

**Needham Finance Committee
Minutes of Meeting of January 11, 2012**

The meeting of the Finance Committee was called to order by the Chair, Matthew Borrelli, at approximately 7:05 pm in Powers Hall, at the Town Hall.

Present from the Finance Committee:

Matthew Borrelli, Chair; Richard Reilly, Vice Chair

Members: John Connelly, Richard Lunetta, Steven Rosenstock, Lisa Zappala, Richard Zimbone

Also Present:

David Davison, Assistant Town Manager/Director of Finance

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

Charles Laffey, Director of Facility Operations

Carys Lustig, Administrative Analyst, Department of Public Facilities

Citizen Requests

No citizens requested to speak.

Departmental Spending Requests

Community Preservation Commission

Mr. Rosenstock presented the budget. He stated that the budget for the CPC is funded through the CPA and not through the tax levy that funds the other town operations. Every year CPA funds need to be appropriated so that a minimum of 10% is allocated to each of three groups: open space, historic resources, and community housing. The Town allocates the maximum of 5% toward administration costs, this year \$82,000, though the actual spending never comes close to that level. The administrative budget salary line covers two hours per week salary for the Staff Liaison, and also funds to cover the person who serves as secretary at meetings. The additional funds serve as a reserve in case funds are needed for CPC purposes. For example, one year, the administrative funds were used to place a deposit on property near Walker Pond, to hold it until Town Meeting. Any money that is allocated toward administration and not spent at the end of the year falls back to the CPC's general fund. There are no currently proposed expenditures for CPC funding, although there have been some discussions.

Department of Public Facilities

Construction

Mr. Borrelli presented the Public Facilities budget. He stated that in the Construction Division, the personnel line was increasing 9.2% in FY 2013. Expenses are level funded. He stated that at the liaison meeting, they discussed the fact that the previous year's expenses are being carried over. There is a \$9,000 appropriation for auto allowances in the salary and wage line. There is also a DSR4 requesting an Administrative Specialist position that is already being funded, and

that they seek to continue. Mr. Borrelli stated that there is one Project Manager that is being funded entirely by the Newman project budget and is not included in this budget. Mr. Popper stated that there will be turnover of the Project Manager who was expected to manage the Senior Center project. Mr. Reilly asked if the replacement is expected to cost 22% more, since the budget shows that increase for one project manager. Mr. Popper stated that the budget increase was actually to bring in the person who is there now. In response to a question from Mr. Zimbone, Mr. Popper stated that one project manager who is allocated to a project shows up as zero cost in the budget, and the rest of the budget constitutes the Division's exposure. Mr. Zimbone asked if they could predict how certain positions will be charged to a project, such as the one that will work on the Senior Center. Mr. Popper said he could not do that in the projects coming up. Ms. Zappala stated that the Senior Center project was squeezed to such an extent it won't support a project manager. In response to a question from Mr. Zimbone, Mr. Popper stated that the \$9,000 auto allowances were for three \$3,000 allowances for the project managers. Mr. Borrelli asked why they are paid with an allowance instead by mileage. Mr. Davison stated that one Project Manager is being paid for actual mileage, but the others receive an allowance because the contractor wanted a fixed amount.

Operations

Mr. Borrelli stated that the Operations Division budget has level-funded expenses, and salaries are up 3.2%. He noted that the overtime of \$299,496 is broken down on p. 19-11. Ms. Lustig explained that one element, the Non-Billable Coverage, is for custodians for after hours and weekend events at schools and the Town Hall that cannot be billed out. Mr. Laffey stated that the Boiler Inspections line covers preventative inspections of boilers on nights and weekends. It started as a pilot last year and was very successful by allowing boiler problems to be discovered in time for the buildings to be ready for the next day. Mr. Borrelli stated that one handout showed a breakdown of the Other Property Related Services line that appears on the budget p. 19-12. Mr. Borrelli stated that a second handout provided the budget savings from using a three-year average rather than a four-year average to project electricity, oil, and natural gas costs for FY 2013. Ms. Lustig described the methodology for determining the energy costs. She calculated four-year averages where she could, and compared the FY 2011 usage, and used the higher number. For natural gas, she had no actual data for the new Town Hall, so she took the dollar value of gas usage before the renovations, and assumed a mark-up for the expanded building. For the Newman, she used the dollar value for oil before construction, assumed the same dollar cost for natural gas, and backed out the usage. Mr. Zimbone asked Ms. Lustig to calculate an oil consumption average at the Newman, and convert that average to therms, then to multiply the therms by the natural gas cost. He stated that he suspects that the cost will be less than \$184,000. Mr. Laffey stated that the Town is installing gas burners at Newman, so he does not know how it will work out. Mr. Rosenstock stated that the school improvements should have an impact and suggested using a square footage rate from a renovated school such as Broadmeadow. Mr. Zimbone stated that the schools are all so different, that using the previous average value of use and converting it to therms should work better. Ms. Lustig stated that for Pollard, she converted half of the oil usage to therms since there is one oil boiler and one gas boiler. For the DPW building, she stated that there was some oil some natural gas, and she converted the oil to natural gas for the usage. Mr. Lunetta asked why the Police Station energy usage was higher than the Fire Station when there are two Fire Stations. Ms. Lustig explained

