

Needham Finance Committee
Minutes of Meeting of February 13, 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, Louise Miller (arrived 8:15 pm), Lisa Zappala, Richard Zimbone

Also Present:

David Davison, Finance Director

Kate Fitzpatrick, Town Manager

Dan Sherman, Sherman Actuarial Services

Citizen Requests

There were no requests to address the Committee.

Minutes of Prior Meetings

MOVED: By Mr. Connelly that the Minutes of February 6, 2013, be approved as distributed. Mr. Lunetta seconded the motion. The motion was approved by a vote of 5-0-1. (Mr. Zimbone abstained; Ms. Miller had not yet arrived.)

Pension and OPEB Benefits

Mr. Sherman made a presentation discussing Needham's pension plans and other post-employment benefit (OPEB) plans, their valuation, and the funding of the related liabilities. Mr. Sherman praised the Town's efforts to fund both pension and OPEB plans and encouraged the Town to continue its funding efforts, which are ahead of almost all other Massachusetts communities, particularly for OPEB. In response to a question, Mr. Sherman stated that for each \$100,000 in additional contributions, the Town would realize a savings in the range of \$1 million over the life of the plan, assuming that the projected 8% annual rate of return was achieved.

Request for Reserve Fund Transfer – Veterans' Services

Mr. Davison stated that the Human Services budget is projected to be \$15,000 short of the FY13 needs because there are more veterans seeking services than expected. Assuming that there are no new cases, this transfer should be sufficient for the rest of the year. The benefits are reimbursed by the state at 75%, but not for as long as 18 months later. In response to a question from Mr. Zimbone, Mr. Davison stated that the FY14 operating budget includes an increase for Veterans' Services. Mr. Reilly asked if there would be a request for a Reserve Fund transfer on behalf of the Town Clerk for the upcoming senatorial election. Mr. Davison stated that that State Auditor has ruled that the primary and the election are unfunded mandates, and therefore the State will be required to pay for both elections.

MOVED: By Mr. Connelly that the Finance Committee approve the request for a Reserve Fund Transfer in the amount of \$15,000 to Veterans' Services. Ms. Zappala seconded the motion. There was no further discussion. The motion was approved by a vote of 6-0.

Snow and Ice Removal

Mr. Davison stated that the law allows the Town to spend in excess of the appropriation for snow and ice removal. He stated that the most recent storm is estimated to cost approximately \$381,000. The spending for the year is projected to be approximately \$759,000. Therefore, the Town is requesting authorization to spend \$359,000 above the FY13 Snow and Ice appropriation of \$400,000. He stated that the deficit will be closed out at the end of the fiscal year, most likely from the Reserve Fund. Mr. Reilly asked if the recent storm required paying at the overtime rate. Mr. Davison stated when the snow removal takes place from 7:30 a.m. 3:30 p.m. on weekdays it is at the regular rate of pay, and outside of those hours, it is at a higher rate of pay. Also, after 16 hours of work there is a higher rate.

MOVED: By Mr. Creem that the Finance Committee approve the request for the Town to incur incremental liability for FY13 Snow and Ice removal not to exceed \$359,000 in addition to the initial appropriation of \$400,000. Mr. Zimbone seconded the motion. There was no further discussion. The motion was approved by a vote of 7-0.

General Fund Contribution to Enterprise Funds

Mr. Davison stated that the General Fund contribution to the RTS enterprise fund is that same as shown in the Town Manager's proposed budget. The contribution for the Sewer Fund has been updated because the Town has received the assessment from the MWRA. While the Town originally expected the MWRA usage to drop because the wells were back on line and therefore the Town was relying on the MWRA for less time. However, there were two events in May and June that caused the Town to rely completely on MWRA water for 14 days. 16% of all the MWRA water for the year was used in those 14 days. The increase will be funded from the Water Fund's retained earnings.

