

**Needham Finance Committee
Minutes of Meeting of December 18, 2013**

The meeting of the Finance Committee was called to order by the Chair, Richard Lunetta, at approximately 7:10 pm at the Town Hall.

Present from the Finance Committee:

Richard Lunetta, Chair;

Members: James Flinton, Louise Miller (arrived 8:10 pm), Richard Reilly, Lisa Zappala, Richard Zimbone

Also present:

David Davison, Assistant Town Manager/Finance Director

Christopher Coleman, Assistant Town Manager/Director of Operations

Lee Newman, Planning Director

Lisa Standley, Chair, Conservation Commission

Bruce Eisenhut, Chair, Needham Planning Board

David Roche, Building Commissioner

Evelyn M. Poness, Town Collector/Treasurer

Chip Davis, Administrative Assessor

Michelle Vaillancourt, Town Accountant

Roger MacDonald, Director of Management Information Systems

Tatiana Swanson, Finance and Procurement Coordinator

Citizen Requests

There were no requests to address the Committee.

Review of FY 2015 Budget Requests

Community Development

Ms. Newman described the reorganization in 2010 that put the Zoning Board of Appeals and the Conservation Commission into one budget, Community Development. She stated that the FY15 budget request is level funded, with contractual salary increases. She stated that the department lost the Director of Conservation, so the salary for that position is a projection. She stated that \$10,000 of the Director's salary used to come from the Wetlands fund, but in FY14 the entire salary was moved into the operating budget. However, the department will continue to use \$1,500 from the Wetland fund for the Department Specialist. That position has been increased to 20 hours per week.

Mr. Reilly asked whether the Mews case was expected to impact this budget. Ms. Newman stated that the ZBA would hold its final hearing tomorrow, and that would be the end. She stated it would likely end up in litigation, which would affect the legal department and likely require special counsel. Mr. Reilly asked where the ZBA consultant fees are in the budget. Ms. Newman stated that the consultant was paid from a special fund from the developer. The fund also covers a traffic analysis and a fiscal analysis of the project.

Mr. Zimbone asked for the Conservation Commission's view of the cost of the project for the raised wetlands trail at Ridge Hill in relation to the need for the trail. Ms. Standley stated that the Committee is still putting together the package for the CPC, and not ready to address that issue. Mr. Zimbone stated that he is concerned with the high cost versus the size of the trail.

Planning and Economic Development

Ms. Newman stated that the big change in the Planning and Economic Development Department is the addition of a housing planner. She stated that it is budgeted for \$35,000 of CPC funds. The person will monitor and track the affordable housing inventory. She stated that there was a reallocation of funds in the Professional and Technical line and the Communications line to reflect historical practice. Fees show a one-time jump in FY13 to \$121,000 which reflects applications for Wingate, North Hill, and the New England Business Center projects. That figure is projected to decrease to \$30,000 for FY14. She stated that there is a traffic mitigation fund. The fees are from Normandy Real Estate Partners and must be used for traffic mitigation in the New England Business Center.

Ms. Newman stated that the Department's top priority is Needham Crossing, particularly making a master plan of the area, and the Add-A-Lane project. She stated that they are looking into pulling up the old rails and converting it to a rail trail and a rapid bus lane connecting to Newton. Mr. Lunetta asked about the broad plan for Needham Crossing. She stated that they are considering allowing higher density than originally planned. The vision is to have an office park with some ancillary retail. She noted that the zoning community would like a housing component. She stated that they are on track to make zoning changes if needed at Town Meeting. In response to a question from Mr. Lunetta, she stated that they are trying to act to make the zoning attractive to developers rather than waiting for developers to make requests. She stated that the Economic Development Director reaches out to developers for input. Mr. Reilly asked that they come up with a way to measure what is being done, and so the Committee can see progress and not only the results.

Mr. Zimbone asked if there was a tension between the Planning and Economic Development under the same budget. Ms. Newman stated that there was tension between the interests of the Planning Board which focuses on infrastructure, and what property uses the Town should allow, while the Economic Advisors are trying to make the most of property economically. Ms. Zappala asked how much new growth is being projected and what the infrastructure needs may be down the road. Mr. Davison stated that the revenue estimates are in the pro forma. He stated that higher than normal growth is expected in FY15, FY16 and FY17 due to Trip Advisor. Mr. Eisenhut stated that developers are moving toward a model with a residential overlay. Ms. Newman stated that it is extremely important that the Town gets the best out of the land. She stated that the last analysis was based on commercial and retail property uses, but now housing must be taken into consideration. She stated that they need to determine what will make the property most marketable. Ms. Newman stated that more funding will be needed in the Professional and Technical line, but that it was not included in the budget because the housing issue was not known when the budget was created. She stated that it is too early now to know when additional funding would be needed.

