approved by a vote of 7-0. (Ms. Zappala had not yet arrived.)

Mr. Davison presented a request for a Reserve Fund Transfer of \$110,000 to the Workers' Compensation budget. The Town is close to resolving two workers' compensation claims. The Town can reduce its financial exposure if it can finalize a settlement before June 30, but it first needs to identify financial resources. If the settlement is not realized by that time, the \$110,000 will revert to free cash. Mr. Lunetta asked if the Town had a stop loss policy in effect. Mr. Davison stated that the amounts in these claims are no near the amount required to trigger the stop loss policy. Mr. Reilly asked about the additional \$150,000 that was approved by Town Meeting to increase the Workers' Compensation reserve. Mr. Davison stated that allocation was intended to build up the reserves and that he expects to go back to Town Meeting for more money to further build the reserves. He stated that if this transfer is not made, and the claims are settled, it would in effect undo Town Meeting's recent action.

MOVED: By Mr. Borrelli that the Finance Committee approve the request for a transfer from the Reserve Fund in the amount of \$110,000 to line 7, Workers' Compensation. Mr. Reilly seconded the motion. There was no further discussion. The motion was approved by a vote of 8-0.

Mr. Davison presented a request for a Reserve Fund Transfer of \$989,507 to the Snow and Ice removal account. This amount will bring the Snow and Ice deficit to zero. It will leave a Reserve Fund balance of \$19,256 to fall to free cash. Mr. Rosenstock asked whether the salt shed had been recently filled, and if the expense was accounted for. Mr. Davison stated that there have been no recent expenditures from this account, and that there was some salt remaining in the shed.

MOVED: By Mr. Lunetta that the Finance Committee approve the request for a transfer from the Reserve Fund in the amount of \$989,507 to line 25D, Snow and Ice. Mr. Reilly seconded the motion. There was no further discussion. The motion was approved by a vote of 8-0.

Mr. Davison presented a Reserve Fund Transfer request of \$35,000 from the Sewer Reserve Fund. This represents the full amount in that fund. It will be used to cover residual expenses

stemming from the March 2010 storms that resulted in damage to pumps and a culvert. These expenses crowded out other needed expenses in FY2011. Mr. Creem asked whether this would negatively affect the free cash level. Mr. Davison stated that money from the sewer reserves does not go into free cash, so there will be no effect. The enterprise fund reserves do not affect free cash unless there is a deficit. Mr. Creem asked whether the \$19,256 level of the general fund reserve fund caused him any concern. Mr. Davison stated that in recent years that the level has been zero, so that this is an improvement.

MOVED: By Mr. Lunetta that the Finance Committee approve the request for a transfer from the Sewer Enterprise Fund Reserve Fund in the amount of \$35,000 to line 201B for Sewer Enterprise Fund expenses. Ms. Zappala seconded the motion. There was no further discussion. The motion was approved by a vote of 8-0.

Financial Software Upgrade

Mr. Davison reported on the efforts to upgrade the Town's financial software. The software represents a sizable item in the Capital Improvement Plan. The current software company has offered to waive the fee to upgrade the current system because of its long term relationship with the Town. Representatives from the company met with several employees from various departments over two days to review the new product, and the general feedback was positive. Mr. Davison has had conversations with the School Department about using up to \$200,000 of one-time funds for the new software. Although this option seems cost effective, the Town must go through the procurement process and collect formal bids before a final decision can be made. Mr. Rosenstock asked what platform the current system uses. Mr. MacDonald stated that the current system is an IBM platform, while the proposed new software is Intel based. They would run a hybrid system for a period of time, during which the servers would communicate and transfer data. Mr. MacDonald stated that if the software from the current company is used, the modules would be phased in with the final being the tax module in 2014. Mr. Reilly asked why the company is making this extraordinary offer to waive the fee, and whether one should be skeptical. Mr. MacDonald stated that they are doing it with all their customers as they phase out the older program in order to keep the business. Mr. Davison stated that the procurement would take place in the summer of 2011, and portions of the upgrades would be up and running in 2012 and 2013.

Senior Center Financing

Mr. Zimbone stated that an updated Facility Financing Study was presented to the Board of Selectmen on June 14. The Board of Selectmen plans to vote on a Senior Center financing plan on July 26. The Finance Committee will undertake a full discussion of the Senior Center financing in the next meeting on July 13, prior to the Selectmen's vote. In anticipation of the Finance Committee's July 13 meeting, Mr. Zimbone has asked Mr. Davison and Ms. Fitzpatrick to run several scenarios to test the sensitivity of the June 14 financing model. He has asked them to present the results of four different scenarios: (1) Reduce the interest rate assumption from 6% to 5%; (2) Reduce the Senior Center financing from \$8 million to \$6 million (supposing \$2 million came from fundraising or elsewhere); (3) Increase the Town's capital expenditures by \$1 million—for simplicity he has asked that they assume a \$1 million increase in the Pollard

project; and (4) Reinstate the roads and highways program to the previous level from the September 2010 Facility Financing Plan, to see how this would affect the contingency values.