Mr. Zimbone asked whether the FY14 RTS contribution from the General Fund would be refined due to the report of the RTS Ad Hoc Super Committee. Mr. Davison stated that it was based on the policy that is currently in place. He noted that when the FY13 RTS contribution was calculated, he did not have complete data to work with. He has since received the necessary data and recalculated what the FY13 contribution would have been if the data had been available. The FY13 actual contribution to the RTS was \$576,938. Under the revised data, the contribution should have been \$714,152 for FY13, a difference of \$137,214. Mr. Davison stated that the contribution to the RTS for FY14, based on data from FY10-FY12, should be \$664,244. If the \$137,214 for FY13 is added, then the contribution should be \$810,458 for FY14. The Town Manager's balanced budget includes \$780,000, so an additional \$21,458 is needed to fully fund the RTS contribution. Mr. Zimbone stated that the RTS Committee is recommending revising the method of determining the General Fund contribution to the RTS. The goal is that the RTS

would function without using retained earnings. In response to a question from Mr. Reilly, Mr. Davison stated that any change would not apply to the FY14 budget.

FY 2014 Draft Operating Budget

Mr. Reilly stated that there are three major issues remaining: School Department needs, staffing at the Building Department, and DPW requests. Mr. Reilly stated that the School liaisons met with School Committee liaisons and told them they would need to meet the Town Manager's recommended budget number, which is \$309,000 less than the School Committee's voted budget. However, Mr. Reilly stated that the School Committee was told that they can assume that if the federal sequester takes place, which the School Department has determined will mean a loss of \$142,000, then that need will be addressed with the Town. Therefore, the Schools should address a shortfall of \$167,000. Mr. Reilly stated that he spoke with Dr. Gutekanst recently who stated that he has identified \$102,000 of decreases: \$23,000 increase in preschool fees, \$55,000 savings by removing one SPED teacher (which will increase caseloads), and an increase in the assumed Circuit Breaker reimbursement from 64% to 65%.

Mr. Reilly stated that he met with the Building Commissioner. Mr. Reilly stated that adding additional staff would increase benefits and legacy costs, but he felt it is important to properly staff the department. He proposed adding two positions for \$52,562, plus an additional \$15,000 in the Employee Benefit line. Ms. Miller suggested that the drains expenses seemed expensive for the work covered. Ms. Fitzpatrick stated that the work was cross country, not roadside, and therefore costly. Ms. Miller suggested that the Town consider funding the replacement vehicle for the Police Department with a financial warrant article if there are sufficient funds in the FY13 Reserve Fund at year end.

Mr. Reilly stated that he recommended a decrease in the Public Facilities budget of \$50,000 as a result of Mr. Zimbone's analysis showing reductions, notably in the natural gas numbers. Mr. Reilly stated there was still concern if the Schools could not identify the last \$67,000 more savings. Ms. Zappala stated that the sequester is a broader issue for the Town, so that the School Department should not include a reserve for that. She stated that they have ways to meet the number requested. She stated that there were cuts related to the High School that were discussed that the School Committee left in their budget, and she feels there is room to make cuts. She stated that the Schools have the option of raising the transportation fee if they do not want to cut teachers. She stated that the only place in the operating budget to get money from would be the Reserve Fund. Mr. Reilly stated that there is exposure in several areas such the Town Counsel and Fire Department, as well as federal cuts and natural disaster that warrant keeping the Reserve Fund at the suggested level. Mr. Zimbone stated that while the Schools may be able to find \$67,000 of additional savings, he suggested that there is a good working relationship between the Finance Committee and the Schools and that it might be better to fund the additional \$67,000 than to push them. Mr. Connelly stated that he agreed with Ms. Zappala. He stated that over the last four years, the Schools have asked for more than \$9 million, and he feels they are requesting more than what is necessary to meet their needs. He felt that the Committee is not asking for cuts, but to reduce their request. He stated that they could have submitted a lower request to start. He is not willing to look elsewhere for funds.

Mr. Reilly stated that it is arguable that another area of the budget, such as the DPW is overfunded. Mr. Zimbone stated that as a liaison, he feels that the DPW is overfunded. Mr.

