

**Needham Finance Committee
Minutes of Meeting of September 12, 2012**

The meeting of the Finance Committee was called to order by the Chair, Richard Reilly, at approximately 7:01 pm in the Great Plain Room at the Town Hall.

Present from the Finance Committee:

Richard Reilly, Chair; Richard Lunetta, Vice Chair

Members: John Connelly, Richard Creem, Lisa Zappala (arrived 7:05 pm), Richard Zimbone (departed at 7:50 pm)

Also Present:

David Davison, Assistant Town Manager/Director of Finance

Anne Gulati, Director of Financial Operations, School Department

Citizen Requests

No citizens requested to speak.

Minutes of Prior Meetings

MOVED: By Mr. Zimbone that the Minutes of September 5, 2012, be approved as circulated. Mr. Creem seconded the motion. There was no further discussion. The motion was approved by a vote of 5-0. (Ms. Zappala had not yet arrived.)

Finance Director/Pro Forma FY14-FY18

Mr. Davison presented the Revenue and Expense FY2014 – FY2018 Pro Forma. He used the FY13 budget, as anticipated to be amended at the October Town Meeting as a basis, and applied assumptions. He described the budget adjustments to be considered by Town Meeting, as well as other articles with budget implications.

He stated that he has revised his assumptions from last year to include a slower growth rate for revenues for FY15-FY18. He is more optimistic in forecasting FY14 because it is somewhat later in the year than usual. Therefore, FY12 is almost closed out, and he has a better sense of new growth for FY13 which is improving. Motor vehicle excise and permit revenue have been strong. Mr. Davison stated that there is uncertainty about state aid. Although the State has handled the recession well, there are automatic budget cuts scheduled to take effect on the federal level if Congress does not act. As a result, the forecast for Chapter 70 funding growth is far below the five-year average. Unrestricted government aid is anticipated to decline for two years, before becoming flat then later increasing again.

Mr. Reilly noted that property tax constitutes the bulk of revenue. He asked how much swing might be reasonable to expect in state aid revenue. Mr. Davison stated that \$500,000 would be a reasonable swing from this projection in FY14. Mr. Reilly asked what swing might be expected in local receipts. Mr. Davison stated that the Town has more control over local receipts, so those

numbers tend not to swing much. He stated that he would expect local receipts for FY to be in the range of \$119,500 - \$121,000, and that there is little chance of being below that.

Mr. Davison described how expenses are projected to change in the Pro Forma. He stated that salaries are assumed to increase 3.9%, and non-salary expenses to increase 2.32% unless otherwise noted. The increase in expenses is based on the five-year average change in the northeast CPI index. He described the areas where the expenses will vary from the overall projected expense increase, and adjustments made to the base expenses. He noted that the Senior Center opening will require a one-time adjustment in expenses in FY14 and FY15. He stated that school transportation costs are increasing at a higher rate, and are subsidized somewhat by the Town. Ms. Gulati stated that the School Department has contained costs well for in-house transportation, but SPED transportation costs are driving higher increases, and cannot be passed to parents. Mr. Davison stated that projecting Minuteman costs is difficult because the assessment depends on the number of enrollments and state spending requirements. He stated that the projections for energy costs are based on assumptions of changes in supply costs and adjustments for changes in the use of different fuels.

Mr. Davison described the Town departments where expenses are expected to vary from 3.9% increase for salary and wages and 2.32% for other expenses. This includes expense related to additional elections, the installation of new financial and accounting software, certain fuel costs, and efforts to shift from reliance on outside funding.

Mr. Davison stated that the Pro Forma includes using Free Cash for operating needs in the amount of 2% of the operating budget or actual turn-back, whichever is lower. He noted, however, that reducing dependence on Free Cash, even if part of it is considered reliable, is better for credit ratings and security. Mr. Creem noted that there is a potential crisis in the state transportation system which is expected to come to a head this year and could affect the Town. In response to a question from Mr. Lunetta, Mr. Davison stated that he is most concerned about what will happen at the federal level, and how that could affect the Town. However, he is confident about the new growth projections within the Town.

Special Town Meeting Draft Warrant

There was a preliminary discussion of the articles in the draft of the warrant, about which were expected to go forward, and the changes expected in the next draft.

Adjourn

MOVED: By Mr. Connelly that the meeting be adjourned, there being no further business. Mr. Creem seconded the motion. The motion was approved by a vote of 5-0, at approximately 9:00 p.m. (Mr. Zimbone was not present.)

Documents: Town of Needham General Fund Revenue and Expense FY2014 0 FY 2018 Pro Forma, Presented to Board of Selectmen September 11, 2012

Respectfully submitted,

Louise Mizgerd
Executive Secretary/Staff Analyst

Approved October 3, 2012