

**Needham Finance Committee
Minutes of Meeting of February 29, 2012**

The meeting of the Finance Committee was called to order by the Chair, Matthew Borrelli, at approximately 7:03 pm in the Great Plain Room, at the Town Hall.

Present from the Finance Committee:

Matthew Borrelli, Chair; Richard Reilly, Vice Chair

Members: Richard Creem, Richard Lunetta, Steven Rosenstock, Lisa Zappala, Richard Zimbone

Also Present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Director of Finance

Christopher Coleman, Assistant Town Manager

Jamie Gutner, Director, Council on Aging

Evelyn Poness, Town Collector/Treasurer

Warrant Articles Discussed:

Appropriate for Senior Corps

Transfer of Budgetary Fund Balance

Accept Chapter 73, Section 4 of the Acts of 1986

Appropriate for Needham Property Tax Assistance Program

Authorization to Expend State Funds for Public Ways

Appropriate for General Fund Cash Capital

Citizen Requests

No citizens requested to speak

Approval of Minutes

MOVED: By Mr. Zimbone that the Minutes of January 25, 2012, be approved as circulated. Mr. Lunetta seconded the motion. The motion was approved by a vote of 7-0.

MOVED: By Mr. Reilly that the Minutes of February 1, 2012, be approved as circulated. Ms. Zappala seconded the motion. The motion was approved by a vote of 6-0-1. (Mr. Zimbone abstained as he was not present at the meeting.)

MOVED: By Mr. Lunetta that the Minutes of February 8, 2012, be approved as circulated. Mr. Reilly seconded the motion. The motion was approved by a vote of 7-0.

MOVED: By Mr. Zimbone that the Minutes of February 15, 2012, be approved as circulated. Mr. Rosenstock seconded the motion. The motion was approved by a vote of 7-0.

Mr. Zimbone asked about the status of executive session minutes. Ms. Mizgerd stated that executive session minutes had been released for meetings discussing collective bargaining

sessions that were no longer in effect, and for land purchase discussions that were finalized, but that there were recent sets of minutes regarding a possible land purchase that remained confidential.

**Discuss and Vote if Appropriate Draft 2012 Annual Town Meeting Warrant Article:
Appropriate for Senior Corps**

Ms. Gutner described the development of the current guidelines and requirements for participating in the Senior Corps program. She stated that there had been few participants, but in 2008-09, there was increase. Mr. Coleman stated that the average number of participants has been about 17 people for the past few years. Ms. Gutner stated that they have lost some people who became unable to participate, but they have been replaced with new people. She stated that there are residents who need the program, while the Town also has need for the services provided. She stated that she usually reaches out to Town departments about twice a year for possible work or projects for the program. In response to a question from Mr. Lunetta, Ms. Gutner stated that the program does not run out of money. Mr. Coleman stated that the funding has been at \$15,000 since 2011. He stated that the amount is sufficient for now. Mr. Rosenstock asked about the income requirements and how they are determined. Ms. Gutner stated that they use tax forms or other forms.

MOVED: By Mr. Lunetta that the Finance Committee recommend adoption of the draft Annual Town Meeting Warrant Article: Appropriate for Senior Corps, subject to the approval of the proponent. Mr. Zimbone seconded the motion. There was no further discussion. The motion was approved by a vote of 7-0.

Request for Reserve Fund Transfer

Mr. Davison stated that the Town has fully expended the allocation for unemployment. Unemployment expenses are up this year because of the number of people who are out of work, and because the maximum number of weeks that claims can be made has been extended by Congress. He added that unemployment for towns is different than in the private sector. The Town is self-insured and pays an assessment in the form of a payroll tax that goes into a trust fund that pays the claims. Under the rules, if a person is laid off from a job, and worked for the Town any part of the last 12 months, then the Town must pay a share of the unemployment claim. There is currently a balance of approximately \$17,000, although there are unpaid invoices that are not being paid. Mr. Borrelli stated that \$123,000 has been spent and \$17,000 is left. He asked why \$100,000 more is needed. Mr. Davison stated that the initial allocation was \$140,000, and that he has previously mentioned that there may be a need for additional funds. He added that there may be a penalty if the Town does not make certain payments. He stated that \$100,000 is needed for the rest of the year, and he expects to use it all. He stated that he will continue to monitor to see if more will be needed. Mr. Lunetta asked if the Town controverts unemployment claims. Mr. Coleman stated that every claim is challenged, but that the law is not in the Town's favor, and the challenges are not often successful. Mr. Zimbone noted that the initial allocation of \$140,000 plus the requested \$100,000 is very close to the FY 2013 proposed unemployment budget of \$250,000. Mr. Creem asked what amount is in the reserve fund. Mr. Davison stated that it was just over \$1 million, before this request for a transfer.

