

**Needham Finance Committee  
Minutes of Meeting of February 12, 2014**

The meeting of the Finance Committee was called to order by the Chair, Richard Lunetta, at approximately 7:05 pm at the Town Hall.

Present from the Finance Committee:

Richard Lunetta, Chair; John Connelly, Vice Chair  
Members: Richard Creem (arrived 8:00 pm), James Flinton, Louise Miller (arrived 7:10),  
Richard Reilly, Lisa Zappala, Richard Zimbone

Also present:

Kate Fitzpatrick, Town Manager  
David Davison, Assistant Town Manager/Finance Director  
Dan Matthews, Chair, Board of Selectmen  
Joseph Barnes, Chair, School Committee  
Michael Greis, Vice Chair, School Committee  
Ann Gulati, Director of Finance and Operations, School Department

**Citizen Requests**

There were no requests to address the Committee.

**Snow and Ice Removal – Overdraft Authorization**

Mr. Davison requested to increase the spending authority in the Snow and Ice budget line to \$963,088, which would increase the prior authorization by \$87,088. He stated that the committed costs from previous storms are \$799,988, and the February 10 storm will add approximately \$15,500 of expenses. He has added \$147,600 which assumes two additional light snow and ice events, and one mid-sized storm.

MOVED: By Mr. Reilly that the Finance Committee increase the spending authorization for the Snow and Ice budget line to \$963,088, as requested. Mr. Connelly seconded the motion. The motion was approved by a vote of 6-0-1. (Ms. Miller abstained, since she was not present for the discussion. Mr. Creem had not yet arrived.)

**Review of FY 2015 Budget and Capital Requests**

**Town Counsel**

Mr. Connelly stated that he met with Mr. Tobin to review the legal activity of FY14 and the budget request for FY15. He stated that for the current fiscal year, the billing and payments are on track to be at or around the budget. He stated that there is nothing unusual that would cause him to recommend being ginger with the Reserve Fund. He stated that the FY15 request has two components: salary and wages, which is increasing 2.5% from \$71,790 to \$73,584. This covers Mr. Tobin's monthly payment for legal work, other activities including office hours and attending Town Meeting. The second budget component is professional and technical services. The actual expenditures were \$271K in FY12, \$302K in FY13, and have a budget of \$230K in FY14. The FY15 request is \$250K for professional and technical services. He stated that the

additional \$20K would move the budget closer to actual experience, and anticipates additional needs for upcoming legal expenses relating to Hillside, MDL, personnel issues, Rosemary Pool and Needham Mews. He stated that he feels the request is appropriate in light of the expected costs in FY15, and the desire to bring the legal budget more in line with actual expenditures.

Mr. Zimbone asked how much of the \$250K in professional and technical expenses might be saved if the Town Counsel were a full-time employee to handling the issues. Mr. Davison stated that the amount of outside counsel needed would depend on the experience of the attorney hired. Mr. Connelly stated that it would cost approximately \$150K to hire an attorney to just block and tackle, and \$200K to cover more depth. Mr. Zimbone asked if it would be better to hire someone for \$200K. Mr. Connelly stated that the Town could probably get a lower cost through an RFP, but that person would have different experience and would probably like hire outside counsel as much as possible to protect him- or herself. He stated that he does not disagree with the concept, but the savings are not clear. Mr. Zimbone stated that the idea should be considered, since Mr. Tobin will retire at some point. Mr. Davison stated that the Town Counsel is appointed by the Board of Selectmen, so the decision is not in the Town Manager's control. Mr. Matthews noted that municipal law has changed in recent years. It used to be common for Towns to have one in-house counsel, but as the practice becomes more specialized, many towns use law firms. He stated that Needham currently benefits greatly from having a skilled and knowledgeable lawyer in-house. He stated that the Board will include everyone when the time comes to take the next step.

### **FY 2015 Operating Budget- School Supplementary Budget**

Mr. Lunetta stated that he planned to address the Schools' Supplemental budget first, and then to step back and consider the whole operating budget. He thanked the School Committee and the Administration for their efforts. He stated that the Finance Committee and Schools have a good relationship, and have all worked together amicably. He stated that as the talks about the Supplemental budget began, the Finance Committee made clear that its position was not to interfere with the Schools' mission to determine its teaching methods and goals, but to offer solutions to help them be successful. He stated that the Supplement started at \$2.1 million. Mr. Zimbone had spoken to Dr. Gutekanst and Ms. Gulati recently, and the Supplement now stands at \$1.55 million.