Reilly stated that the DPW does not overspend, so if the budget is overfunded, they spend less than the budget and the money returns to the Town. He stated if the Schools are overfunded, the money will stay with the Schools. Mr. Reilly also stated that the liaisons asked for the School Department to budget some ongoing savings attributable to the SPED changes funded last year, and they did not comply. Mr. Lunetta stated that while the DPW's weakness is in budgeting, the Schools' weakness is entitlement. He stated that the Town departments have been asked to live within their means, and the Schools should be asked to do the same. He agrees that the Committee is only asking for a smaller request, not cuts. Mr. Creem stated that he agreed with the majority. He noted that transportation costs are a problem, and that the Schools need to take a harder line. There is no reason that Needham pays higher rates than comparable towns.

In response to a question from Ms. Miller, Ms. Fitzpatrick stated that the School Department allocation was not based on a formula. Ms. Miller asked the Committee if there were some small funds that could be allocated. She does not like the fact that they would cut a teacher rather than reduce the budget elsewhere, and she noted that the Schools are a major asset to the Town. Ms. Zappala stated that the only money is in the Reserve Fund. She stated that without the issues such as federal sequester cuts, the Committee could not otherwise justify the huge Reserve Fund. However, she does not think it is fair to have the departments lose that money.

Mr. Creem asked if the Town looked for other ways to fund the COA van drivers. He felt the idea of adding staff was difficult to swallow. Ms. Fitzpatrick stated that the request is for two additional part-time drivers with no benefits. She stated that the seniors have had to fundraise for so much. She noted that the aging population is increasing faster than the number of school children. She stated that she did not recommend many DSR4s, but she felt that maintaining this service was important.

MOVED: By Ms. Zappala that the Finance Committee approve the draft budget as circulated, totaling \$123,590,136, subject to technical corrections. Mr. Connelly seconded the motion.

Mr. Davison stated that the RTS Committee assumed that the RTS would be appropriated \$801,000 when determining the FY14 budget. The additional \$21,458 should have been appropriated last year. He stated that to support the \$801,000, the Finance Committee's budget will have to be \$21,458 less than the Town Manager's proposed budget. Mr. Reilly asked if there was an estimate of how much sequestration would affect the Town departments. Mr. Davison stated that the state agencies that other than the Town departments work with have not offered any guidance, and are trying not to be alarmist. He stated that SHINE money could disappear, amounting to about \$75,000, as well as the Health Department's suicide prevention program, amounting to about \$75,000. Mr. Zimbone asked if it would be about \$750,000-\$1 million. Mr. Davison said that it would, if one included funds that agencies pay for directly for programs benefitting the Town.

VOTE: Ms. Zappala's motion was approved by a vote of 7-0.

Updates

Mr. Zimbone stated that the RTS Ad Hoc Super Committee has issued its report recommending steps necessary to make the RTS sustainable, at least in the short term, which includes increasing

fees. He stated that they compared other communities and that Needham's costs were on the high side, but that they seem to do more processing than other communities. He stated that there is still more work to be done for a solution for the long term.

Mr. Reilly stated that he attended the Auditor's meeting with the Board of Selectmen. He noted that in the Auditor's report, there are grants benefitting the Town of \$25 million. Mr. Davison stated that \$11.5 million of that is money that does not come through the Town, but is paid directly to others on behalf of the Town. Mr. Reilly stated that roughly 20% of the money spent by the Town comes from external sources.

Adjourn

MOVED: By Mr. Zimbone that the Finance Committee meeting be adjourned, there being no further business. Ms. Miller seconded the motion. The motion was approved by a vote of 7-0, at approximately 9:30 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; FY 14 Finance Committee Budget Development Worksheet; Request for Reserve Fund Transfer dated February 8, 2013; Interoffice Memorandum to Town Manager Kate Fitzpatrick from Assistant Town Manager/Director of Finance David Davison dated February 13, 2013 re: Now and Ice Overdraft Expenditure Approval.

Respectfully submitted,

Louise Mizgerd
Executive Secretary/Staff Analyst

Approved February 27, 2013