MOVED: By Mr. Rosenstock that the Finance Committee approve the Reserve Fund Transfer Request in the amount of \$100,000 to budget line item 5, Unemployment. Ms. Zappala seconded the motion. There was no further discussion. The motion was approved by a vote of 7-0.

Discuss and Vote if Appropriate Draft 2012 Annual Town Meeting Warrant Article: Appropriate for Needham Property Tax Assistance Program

Ms. Poness stated that in 2009 Town Meeting approved the Property Tax Assistance Program for elderly and disabled owners. There are two separate pots of money that pay into the program: contributions from residents, and matching funds from the Town, up to \$25,000 per year. The appropriation each year matches the amount of private donations collected the prior fiscal year. Previous amounts have usually been above \$15,000, but only \$13,353 has been collected for appropriation in FY 2013. Because of the significant decrease, she has made additional efforts for collecting contributions, such as including envelopes with the census forms, and doing press releases. She stated that the assessors review the applications and require tax forms or Social Security statements as well as other statements of assets and investments. She added that there has been more interest in the program lately and fewer donations. Mr. Davison stated that donations are tax deductible. Mr. Lunetta asked if there were a way for the Town to give more to the program. Ms. Zappala stated that the program would have to be amended.

MOVED: By Mr. Rosenstock that the Finance Committee recommend adoption of draft Annual Town Meeting Warrant Article: Appropriate for Needham Property Tax Assistance, in the sum of \$13,353, subject to the approval of the proponent. Ms. Zappala seconded the motion. There was no further discussion. The motion was approved by a vote of 7-0.

Debt Management Policy

Mr. Rosenstock stated after considering the comments by the Committee expressing concerns about making a decision based on instinct, he feels that the best debt management policy should be determined after examining the capital needs of the Town. Only then can the Committee come up with a specific debt service percentage. He stated that the Committee should look at the capital requests and wish lists that are not funded in the current way the Town budgets and decide whether there should be a different approach. He stated that the Town needs a true capital needs assessment to show how much money is needed to maintain the Town's assets. He stated that he has a good understanding of what is needed for road maintenance, but less understanding of the buildings. He suggested adding an article to the May Special Town Meeting Warrant to fund a capital assessment that could be completed in FY 2013. He also suggested that the additional money could be left in the Reserve Fund, and if it turns out that capital needs are underfunded, money could be shifted to Debt Service to address those needs. Mr. Borrelli stated that a capital study had been done before. Ms. Fitzpatrick stated that in 2007 a two-year study was finished. She cautioned that such a study would likely take longer than a year, and that the PPBC would need to oversee it. Mr. Davison stated that the DeNisco study cost approximately \$150,000. Ms. Zappala stated there might be some information in the DeNisco study, though the focus was when new buildings would be needed, which is different from the needs that the 3% Debt Service covers. She added that the newer buildings should already have maintenance plans

in effect, so the study would only need to focus on the older buildings. She stated that she thought the cost could be more like \$100,000.