Mr. Zimbone stated that Ms. Gulati wrote a memo following a meeting with him and Dr. Gutekanst describing the changes from the original \$2.1 million supplemental request to the \$1.55 million request. The memo outlines which items were shifted in the change from the interim \$1.8 million draft request to the \$1.55 million plan, after a discussion about pre-purchasing Special Education tuitions with FY14 funds. Mr. Zimbone stated that earlier in the day he has spoken with Dr. Gutekanst about 4 part-time positions in the supplemental budget, the High School Assistant Athletic Director (\$26K), the High School Performing Arts teacher (\$22K), the HS Digital Multi-Media teacher (\$11K) and the World Language Administrator (\$11K.) Mr. Zimbone asked if Dr. Gutekanst would want to include those in the budget next year if the override did not pass. Dr. Gutekanst told him that he would include them in next year's budget proposal. Mr. Zimbone suggested that if there is a source of another \$70K, whether from other budgets or additional revenue, that those items should be moved from the supplement or override budget into the operating budget. He stated that the supplement assumes 100% enrollment of the new staff in health insurance and raised the question of whether a different assumption should be made. He stated that the supplement would be reduced to \$1.48

million without the \$70K for those part-time salaries. He stated that short of massive changes in the Town side budget or increases in expected revenue, that is where the supplement stands. He stated that there is the concern that the High School positions will help with marketing the override to a wider audience. Ms. Zappala asked if the total salaries in the supplement have come down. Mr. Zimbone stated that the increases for teaching assistants have been rolled into the operating budget and will be paid for from the SPED tuition line. He stated that the School Department could come to the Finance Committee for a Reserve Fund transfer if the SPED tuitions are higher than budgeted. He noted that some tuitions will likely be pre-paid.

Mr. Lunetta stated that when the Finance Committee first saw the \$2.1 million supplemental request, it looked to see whether changes could be made. He stated that it has been reduced to \$1.5 million. It might be possible to reduce it to \$1.4 million, but it cannot be reduced to zero. An override will be needed. The Committee could play with the benefits budget to make major reductions, or just look for a way to cover the \$70K in the budget. He asked for the Committee's opinions. Mr. Connelly stated that he agreed that the supplementary budget will satisfy the needs at the elementary level, but it includes other needs as well. He stated that it may help to have High School items in the supplement as well. He stated that the difference between the \$1.55 and the \$1.48 will not likely change the outcome of the override vote. He stated that he would like to keep the supplement where it is.

Mr. Matthews stated that there has been good interchange among committees during this process. He stated that it is very important to him to be working on a consensus-based model. He stated that Needham may take this for granted, but other communities have Boards of Selectmen and School Committees that conflict. He stated that he knows that the School Department budget is consistently growing more than the Town departments, and he understands there are some things like underlying mandates that drive that. He stated that if the School Committee wants to take the supplementary request to the voters, and it is not unreasonable, the Board will vote in favor of putting it on the ballot. The Board would vote later whether to support it. He stated that the collective bargaining agreement addendum created this issue. He stated that in the future if there is a budget-impacting part of a contract, there should be much better communication before a position is staked out. He noted that the idea of an override was rolled out to the public before it was discussed with other boards.

Mr. Matthews noted one micro-issue with the numbers. He stated that when a new teacher is hired, the position is included in the budget for \$55K. However, in 5 years, that teacher will often be making \$85K with education incentives and other changes. Therefore, he suggested some one-time expenses be included in the budget so that there is not a squeeze later. He stated that there is also the big issue of sustainability. He stated that it has been 6 years since there has been discussion of an operating override. It is not something that should be revisited every other year. The Town needs to think about how long until the next override, and plan for that. He stated that different towns do things differently. Enrollment changes have not been even across similar towns. Needham has had an increase of 11% in the last 10 years, while Norwood has had a decrease of 6%. Brookline has had even higher enrollment increases than Needham. The question is what is the long term plan, and how does this override fit in with the regional educational profile. He stated that is the Board of Selectmen's overall view. In the short run, the School Committee will come up with an override number of February 25 and the Board will vote most likely to put in on the ballot. There are issues with how we got here, but he is satisfied with the result. He stated that the Town needs to think about the long term.

