

**Needham Finance Committee
Minutes of Meeting of January 30, 2013**

The meeting of the Finance Committee was called to order by the Chair, Richard Reilly, at approximately 7:00 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, Gary McNeill (arrived 7:20pm), Louise Miller (arrived 7:50 pm), Lisa Zappala, Richard Zimbone

Also Present:

David Davison, Finance Director

Jamie Brenner Gutner, Executive Director, Council on Aging

Jon Mattleman, Director, Needham Youth Services

Kate Fitzpatrick, Town Manager

Christopher Coleman, Assistant Town Manager

Evelyn M. Pones, Town Collector/Treasurer

Dave Roche, Building Commissioner

Steve Rosenstock, Member, RTS Ad Hoc Committee

Citizen Requests to Address the Committee

Mr. Rosenstock stated that he had attended the School Department's budget briefing. He stated that he did some follow-up calculations. He started with the 2007 budget, and found that, if one allowed a 4% budget increase annually, and compounded it annually and adjusted for enrollment growth, that a 5.4% budget increase is warranted for the School Department budget for FY14.

Minutes of Prior Meetings

MOVED: By Mr. Connelly that the Minutes of January 16, 2013, be approved as most recently distributed. Ms. Zappala seconded the motion. The motion was approved by a vote of 5-0. (Mr. McNeill and Ms. Miller had not yet arrived.)

MOVED: By Mr. Connelly that the Minutes of January 23, 2013, be approved as distributed. Mr. Lunetta seconded the motion. The motion was approved by a vote of 5-0. (Mr. McNeill and Ms. Miller had not yet arrived.)

Review of FY14 Operating Budget and FY14-FY18 Capital Requests

Human Services

Mr. Lunetta described the budget requests from the three divisions: Council on Aging (COA), Youth Services, and Veterans' Services. He stated that the COA receives substantial outside grant funding in addition to its levy-funded operating budget for programs and some salaries. Two grants through the Executive Office of Elder Affairs, the SHINE grant and the formula grant, have decreased in recent years. Private donations have decreased as well. The COA did secure a grant from the State that will fund 80% of a replacement van, with the balance to be

covered by the Friends of Needham Elderly. However, a State grant for van drivers has disappeared. As a result, the COA submitted a DSR4 for salary for two part-time van drivers. The COA has been successful with the help of State Representative Garlick securing funds for equipment for the new Senior Center. The headcount for the COA budget remains the same, and the expense line is level funded for FY14. Ms. Gutner stated that the COA's grant from the MBTA that funded van drivers dwindled over several years, and that part of the cost of the van drivers had been covered by donations. However, that money is no longer available. She stated that the COA will continue to seek funds for gas and maintenance since the program is very important, but cannot pay the van drivers' salaries. She stated that the SHINE grant is expected to be \$95,000 in FY13, but that some could be taken back. She stated that she does not expect that the formula grant, which is based on the number of people aged 60+ in the town, will go away.

Mr. Lunetta stated that the Youth Services division also has significant outside funding, through grants, donations, and professional in-kind donations of services. Youth Services provides a great benefit to the Town. Their budget request contains no increase in expenses, and only a modest increase in salaries. Mr. Mattleman noted that the Youth Services programs are directed at parents as well as youth. He stated that the school enrollment growth indicates more youth in town. He stated that referrals from the schools are increasing for programs addressing issues such as substance abuse and bullying, and that the division is trying to keep pace.

Mr. Lunetta stated that the Veteran's Services assessment funds salaries for the regional Director, Assistant Director and the Administrative Assistant, as well as paying for benefits. The costs for services and the number of beneficiaries have increased. Certain expenses will be reimbursed at 75%. Some costs were moved to different budget lines for better accuracy. Mr. Reilly noted that the number of clients receiving services has declined while the expenses have increased. Mr. Coleman stated that not only have the costs of administering benefits increased, but people are staying on their benefits longer.

Municipal Parking

Mr. Davison reported that the budget is increasing due to two factors. First, the agreement to rent private property expired, so there is a new rental agreement, and the Town is now paying rent for spaces behind the church on Dedham Ave. Second, there will be additional parking areas to maintain with the Needham Bank expansion and the new Senior Center. Also there will be additional parking spots to maintain toward the end of FY14 with the properties being purchased. Mr. Reilly stated that there is \$10,000 in additional costs. Mr. Davison stated that there will be additional work, including weeding. Mr. Connelly asked why so much overtime is needed. Mr. Davison stated that in addition to new spaces, more work is needed to maintain the old Mark Lee lot as well since the Senior Center construction started. He stated that the snow and ice removal in the lots is also part of this budget. Mr. Reilly asked if the permit fee structure has been reviewed. Mr. Davison stated that will happen in the next few months.