Mr. Creem noted that Public Facilities has been working on a matrix that identifies maintenance issues including bigger issues like the life expectancies of roofs. Mr. Reilly stated that that information should be integrated into the capital needs analysis. Ms. Zappala stated that a fixed asset inventory would be one approach. It could be done, but would be a lot of work. Mr. Reilly stated that he did some research on the issue and found that there should be an analytic process to determine what should be spent on capital needs rather than pick a percentage of operating costs for debt service. Mr. Rosenstock stated that some capital needs are covered with cash, and others with debt. He stated that until the Committee knows the needs, it cannot determine how much money should be allocated. Mr. Zimbone stated that most capital maintenance needs, other than structural needs or big items like a roof or boiler, are covered in the cash capital program or in the Public Facilities maintenance programs. He stated that the Town may not be very far away from having the necessary information with the new energy study and the Public Facilities maintenance data base. He added that Mr. Laffey knows a lot about capital needs for buildings. Mr. Rosenstock stated that he is concerned that Mr. Laffey is limited in the work he can do because he has limited money to work with. Ms. Zappala stated it might be possible to hire a consultant to collect and analyze the data that the Town already has.

Mr. Creem stated that the Committee needs to be careful about what the Reserve Fund can be used for, since this does not appear to be an unforeseen need. Ms. Fitzpatrick stated that she did not think the Town could take this project on, because there is no one who can oversee it. She added that while she understands the work being proposed, there is no one who has the time in the next few months to determine the cost. Mr. Lunetta suggested a small group from the Board of Selectmen and the Finance Committee could oversee the consultant and report back to the Town administration. Mr. Zimbone stated that there needs to be a chairs meeting with the two groups to see if there is any appetite among the Selectmen to change the debt management policy. Mr. Reilly stated that he respectfully disagreed, since the policy decision must be made with sufficient facts, and not in a vacuum. The study is needed before any decision can be made regarding the debt management policy. Mr. Rosenstock added that the Finance Committee has the responsibility to present a budget to Town Meeting. If the Committee has a good reason to modify certain line items, that is the Committee's decision. Although there is a policy, the Committee's function is to recommend the appropriate budget to the Town. Ms. Zappala stated that it would be better to have data behind any decision to move money. She said that in case there is a need to shift significantly from the current policy, there should be an impartial third party to do the analysis. She added that she likes the idea of a committee to oversee the analysis if the Board is willing to put on together.

Mr. Zimbone stated that the Finance Committee is assuming that the Capital Plan does not cover all the Town's capital needs. Mr. Rosenstock stated that he is thinking about a 20 year time frame, not just five years. He wants to review not just debt, but also cash capital, and what is needed for maintain the capital infrastructure of the Town, and to see how it fits in with the existing policy. Ms. Zappala asked Ms. Mizgerd what information she had learned about debt management policies. Ms. Mizgerd stated that looking at municipal policies she could find online, there did not seem to be any widely accepted percentage of operating budgets that cities and towns put aside for debt service. One organization, the National League of Cities, stated that

debt service is typically 5% of the general fund budgets of cities and towns. Beyond that, it was clear that the percentage was a factor considered by rating agencies when examining the financial condition of municipalities, but there was no specific amount considered optimal. Mr. Reilly commented that his research also found that there was no specific number indicated, but that a systematic approach to determining the appropriate level of debt service is important.

**Discuss and Vote if Appropriate Draft 2012 Annual Town Meeting Warrant Article:
Transfer of Budgetary Fund Balance**

MOVED: By Mr. Rosenstock that the Finance Committee recommend adoption of draft Annual Town Meeting Warrant Article: Transfer of Budgetary Fund Balance, in the amount of \$5,366,720, subject to the approval of the proponent. Ms. Zappala seconded the motion.

Discussion: Mr. Creem stated that he felt that there will be questions raised on this article because of the amount involved, and suggested that Chair present for the Committee. He stated that when he was Finance Committee Chair, there was an extraordinary level of Free Cash, and questions were raised on Town Meeting floor. Mr. Zimbone asked if the number in the draft article was final. Mr. Davison confirmed it was final.

Vote: The motion was approved by a vote of 7-0.

**Discuss and Vote if Appropriate Draft 2012 Annual Town Meeting Warrant Article:
Accept Chapter 73, Section 4 of the Acts of 1986**

Mr. Rosenstock recused himself from the discussion because he is a beneficiary of this provision. Mr. Davison stated that the exemption in this article is increased by the same amount that the average tax bill increased in the prior year. Since the last year's tax bills went up by an average of 5%, the exemption increases from 90% to 95%. Mr. Borrelli asked how many people this affects. Mr. Davison stated that approximately 200 people get exemptions, including veterans from World War II, and the Korean War. The number has been decreasing, though other veterans may apply.