Mr. Rosenstock asked why the payments on the Pollard work did not start until FY 2014. Mr. Davison stated that Town Meeting's appropriation for that project would be in May of 2012, which would mean the borrowing would take place in FY 2013 and the interest would not become due until FY 2014. Mr. Rosenstock stated that he found that this financing plan was inconsistent with plans from earlier years. He stated that the roads program has always been funded in the year immediately subsequent to Town Meeting, but in this plan the funding is pushed out an extra year. Mr. Davison replied that this is not inconsistent. The practice has always been not to assume that anything will pass at Town Meeting. Anything approved in May 2011 will have no impact on debt service until 2013. Mr. Davison stated that there is a typo in one heading, and that "TM" should read "FY."

Mr. Reilly asked Mr. Davison for the next meeting to please explain the implications of diverting Chapter 90 funds to the DPW salt shed project. Mr. Borrelli asked for an explanation of when the money will be spent for Town Center streetscape work. Mr. Davison stated that the streetscape work is part of the roadway infrastructure spending, and is not specific. There are zoning and other related issues still up in the air, so the streetscape work cannot be done yet. However, the money committed to roads is decreased in the new plan, from \$1 million, \$1.1 million and \$1.1 million in the next three years to \$600,000 each year. Then in the following year, there will be an additional \$100,000 allocated to roads than in the previous plan.

Mr. Reilly stated that it would be helpful to understand the financial implications of skipping a year's worth of funding for roads, since in the new plan there is \$1.25 million less being spent on roads than originally planned. Mr. Davison stated that this issue will be addressed. Mr. Rosenstock expressed concern that this plan has \$1.7 million less roads funding than the Capital Improvement Plan from January 2011, which is more recent than the previous Facility Financing Plan.

Mr. Creem stated that for the July 13 meeting, he would like an explanation why the amount that could be accommodated within the levy for this project was projected to be \$4 million two years ago, \$5 million last year, and now \$8 million. Mr. Davison stated that all the money for previous projects had not been exhausted, so some contingency funds were returned. Also, revenue projections had been conservative, and actual revenue has been higher. For another example, the Town received \$1 million MSBA funding toward the Pollard roof that had not been anticipated in earlier projections. Mr. Zimbone asked that Mr. Creem's question be fully vetted in the responses for July 13.

Nominate Finance Committee Chair and Vice Chair

Mr. Zimbone stated that Matt Borrelli was nominated to be the next Finance Committee Chair, and Dick Reilly was nominated to be the next Vice Chair. No other nominations were made.

MOVED: By Mr. Zimbone that Mr. Borrelli be approved as Chair of the Finance Committee. Mr. Creem seconded the motion. The motion was approved by a vote of 7-0-1, with Mr. Borrelli abstaining.

MOVED: By Mr. Borrelli that Mr. Reilly be approved as Vice Chair of the Finance Committee. Mr. Rosenstock seconded the motion. The motion was approved by a vote of 7-0-1, with Mr. Reilly abstaining.

Finance Committee Updates

Mr. Reilly suggested that the Committee members review the bond documents supporting the recently issued bonds. He pointed out pages 14-45 as containing particularly useful information.

Mr. Zimbone stated that he attended a Green Community Committee meeting earlier that day. The Committee voted to recommend to the Board of Selectmen that the stretch code be adopted. There was a second vote to recommend adoption of the code to Town Meeting, pending the energy consultant's report as to whether the Town can meet the 20% energy reduction requirement.

Move into Executive Session

MOVED: By Mr. Creem that under Chapter 39, Section 23B of the Massachusetts General Laws, the Finance Committee enter into executive session under exception 3: To Discuss Strategy with Respect To Collective Bargaining or Litigation, if an Open Meeting May Have a Detrimental Effect on the Bargaining or Litigating Position of the Governmental Body; To Conduct Strategy Sessions in Preparation for Negotiations with Non-Union Personnel; and To Conduct Collective Bargaining Sessions or Contract Negotiations with Non-Union Personnel; and to adjourn and not return to open session at the end of the executive session.

Mr. Reilly seconded the motion. The motion was approved by a unanimous roll call vote. Richard Reilly: Aye; Richard Lunetta: Aye; Matthew Borrelli: Aye; Richard Zimbone: Aye; Lisa Zappala: Aye; Richard Creem: Aye; Steven Rosenstock: Aye; Gary McNeill: Aye.

Documents: Requests for Reserve Fund Transfers: to Community Development for \$600; to Workers Compensation Fund for \$110,000; to Snow and Ice Removal Budget for \$989,507; and from the Sewer Fund Reserves to the Sewer Expenses for \$35,000; Facility Financing Report, June 14, 2011

Respectfully submitted,

Louise Mizgerd
Executive Secretary