the Police line includes the meter for the whole Public Safety Building that includes the Police Station and the connected Fire Station. Ms. Lustig stated that for High Rock, there was only two years worth of data, so she used a two-year average. She stated that the DPW building line does not have the Dedham Pump included, since that is being carried by the Enterprise Fund. Mr. Reilly questioned whether a formula of using a four year average or 2011, whichever was higher, was appropriate, since 2011 did not appear to be a representative year. Ms. Lustig said that it was very cold. Mr. Zimbone stated that one could find out the degree days and divide to get the amount used per degree day, but that it would be a lot of work, and might not be helpful for predicting because the upcoming degree days can't be predicted.

Ms. Lustig stated that for electricity, she used the same method for the Town Hall cost projection, using the dollars from before and adjusting for increased capacity. For the Newman, she used the prior year. The modulars are functioning on electricity, so FY 2012 will be higher, but FY 2013 is expected to be back to prior consumption. For High Rock, she used an average combined with the estimate in the construction budget. Ms. Zappala stated that an expense of 150% of the prior year for the Town Hall sounded high. Ms. Lustig stated that there are many electric fixtures in the newly renovated building, particularly in Powers Hall, and that she was not sure how much the space would be used for weekends and off-hours.

There was a third handout showing the actual fuel usage by building for the first five months of FY 2012. Ms. Lustig stated that there is no FY 2012 data for Town Hall electricity because of a billing issue. Mr. Zimbone stated that the electricity seems to be running about 10% below the projections. Mr. Rosenstock asked why the empty DPW building has the same electricity usage as when it was occupied. Mr. Laffey stated that the building is still being used. Some is storage, and some spaces are occupied. There are still lights, heat, and a refrigerator. Mr. Zimbone stated that the electricity budget for that building could be reduced by one third.

Ms. Lustig stated that the Town has had significant reductions in oil usage. The Town Hall and the DPW buildings no longer use oil. Pollard is using only half oil heat in an experiment. Mr. Zimbone stated that he expected that at Hillside and Mitchell there will be a decrease in oil usage. Mr. Borrelli noted that using a three year projection for oil would save \$62,143.

Mr. Zimbone asked about the Energy Upgrade Fund. Ms. Lustig stated that the savings from energy savings upgrades were reallocated to fund new energy upgrades. Mr. Zimbone stated that the Police and Fire Departments had expressed in their hearings with the Finance Committee that if they could have anything changed, they would ask for more service from the custodians. He asked if there was anything that could be done with their budget or the reallocation of services to help this situation. Mr. Laffey stated that something can always be done, but the question is how. He stated that he has discussed bringing someone in for two hours at night in addition to the two hours during the day at those buildings, but it would increase overtime expenses. Mr. Rosenstock commented that those buildings get more use than other buildings since they are occupied 24 hours. Ms. Zappala asked if there are staggered shifts to avoid overtime. Ms. Lustig confirmed that they have two shifts. Mr. Laffey stated that they have just enough people to do what they need to do. However, there has been 2,700 hours of vacation and sick leave time that he has needed to backfill. Mr. Zimbone asked if they should be requesting an additional staff position. Mr. Laffey stated that it would be best to have a back-up pool like the teachers

and other departments have to fill in for vacations and sick time. Ms. Lustig stated that she did a staffing analysis and found that the department is staffed at the appropriate level. However, the situation may change when the Newman building is opened because the students are now consolidated.