MOVED: By Mr. Creem that the Finance Committee recommend adoption of draft Annual Town Meeting Warrant Article: Accept Chapter 73, Section 4 of the Acts of 1986, subject to the approval of the proponent. Ms. Zappala seconded the motion. There was no further discussion. The motion was approved by a vote of 6-0. (Mr. Rosenstock had recused himself from the issue.)

**Discuss and Vote if Appropriate Draft 2012 Annual Town Meeting Warrant Article:
Authorization to Expend State Funds for Public Ways**

MOVED: By Mr. Zimbone that the Finance Committee recommend adoption of draft Annual Town Meeting Warrant Article: Authorization to Expend State Funds for Public Ways, subject to the approval of the proponent. Ms. Zappala seconded the motion.

Discussion: Mr. Creem stated that he received an email from the MMA that they have filed a letter urging the state to adopt a resolution that Chapter 90 funds will be allocated in the full amount. He stated that a bond bill is pending on the issue.

Vote: The motion was approved by a vote of 7-0.

**Discuss and Vote if Appropriate Draft 2012 Annual Town Meeting Warrant Article:
Appropriate for General Fund Cash Capital**

Mr. Borrelli stated that there had been discussions about moving the Quint Fire Truck into cash capital instead of using debt. Ms. Fitzpatrick stated that there is \$5,336,720 in free cash. The warrant article seeks to allocate \$2,774,133 toward cash capital. Ms. Fitzpatrick stated that she also recommends that \$1,379,717 be used for the operating budget, as is customary, leaving a balance of \$1,242,579. If part of that balance was used for the \$750,000 Quint Fire Truck, there would be \$462,870 to allocate in FY 2013 among the Capital Improvement Fund, the Capital Facilities Fund, the Athletic Facilities Fund and the Workers Compensation Fund. She added that there will also likely be a balance from FY 2012 to allocate in a Special Town Meeting to FY 2012. She stated that the \$32,728 that is proposed to be allocated to the Athletic Facilities Fund is not part of the \$462,870. She also stated that there will be a need in a few years for approximately \$1.6 million for new turf. The Athletic Facilities Fund will not be able to fund that amount entirely, so there needs to be some agreement to put money aside for this cost.

Ms. Fitzpatrick stated that she would also like to contribute enough to the Workers Compensation Fund to get it to \$1 million. Mr. Davison stated that the Fund would need approximately \$250,000 to reach that goal. He stated that they chose the point at which the stop loss insurance starts. Ms. Fitzpatrick stated that there has been also discussion of matching funds put into the Athletic Facilities Fund, which would allow the Town to increase that fund by \$35,000-\$45,000 per year. She stated if there were additional money she would suggest that it be used to work on further funding OPEB liabilities. Ms. Zappala stated that she understood that people wanted the Athletic Facilities Fund to start with more than \$32,000. Ms. Fitzpatrick stated that she is very open to what the Finance Committee thinks is reasonable. The \$32,000 was all that she could find before the amount of free cash was known. She stated that she is also willing to put articles for appropriations to the CIF, the CFF, and other funds in the Special Town Meeting warrant. She added that the CFF has bigger needs in general and more need for additional funding.

Mr. Zimbone asked if \$150,000 of the \$462,000 discussed was put into the Workers Compensation Fund and \$100,000 more into the Athletic Facilities Fund, where Ms. Fitzpatrick would recommend the remaining \$237,000 go. Ms. Fitzpatrick stated that she would put \$50,000 in the CIF and \$187,000 into the CFF. Mr. Davison stated that there is no specific formula for depositing into the CFF. He stated that there is a practice that no more than 2% of the operating budget be funded by free cash, since that amount can be considered recurring. He noted that the formula leads to a ceiling not a prescribed amount. He stated that the CIF is intended to capture new growth. If new growth is beyond the average of the prior 5 years, then 10% of the amount over the 5-year average should be contributed to the CIF. He stated that the sale of any surplus equipment should be appropriated to the CIF the following year. He stated

that the CFF should be funded by an extraordinary spike in revenue that is not recurring such as the permit fee for an exceptionally large building project of an unexpended cash appropriation for a building that is not repurposed for another project could go into the CFF. Any other extraordinary one-time money could be appropriated to both the CIF and the CFF.