Building Department

Mr. Roche stated that he has 7 employees responsible for plumbing and electrical inspections, and zoning enforcement and interpretation, and issuing permits and providing desk service. The permit fee revenue is increasing, which is based on square footage, showing that the workload is

increasing. He does not expect it to slow. One notable increasing demand is the need for more gas inspections as National Grid installs new gas lines throughout town and residents are converting from oil heat. He stated that he has requested an additional alternate inspector who can be used as an electrical as well as a gas inspector. He also requested an additional part-time building inspector. He has some alternate inspectors, but they can be difficult to bring in on short notice. He also requested a department administrative assistant to put permits into the system. Mr. Reilly asked the rationale behind the Town Manager's recommendation of the third priority request, the substitute building inspector. Mr. Davison stated that they were seeking to balance the budget and avoid legacy costs, so this was the amount the Town could afford. He pointed out that this is one of the few areas where the Town Manager recognized actual increased workload with additional staff. Mr. Reilly asked if the staffing level has caused delays. Mr. Roche stated that they have a process where a contractor should be able to pay the fee and get a permit almost immediately, but they will soon get to the point where they need to set the materials aside, and issue permits later. He stated that he was hired to turn the department around, but that he cannot do that without the proper tools. Mr. Reilly asked if they could hire part-time staff. Mr. Roche stated that he could, but that those people would have other jobs as well, and cannot always come in as needed. He stated that the administrative staff need to be trained, and need to be there to deal with people, and cannot be brought in part-time. Ms. Zappala asked if he had more funding what he would do with it. Mr. Roche stated that he would hire an administrative assistant. Ms. Fitzpatrick stated that the position is desperately needed, but that she wants to avoid adding benefit eligible staff. She stated that she would be open to ideas of reallocation. She stated that she also wanted to put a vehicle for the Building Commissioner on the capital list

Board of Selectmen/Town Manager

Ms. Fitzpatrick stated that the most significant change to her department's FY14 budget is the reallocation of the telephone expenses to Public Facilities in order to consolidate all of the bills in one department, for a reduction of over \$47,000. Another more modest change is the shift of \$4,000 for classification and compensation studies into the Personnel Board budget. There was an increase in the expense for the Board of Selectmen's recording secretary since there have recently been 26 meetings rather than the previously budgeted 22. She stated that her department has had significantly more work with the rental of Powers Hall. She has added some overtime to her budget, plus \$3,500 for the cost of providing specialized audio visual assistance at certain events there. In response to a question from Mr. Reilly, Ms. Fitzpatrick she stated she would have to look to see whether the rental fee was sufficient to cover that expense.

Mr. Creem asked whether the addition of \$4,000 to the Personnel Board, despite a request of \$7,000 would give the board sufficient funding for their study. Mr. Coleman stated that they will have \$4,000 more to work with than previous budgets, and that if necessary, the Town will do some of the work in-house. Ms. Fitzpatrick stated that she had spoken with the Personnel Board about the funding needs.

Townwide Expenses

Mr. Reilly stated that this portion of the budget is the 2nd highest portion, and is budgeted for a substantial increase. He noted that much of the budget is, however, not discretionary.

Retirement Assessments

Ms. Fitzpatrick stated that an actuarial analysis is done every two years, not this year. A new mortality table was implemented, causing an increase in the unfunded pension liability of about \$5.9 million. She stated that the system is still absorbing the effects of a \$40 million loss of value in 2008. Mr. Reilly stated that the 8.25% returns assumption was decreased to 8.0%. He noted that each percentage point adjustment to returns amounted to approximately \$1 million. He stated that while an 8% rate of return is not likely, this may not be a good year to make any further adjustment. He stated that the Retirement Board extended the number of funding years by three years. Ms. Poness stated that they opted not to go out to the full extent of the law so that there is still some room to extend.

Employee Benefits

Mr. Davison stated that the Town is self-insured for workers' compensation and has been level funded for several years. Ms. Fitzpatrick stated that unused funds fall into the workers' compensation reserves. Mr. Davison stated that the expenditures fluctuate each year. Ms. Fitzpatrick stated that there is an assumed a 5% increase in health insurance rates. The West Suburban Health Group is looking at whether to use a surplus to avoid rate increases this year, or find another way to return funds in order to avoid a spike in the rates later. She does not expect a rate reduction for FY14. She stated that the Board of Selectmen will require retirees to be on rate saver plans by July 1. She stated there is no change in their contribution rate.

Retiree Insurance Program

Ms. Poness stated that they are working to determine the best way to invest the assets, since the law now allows the fund's assets to be invested in the manner of a "prudent investor." She is looking to move the reserve funds into the State's PRIT program. This is a time consuming project, requiring, among other things, the creation of a new trust instrument.

Debt Service

Mr. Davison stated that FY14 will be a peak year for CPA debt on the Town Hall. However, it will be lower than originally expected because of lower interest rates, and because the Town did not borrow the full amount authorized. He stated that debt service for non-excluded debt will start declining.

Classification, Performance and Settlements

In response to a question from Mr. Reilly, Ms. Fitzpatrick agreed that the Classification, Performance and Settlements line was cut for budgetary reasons rather than by design.