Mr. Zimbone stated that he has been upfront with his frustration with the process. He stated that Mr. Matthews mentioned concern with the Schools, but some of the responsibility lies on his doorstep as well. Mr. Zimbone stated that the Finance Committee did not know about the Board of Selectmen's idea of eliminating \$640K of sticker fee revenue from RTS and taking that from the Town. If the Finance Committee had known about it, they could have stopped it and prevented the override. In the future, the three boards: the School Committee, the Board of Selectmen, and the Finance Committee, need to talk more. Although there is only limited budget data from the Proforma in the fall, that time would be good for long term discussions. The discussions should cover more than just from one year to the next. He stated that going forward, the Finance Committee needs information earlier so that it can be out front to anticipate the long term needs of both the Schools and the Town. He stated that he was frustrated as he tried to get the override to zero that there had not been better communications to allow the Finance Committee to see the big picture. He stated that he could come up with cuts to the Town budget get the override to zero at this point, but that is not the way to run a town.

Mr. Lunetta stated that if people have learned anything, it should be that work together earlier on. Mr. Reilly stated that he came late to the liaison discussions of the supplementary budget, and had advocated cutting as much as possible, but he now thinks that the Committee needs to face the reality of underfunding the Town. For example, the \$225K from the ABC program is not going away, it is just moved elsewhere. He questions whether \$1.5 million will sufficiently fund the School programming going forward.

Mr. Greis stated that seeking an override is not a science. The \$2.1 million became \$1.8 million by removing the Assistant Principal positions. \$100K was removed by anticipating the use of money hopefully left at the end of the year. An additional \$260K was taken from the SPED budget, which is taking a risk by assuming that the money won't be needed, though it might be. He stated that the reality is, the total cost of the override is \$1.8 million, and some was taken out, which is a risk. Ms. Gulati stated that the budget could be short by \$260K in FY16 because additional funding is needed for teaching assistants or for SPED. Mr. Zimbone stated that each year the School Department prepays SPED tuitions, so they are \$300-\$500K ahead in their budget. Ms. Miller stated that \$181,308 in Assistant Principal salaries were moved from the override to the operating budget, so if another \$70K is shifted then there will be \$250K that was originally part of the supplement, but could be added to the operating budget if the override failed. Ms. Gulati stated that Dr. Gutekanst feels it would be disingenuous to add something to the operating budget if it were voted down. However, it could be included another year. Dr. Barnes stated that there is a need for all of the items in the supplement, or they wouldn't be there.

Mr. Connelly stated that he shared Mr. Zimbone's ideas, especially since he has great experience with this budget. He stated that this has been a flawed process, and the Finance Committee does not have to accept it. The problem created by not including the Finance Committee or the Board of Selectmen was the Schools' choice. The need to talk about long term plans and programs is critical and did not happen. He stated that his opinion is that an override is a last resort when there is nowhere else to turn, but there are other places to turn here. He wants to continue to try to remove items from the request to make this work without an override. There is a 4.8% increase requested in the School Department budget, and it needs to be discussed. Mr. Lunetta stated that Dr. Gutekanst sent him an email that seemed to say that the current amount is all that can be done. Ms. Gulati stated that he has considered it and is content with this figure. Dr. Barnes stated that \$1.5 million is the bottom line to make the supplement and its content work.

Mr. Flinton stated that he agrees with Mr. Zimbone and Mr. Connelly. This is not a discussion of the program contents, but the technique of how to fund the programs. He stated that an override needs to be considered in the context of other possible overrides. Voter fatigue will set in if there are too many overrides, and some critical needs are coming. He feels that in this context we need to ask if everything has been done to avoid an override. In a \$50-\$60 million budget, there should be things that could be cut in an effort to retain the good will of the voters. Dr. Barnes stated that the School Department has not been cavalier about the 4.8% increase in the budget request. That budget will maintain the current programs, and the supplement would add programs. He stated that the budget has been trimmed, and they need what is being asked for. Ms. Zappala stated that she shares Mr. Flinton's perspective as a finance person. She is gravely concerned about the capital overrides that will be needed for deteriorating buildings. The Schools have always gotten increases higher than revenue growth, and have not had room to add programs. They have chosen to fund this additional program as an override. The only other way to prioritize a new program would be to reduce another program, increase class sizes, or eliminate an elective. She stated that the Schools are still hoping for full-day kindergarten some year. She has not seen a year when the needed basic increase was not above 4.5%. She is concerned about voter fatigue, but it is within the Schools' purview to seek and override, and she hopes the program is well-received. She does not think that there are further adjustments in the School budget for the \$1.5 million, and she does not think it can be taken from the rest of the Town budget without squeezing too tight and leave no cushion. Eventually that would lead to cutting into the ability to buy capital with free cash. Mr. Zimbone noted that full day kindergarten would cost \$1 million, without considering space issues.