Mr. Reilly asked for an explanation of the 5.6% wage increase for the Director of Economic Development in FY15. Mr. Davison explained that there was a merit increase in FY13 that came from the Classification and Compensation line in Townwide expenses that was not incorporated

into the Planning and Economic Development FY14 budget. Therefore the increase from the FY14 to the FY15 salary line actually includes two years of pay increases for that position. Mr. Lunetta asked about the DSR4 for \$12,500. Ms. Newman stated that the funding would be available if needed to hire a consultant for a specific issue. She stated that such an issue arose in the Needham Mews project, but the developer paid for the consultant. Mr. Eisenhut stated that there is an objectivity issue in such a situation. Ms. Newman stated that this request would provide funding that would be ready. She noted that if the funds were not needed, they would return to the General Fund.

Building Commissioner

Mr. Roche introduced his budget and stated that the budget has increased over the past few years, and that the fee income has also increased. He stated that the creation of a part-time building inspector last year has been very helpful. Now there are 1-2 staff in the office, plus someone to go out on inspections, which allows for questions to be answered more quickly. They are now turning over applications within a few days and there is no backlog. The new full time administrative staff person can process gas permits with no wait. He stated that the expenses have been consistent. Mr. Reilly asked what is driving the overtime costs. Mr. Roche stated that it was caused by extra inspectors needed for natural gas conversions. Mr. Reilly asked about the \$12,000 Governmental Charge in the budget. Mr. Roche stated that the funds are for the state sealer of weights and measures. Mr. Reilly asked whether the sheet metal permits were taking significant time. Mr. Roche stated that the Town does not need to spend as much time on sheet metal permitting as it did in the past.

Finance Department

Mr. Davison introduced the department's budget, stating that the budget has increased by 0.7%, with wages increasing 1.9% and expenses decreasing 1.7%. He stated that the FY14 budget included a one-time cost of \$55,000 to cover expenses relating to the financial software conversion, including overtime and duplicate licenses. He stated that if those additional costs were backed out of FY14, the FY15 department budget would be increasing 3%, with wages increasing 2% and expenses increasing 2.5%. He stated that one of the drivers of the increase is the cost of software licenses in the Professional and Technical Services line.

Mr. Davis described the operations on the Assessor's Office. He stated that it is a triennial valuation year where the DOR scrutinizes the property valuations. The Town must start analyzing property values from scratch, as well as the real estate market and sales. He stated that his office is also collecting information that is collected every year regarding industrial properties and business personal property. He stated that the department uses outside vendors for analyzing some business personal property, especially high tech equipment. He stated that this expense is in the Professional and Technical Services line and that the Town gets back \$10 in taxes for every \$1 spent on vendors. He stated that the Prof/Tech line also includes costs for a defense valuation firm to address abatements. He stated that the new software does not affect his office, since the same software is being used on the revenue side.

Ms. Poness spoke about the Treasurer/Collector's Office and stated that her office has been impacted by the software transition. She stated that there is no direct interface between the old and new programs, so there is additional work. She stated that the Town is now a member of PRIT, so retirement investments are doing well, and she is confident that actuarial projections

will be met. She stated that the Collectors Office is now accepting credit cards for water and sewer bills, as well as ambulance payments and parking tickets, and that the office is looking into credit card payments for excise and property taxes. Ms. Miller asked about credit card fees. Ms. Poness stated that the credit card fee is passed on, although the Town absorbs the \$0.40 per item e-check fee, since it is cheaper than the cost of a stamp and since there are fees associated with personal checks as well. She stated that collections are now at 23.9% which is 5% above the projection.

Ms. Vaillancourt stated that the Town Accountant's Office processes and posts payments, and also processes expenses, plus payroll for the Town and Schools, so that the Treasurer can cut checks. She stated that her office works with auditors to close out the books at year end to determine free cash. Mr. Reilly asked if checks were still being used, or if the Town was using electronic payments. Ms. Poness stated that checks are still used for vendors, but that 87% of the payroll is electronic.