Mr. Borrelli asked about the capital request for a Core Fleet truck. Mr. Laffey stated that this is the truck that does all the hauling in the department: moves all the furniture and equipment that they move among buildings. It is their workhorse. He stated that twice in the past three years, it has required significant repairs and maintenance, costing a total of \$9,627. Although it is ten years old, it has relatively few miles because it has never been a take-home vehicle.

Mr. Laffey described the second capital request, the Public Facilities Maintenance Program. This is an annual request to support preventative maintenance projects such as asbestos abatement, floor refinishing, and duct cleaning. Mr. Borrelli stated that at the liaison meeting there was discussion about what would be pulled if the request is not fully funded. Mr. Laffey stated that the Xeriscaping at the High School and the Broadmeadow floor replacement would be deferred. In response to a question about work at Hillside and Mitchell, Ms. Lustig stated that in FY 2013, they have identified a boiler replacement, floor and air conditioning work at Hillside, and gutter and handrail upgrades at Mitchell. Ms. Lustig stated this would constitute \$206,283 of the \$416,000 in this request that has been designated as primary cash capital. Ms. Lustig confirmed that some of the work was necessary for safety reasons, and all of it was recommended in the assessment. Mr. Rosenstock asked if any of the boilers would be dual fuel. Ms. Lustig stated the boilers are not dual fuel, and that they are converting to natural gas in most places. She stated that the tanks from the Newman have been removed, but the tank at the DPW building is still there.

Mr. Laffey stated that the other capital request is for Energy Efficiency Upgrade Improvements. He stated that it includes work at Hillside and Mitchell Schools. He stated that the longest payback at Mitchell is 1-2 years. He added that the improvements are all in the energy assessment, and that all items in the assessment have a five year or less payback time.

Finance Committee Updates

Mr. Reilly stated that he attended the Board of Selectmen's meeting the previous evening. The projected free cash is higher than anticipated because of higher numbers of permits and higher meal tax revenue than expected. He stated that this bodes well for secondary cash capital items. He asked Mr. Davison for the estimate of free cash. Mr. Davison stated that the amount is not available, but that it will be much better than expected. He stated that the Municipal Relief Act allowed the Town to audit certain personal property accounts and found some exceptional growth. This has improved revenue and shored up the level of free cash. He hopes the amount will be certified next week. He is now expecting a 4% growth rate for FY 2013 because revenue numbers have strengthened. The only open issue is the Governor's budget, which we will learn more about at the MMA annual meeting. Mr. Zimbone asked Mr. Davison how much is still left to close the gap between revenue and the budget requests assuming 4% growth in FY 2013. Mr. Davison estimated the difference to be approximately \$500,000-\$700,000.

Mr. Reilly stated that the Selectmen opened the Annual Town Meeting warrant, and discussed some expected warrant articles including a proposal for an athletic facilities maintenance fund that would put money aside for that purpose. Mr. Davison stated that it would be a stabilization fund that would build reserves to fund replacement of facilities and fields. Mr. Reilly stated there was also a discussion of user fees and possibly adding a maintenance and administrative component. Mr. Reilly also stated that the Selectmen decided to restructure the order of Town Meeting articles, with personnel and financial articles leading off. Mr. Reilly stated that the Selectmen also discussed an OPEB actuarial analysis, which found that although the funded ratio increased, the Town's contribution will still be increasing.

Adjourn

MOVED: By Mr. Connelly that the meeting be adjourned, there being no further business. Mr. Zimbone seconded the motion. The motion was approved by a vote of 7-0, at approximately 8:15 p.m.

Documents: Town of Needham Departmental Spending Requests, Fiscal Year 2013, dated December 14, 2011; Town of Needham Capital Improvement Plan, FY 2013 – FY 2017, dated January 3, 2012; Handout: Explanation of Budget Breakdown FY 2013; Handout: Budget for Oil, Natural Gas and Electricity, FY 2013; Handout: Natural Gas, Electricity and Oil usage through November 2011.

Respectfully submitted,

Louise Mizgerd
Executive Secretary/Staff Analyst

Approved January 25, 2012