Mr. Lunetta stated that all seem to agree that there could have been better communication, but there is not a need to pillage the Town budget. He stated that there may not be a better way to go about this. The School Committee does not need the blessing of the Finance Committee to move forward. He thanked Mr. Zimbone for his hard work to move things out of the override. Dr. Barnes also thanked Mr. Zimbone for his time and effort. He stated that the School Committee will act in the best interest of the children. The School Committee thinks it is the appropriate time for an override and that the additional programming is needed. He stated that they have been chastised and will do things differently next time. Mr. Zimbone asked when they would seek full-day kindergarten. Mr. Greis stated that they will have the space after the Hillside and Mitchell building projects are done. Dr. Barnes stated that he expected Hillside to be done in FY19. Ms. Gulati stated that they would also need to see the kindergarten enrollment to continue its decline. She stated that they have not discussed how to fund the full-day kindergarten.

### **FY 2015 Operating Budget- General Fund Operating Budget**

Mr. Lunetta asked whether any members wished to propose needs that were not included in the budget requests. Ms. Miller stated that she had two items to discuss, the Drains budget, which is funded through the General Fund but shows up in the Sewer Fund budget, and the RTS budget. She stated that she would discuss those issues later.

Mr. Lunetta stated that he felt it was a priority to restore the \$100K to the Reserve Fund that the Town Manager proposed to cut. He stated that he wanted to consider how to generate more revenue, and to explore the possibility of funding a position with the sole purpose of generating development activity at Needham Crossing. Mr. Zimbone stated that the idea should be examined. Mr. Reilly stated that he concurred with the restoring the funds to the Reserve Fund.

Mr. Lunetta stated that he wished to address the Town Manager's proposed budget line by line. There were not suggested changes for the Town Manager's or the Town Clerk's budgets. Ms. Miller suggested that the additional expenses being requested for the Town Counsel's budget for outside counsel are more appropriately expenses that would come from the Reserve Fund. Mr. Reilly stated that there will always be these additional expenses, and the attempt is to get the budget in line with what the Town actually spends. Mr. Connelly stated that the Committee made the decision a few years ago to try to build the Town Counsel's budget to the level of the expenses. Mr. Zimbone stated that the proposed Town Counsel budget is appropriate. There were no changes suggested for the Personnel Board line.

Mr. Lunetta stated that the Town Manager increased the Finance Department budget to allow the DSR4 for additional administrative hours of an administrative staff person in the accounting office. Mr. Reilly stated that the Town Manager made some other reductions in the Finance Department to offset the cost. He stated that it was important to fund the additional hours, and it is fine to make other changes to fund that. Ms. Fitzpatrick stated that it would only be a few more hours. There were no changes suggested for the Finance Committee budget.

Mr. Lunetta stated that the Planning and Economic Development budget recommendation did not allow the request for additional funds to hire a consultant if needed. Mr. Reilly asked Ms. Fitzpatrick to comment on Mr. Lunetta's idea for an additional person to help develop Needham Crossing. Ms. Fitzpatrick stated that the request for money for a consultant was in case complex planning issues come up. She stated that she is not convinced that have an additional person to serve as a real estate developer would help. She stated that there is staff working on developing the area, and an additional person is not in the Town's plan. Mr. Lunetta stated that he was just looking for more activity at a faster pace. Ms. Fitzpatrick stated that she was not sure things could proceed faster with more staff. Mr. Zimbone stated that he would like to see the idea evaluated in the next budget cycle. Ms. Miller stated that the Town should consider whether hiring a consultant for 2-3 years would be better than hiring an employee.