Ms. Zappala stated that there had been discussion a couple years ago of targets for the funds which came up with the idea that the CIF should have a minimum of \$750,000 and the CFF should have \$1-\$1.5 million. She stated that she thinks all of the additional funds should go to the CFF. Mr. Creem stated that although there is a formula for adding to the CIF, there has not been money there each year. He stated that he thinks that it is a rarity to have excessive free cash, and this provides an opportunity to add to that fund. Mr. Zimbone stated that the Committee needs to decide whether to fund all of the items in the cash capital article. He felt that there was some sentiment against funding all of them. He stated that if the Committee does not fund all of the cash capital and wants to add to the funds, then the Committee will need to give Town Meeting a reason why. He felt that if there were targets for the CIF and the CFF then that would provide a basis for the decision to add to those funds. Ms. Zappala stated that the targets she mentioned early were discussed by a small group and should be revisited, though she does not necessarily disagree with the targets. She stated that the Committee should determine what needs to be funded, and be careful about eliminating anything just for reserves since any expenses that are deferred are just moved to another year.

Mr. Borrelli suggested going through the items in the cash capital article. He identified which items were identified by the Town Manager are primary needs and which were secondary needs. He stated that the primary items were discussed during the department budget meetings. He stated that the DeFazio Fields Re-sodding was a secondary priority for \$90,000. Ms. Zappala stated that if the Committee thinks the dollar amount is not accurate or that something should be deferred, the Committee should bring someone in to give additional information about the request. Mr. Borrelli stated that the Rosemary Camp Trail Improvement request is also secondary. He stated that there is legislation pending that would allow some of this project to be eligible for CPA funding. Ms. Fitzpatrick stated that if the bill fails, it may be helpful to file a separate, more specific bill. She stated that while the trail system is a huge issue, a one year delay would not kill the Town. Mr. Creem noted that there is a lot of pressure on the legislature on other issues, so he would suppose that if the legislature has not yet acted, this bill will not be moving along soon.

Mr. Zimbone stated that he wanted to raise an issue. He stated that the DPW liaisons had requested information on the need for irrigation at Green's Field as part of the inquiry into Field Maintenance costs, and have not gotten the supporting information. He feels that there is not a good water metering system at the fields. He also has questions about Claxton Field fencing. He also has questions about how much contribution the users make toward improvements. Ms. Fitzpatrick stated that it is mostly kids' teams that play on Claxton Field, but that there are adults, and they pay a higher fee, \$10 per person instead of \$5. She stated that questions about irrigation should go to Ed Olsen, the Superintendent of Parks and Forestry. Mr. Borrelli stated that the DPW will also come in to discuss the Snow and Ice, and Large and Small Specialty Equipment requests as well as the Athletic Facilities Improvements. Ms. Fitzpatrick stated that the DeFazio sodding needs are critical and Mr. Olsen can explain. Ms. Zappala stated that the Schools need to come in to explain the Fund, and also the Administrative Building Study. Ms.

Fitzpatrick stated that it is a pre feasibility study that should be ready in June to identify options for elementary students. She stated that the MSBA generally does not allow a combined project with two schools. In FY 2014, there will be a need for design funding, which will be a capital item in May 2013. She stated there will then need to be a conversation about an override. Mr. Davison stated that construction would be in FY 2015 at the earliest, if there is a debt exclusion and the projects are bundled into one ballot question.