Reserve Fund

Mr. Reilly stated that the level of the FY14 Reserve Fund is 1.4% of the projected FY14 operating budget, as the Finance Committee suggested. Ms. Fitzpatrick stated that she did not recommend a decrease in the Reserve Fund though she has done so in the past. She added that Police staffing is tight, and that she did not meet the amounts the Fire Department was looking for. She noted that the Reserve Fund is there for items that are not predicted.

Minuteman School Assessment

Ms. Zappala stated that nothing has changed since she discussed the assessment at a prior meeting. She stated that the number is preliminary, but there will not be a final number soon.

She stated that the amount is lower than last year, which makes sense since the head count has decreased.

Town Manager's Recommended Budget

Ms. Fitzpatrick stated that there was an addendum to her budget because the by-laws require that her budget show the School Committee's recommended operating budget if it is different from the Town Manager's recommendation. She stated that the School Committee recommended a budget that is \$309,000 more than her recommendation. If automatic federal budget cuts are avoided, then that gap will be approximately \$141,000 smaller.

Mr. Reilly asked whether there has been any change in the revenue assumptions. Ms. Fitzpatrick stated that the Governor proposed a 15.73% increase in Chapter 70 funding, but it is based on revenue increases that are not set. Mr. Davison stated that the Town Manager's budget assumes half of the increase that the Governor has proposed. Mr. Davison stated that the local receipt projection is consistent with the Pro Forma. It is slightly higher than last year because last year he included a low projection for local receipts, and he recognized that about \$100,000 was "left on the table." Mr. Reilly asked what "Other Available Funds" referred to. Mr. Davison stated that is it other funds not specifically identified, most commonly overlay surplus. He stated that usually there is about \$500,000, but this year there is \$1 million. He stated that \$500,000 was planned to be used for a feasibility study at Hillside, but will be allocated for other School capital in May. The Hillside study will then be funded in the fall. He stated that other funds will come from prior warrant articles that have unspent allocations. Mr. Davison stated that he also increased the estimated revenues for Park and Recreation. In FY13 and FY14, appropriations for the Athletic Reserves have been planned.

Mr. Reilly stated that a question has been raised whether the estimated \$780,000 General Fund contribution to the RTS was sufficient. Mr. Rosenstock stated that at the direction of the Board of Selectmen, the RTS Committee has researched a sustainable model. He stated that it makes sense to continue the drop-off model, with the Town paying its fair share and the citizens paying their fair share. Mr. Davison stated that there has been a policy shift. Originally, people wanted to lower or even eliminate the General Fund contribution, but now people want to make the contribution cover the Town's usage, plus a "good will" payment.

Ms. Fitzpatrick stated that her budget pared down expenses to meet the available funds, while minimizing the disruption of services and avoiding elimination of staff. She stated that this year, the budget is meeting the school enrollment needs, and that next year she hopes to meet the Town's needs. She stated that some items will be funded through financial warrant articles. She stated that she was not able to fund the request for further services from Riverside Care, though this is part of the performance budget and she would like to fund it. Mr. Reilly asked about the request for Park and Recreation to have \$10,000 for playground maintenance. She stated that the funding would come from fees for field usage or special events. Ms. Miller asked about the \$40,000 capital request for drains, and why this was not a capital request for Water and Sewer. Mr. Davison stated that the payment to the Sewer Enterprise Fund includes \$40,000 of operating capital. Ms. Fitzpatrick stated that since it is for an in-house project, and it is needed regularly, that they wanted it built into the operating budget.

Mr. Reilly stated that the Schools' technical and equipment request was deferred until the fall. Mr. Davison stated that it did not need to be done in the summer. Ms. Fitzpatrick stated that the Schools were particularly concerned with the funding to prepare for the 1:1 tablet program. She stated that \$265,049 was the balance of money available and was allocated to school-related capital. Mr. Reilly stated that he received comparative SPED data from the Schools for Needham and local towns. If the two outliers, Brookline, which appeared to be a mistake, and Westwood were removed, then Needham's SPED transportation costs appeared to be at least \$1,000 high. He said that he has asked the Superintendent for an explanation.

Updates

Mr. Creem stated that the MMA meeting was interesting and informative. He congratulated Ms. Fitzpatrick on her role as President of the MMA. Ms. Miller stated that she followed up with Motorola regarding portable radios. She stated that the narrow banding is not an issue for the Schools. She will get more information. The Committee can then consider whether to move forward on an accelerated basis.

Adjourn

MOVED: By Mr. Connelly that the Finance Committee meeting be adjourned, there being no further business. Ms. Zappala seconded the motion. The motion was approved by a vote of 7-0, at approximately 9:25 p.m.

Documents: Town of Needham Departmental Spending Requests, Fiscal Year 2014; Proposed Annual Budget FY2014, January 29, 2013, Town of Needham, Office of the Town Manager; Capital Improvement Plan, FY2014-FY2018, January 8, Town of Needham, Office of the Town Manager/Board of Selectmen.

Respectfully submitted,

Louise Mizgerd
Executive Secretary/Staff Analyst

Approved February 6, 2013