Mr. MacDonald stated that the Information Technology Center handles an increasing number of computers and devices. He stated that there has been some change in staffing, notably one additional staff member to work with the new financial software application. He stated that there is some outsourcing, such as the hosting of the Town website, and the Council on Aging site, and the Park and Recreation registration site. In response to a question from Mr. Lunetta, Mr. MacDonald described the data backup and redundancy. Ms. Miller asked if the \$37,500 capital request was sufficient for technology needs. Mr. MacDonald stated that it is sufficient to cover the annual replacement needs for network printers and computers, which are mostly towers, as well as smartphones. Mr. Reilly asked if smartphones duplicated the two-way radios. Mr. MacDonald stated that they were different, since the phones provide texting and email, while the radios provide only local communication. He agreed that there is some redundancy that is beneficial if cell towers are down. Ms. Swanson described the Purchasing Department's goal of creating a uniform standard of purchasing in Town. She stated that she provides guidance and training to other departments regarding purchasing laws.

Mr. Davison stated that there is a request for an increase in the hours of a part-time person in the accounting office from 2 to 3 days per week. It is expected that this increase would allow the office to keep on top of the work requirements. Mr. Lunetta asked if even more work would get done if there were more funding. Mr. Davison stated that more work would get done with additional funding, but that this increase would meet the immediate needs. Mr. Reilly noted that adding these additional hours will cost almost twice as much as the request, considering the addition of benefits. Ms. Vaillancourt stated that she did consider adding another part-time person, but that there is insufficient office space. The current part-time person works mid-day 4 days per week. Mr. Reilly stated that there is a strong desire to cut legacy costs, and he would prefer if the part-time option was explored and decided against. Ms. Vaillancourt stated that in addition to space issues, she has found that positions with fewer hours are more difficult to fill. Mr. Zimbone asked whether some of the comments from the auditors' report would be fulfilled by allowing these additional hours. Mr. Davison stated that the comments that were specific to the accounting office would be resolved by increasing the accounting staff hours, and that another issue would be resolved when a vacancy in the Treasurer's Office is filled. He also stated that the software should address some of the concerns as well. Mr. Zimbone stated that he wanted to make sure that the needs are addressed, and noted that adding even more hours to the accounting position would not add any further legacy costs. Mr. Reilly noted that the current collective bargaining agreement has expired, so there is no COLA. Mr. Davison stated that 2/3

of the Finance Department is covered by the ITWA, which is professional, technical and clerical workers, which has no agreed COLA.

Finance Committee Updates

Mr. Zimbone reported on a liaison meeting with the School Department. He stated that the Schools showed how the Special Education reorganization is improving the SPED program in terms of quality, parent satisfaction, and reduced costs. He stated that some placements have changed as a result of the new administrators. He stated that the Schools admitted that the changes are working better in some schools than others. The Superintendent's budget includes an additional SPED administrator at Pollard because the need there had been underestimated. Mr. Zimbone noted that the FY15 School budget assumes a 70% Circuit Breaker reimbursement, though 75% is set for FY14. He stated that he told the Schools that the Finance Committee intends to review the budget request as a request for a 9% increase, although the Schools presented it as a 5.2% increase plus an override. He stated that there are areas that could be reduced, such as the Circuit Breaker, or the \$60,000 transportation subsidy. He said that he suggested to the Schools that there could be opportunities to enhance revenue and avoid an override. He stated that the Schools showed some interest in the idea, but were still committed to building consensus with Town residents so that they are ready to seek an override if needed.

Mr. Reilly noted that the Town Annual Financial Report for FY13 has some useful information. He stated that almost 20% of the Town revenue is from operating grants and donations. He noted that spending on education plus debt service is 63% of overall spending. He stated that there is also good information on returns, and where they come from.

Adjourn

MOVED: By Mr. Reilly that the Finance Committee meeting be adjourned, there being no further business. Mr. Zimbone seconded the motion. The motion was approved by a vote of 6-0, at approximately 9:35 p.m.

Documents: Town of Needham Departmental Spending Requests, FY2015, December 11, 2013; Town of Needham, Massachusetts, Annual Financial Report for the Year Ended June 30, 2013.

Respectfully submitted,

Louise Mizgerd,
Executive Secretary/Staff Analyst

Approved January 8, 2014