Finance Committee Updates

Ms. Fitzpatrick stated that there is an additional issue at DeFazio. The parking lot needs to be fixed. It cannot be paved because of the NPDES regulations under the EPA. She stated that they can dig, grade, and fill with crushed stone and it should last a while. They also want to get rid of the extraneous concrete pad. It is a \$150,000 project. She stated that it could be a Special Town Meeting warrant article to be funded with leftover FY 2012 Reserve Fund money, or some FY 2013 capital could be deferred. She would like it to be done in the next year. Mr. Davison stated that he usually comes to the Committee in April after the snow season with an idea of where the Reserve Fund is. By that time he should have a good sense of public safety needs, legal costs, and unemployment costs. That should leave sufficient time to make a recommendation before the STM in mid-May.

Mr. Borrelli stated that the Building Inspector resigned. Ms. Fitzpatrick stated that the position is posted and they are moving forward with a search. Mr. Davison stated that there is a potential need for an RFT for temporary professional help.

Mr. Zimbone asked for an update on the Stretch Code. Ms. Fitzpatrick stated that they are looking at the consultant's estimate and how to reach the goals. She is doing a vehicle analysis determining which are exempt and nonexempt, and a theoretical estimate of converting passenger vehicles to hybrid. She stated that Mr. Wasserman is working on issues regarding small home renovations and exemptions and the questions of when the new code is coming out. He is addressing the objections previously raised on Town Meeting floor.

Mr. Borrelli stated that the Needham Education Foundation's Spelling Bee Fundraiser is coming up and that the Finance Committee traditionally sends a team. If the Committee splits the \$375 fee, it is \$42 per person.

Mr. Creem stated that the Transportation Committee held a public hearing to address the proposed MBTA service cuts and fare increases. He stated that they came up with a creative proposal which seems to be the only alternative out there. The highlights of the proposal are: no service cuts, a 25% fare increase (not 35-40%), no MBTA pay raises in FY 2013, and a change in policing. The changes would be at the Department of Transportation level and would not need to go through the legislature.

Mr. Rosenstock stated that the Auditor's Report for the Town for FY 2011 was released. Mr. Rosenstock stated that there are areas of concern that create liability for the Town such as unfunded employee benefits and certain receivables that are not being consistently collected. He stated that there are issues with the Water and Sewer Enterprise Funds' retained earnings. Mr. Zimbone asked if the issues could be remediated with additional staff. Mr. Davison stated that

he has tried consistently not to grow the Finance Department. Both I.T. and the Assessor's office have very heavy workloads. He stated that some of the problem is that the workload continues to grow as the legislature makes more and more reporting requirements. Mr. Rosenstock stated that some of this could be mitigated with a better accounting system. Mr. Davison agreed that the current system is antiquated, and that it would be good to have a better system. He stated that it would not, however, solve all the problems. A new system will still depend on correct input, and it will not reduce the workload. He added that there is no way to reduce the workload. Ms. Zappala stated that it seems that a fix is needed, and that the Department may be too lean and may need to expand.

Move into Executive Session

Mr. Borrelli stated that he found that the upcoming discussion regarding a possible land purchase could not be discussed in an open forum without having a detrimental effect on the negotiating position of the Town.

MOVED: By Mr. Creem that under Chapter 39, Section 23B of the Massachusetts General Laws, the Finance Committee enter into executive session under exception (6): "To consider the purchase, exchange, lease or value of real property, if the chair declares that an open meeting will have a detrimental effect on the negotiating position of the public body;" and not to return to open session prior to adjournment. Mr. Rosenstock seconded the motion. The motion was approved unanimously at approximately 9:24 pm with the following roll call vote: Ms. Zappala: Aye; Mr. Reilly: Aye; Mr. Rosenstock: Aye; Mr. Borrelli: Aye; Mr. Zimbone: Aye; Mr. Creem: Aye; and Mr. Lunetta: Aye.

Documents: Town of Needham 2012 Annual Town Meeting Warrant, draft dated February 24, 2012; Town of Needham Capital Improvement Plan, FY 2013 – FY 2017, dated January 3, 2012; Proposed Annual Budget FY 2013, Office of the Town Manager, January 31, 2012.

Respectfully submitted,

Louise Mizgerd
Executive Secretary/Staff Analyst

Approved March 28, 2012