Ms. Miller asked how the Police Department budget would be saving money by hiring night dispatchers instead of having the officers handle the calls, since it will be more expensive. Ms. Fitzpatrick stated that the Chief knows the topic better, but the requirements have changed and there is need for significant training to answer the calls. She stated that since all officers might answer calls under the current structure, they would all need this training on an overtime basis. Instead, they will be able to fund half of the additional people with the savings. She stated that over time it will be cheaper to have the civilians as dispatchers. Ms. Miller asked how many calls are received per night. Ms. Fitzpatrick stated that she would provide that information. Mr. Flinton stated that there is a collateral benefit of adding officers on patrol since the same number of officers will work, but none would be answering phones. Ms. Fitzpatrick stated that there will be a decrease in training of \$35K in the first year. The cost will be \$71,012 plus benefits. She stated the goal is not to save money, but to align the work with the staff better. Ms. Miller stated that philosophically she disagrees with hiring in one department and seeking an override for additional funds elsewhere. Ms. Fitzpatrick stated that the Town cannot fund its own priorities unless it cuts its own budgets, but that approach would never allow the Town to add anything if the School needs always come first. Mr. Zimbone stated that he does not see these things as either Town or School priorities, but as taxpayer priorities. He stated that the Town has a chosen a \$640K priority to eliminate sticker fees at the RTS, and a \$71K priority to hire civilian dispatchers, while the Schools have their own priorities. He stated that is why the Boards all need to come together to discuss the taxpayer priorities. Ms. Fitzpatrick stated that this is the

forum for this discussion. She stated that the RTS proposed elimination of sticker fees is just a proposal. She stated that she has to distance herself from the School priorities. Mr. Lunetta stated that the voters will decide whether to pass the override, and they also have input when they elect their representatives. Mr. Reilly stated that it is an intelligent approach to have non-police personnel doing work that does not require trained police officers. He stated that there is no resulting cost reduction, but it will structure the department better. Mr. Lunetta stated that members seem to agree that the police budget should not be changed. Ms. Miller stated that it is not unanimous.

Mr. Lunetta stated that the Fire Department budget contains significant overtime expenses. Ms. Fitzpatrick stated that she proposed a net reduction to the department of \$54,683, based on the elimination of the Fire Alarm Superintendent position, and removing the additional overtime needed to fund some of the functions of that position until the conversion of the alarm system to wireless. She stated that reduced the general overtime in this budget by \$30,000. She stated that she would supply a matrix showing the reductions and changes to the Fire Department budget. Ms. Miller asked whether the cost of the Planning Board's review of construction plans covered the costs incurred by the Fire Department. Mr. Davison stated that the Planning Board determines those fees, and he does not know how they are calculated. Ms. Miller asked for the fees. Ms. Zappala stated that to the extent there are cuts made in one department, there should be a funding priority elsewhere. She does not see a need to cut from the Fire budget without a need elsewhere. Ms. Fitzpatrick stated that last year the Fire Department asked to fully fund their overtime to eliminate the structural funding gap, and that some was cut. She stated that her recommended budget gets them closer. Mr. Zimbone stated that the Committee should decide on the specific cuts later.

Mr. Davison stated that he would supply the updated assessment for the Minuteman Schools which is approximately \$20K less than the previous estimate.

Mr. Reilly stated that in his review of the DPW expenses, the diesel costs for the highway department looked high. He stated that he found that the fuel for snow and ice removal was built in. He stated that the law allows the Town to overspend for snow and ice, providing that the Town has not reduced that budget. He stated that if the diesel is reduced, it could be seen as reducing the budget for snow and ice removal, which could bar the Town from overspending the budget. He proposed that \$25K be removed from the highway fuel expenses and be put into the snow and ice budget, bringing it to \$425K. Ms. Miller stated that leaving the money in the DPW allows them more flexibility. Mr. Reilly stated that was not a valid end. She stated that once funds are in the snow and ice budget, they are stuck forever since that budget cannot be reduced. Ms. Zappala stated that increasing the snow and ice budget is very difficult to explain to Town Meeting, and there was much resistance when it was increased to \$400K.

Mr. Reilly stated that he reviewed the field maintenance costs and found that the spending makes sense in light of the tiers of fields. He noted that Cricket Field costs about 50% more per acre than other top tier fields because it requires a special top dressing. He stated that if it stays a playing field, it may be best to redo the entire field as was done at Greene's Field. Ms. Miller stated that funds were taken from the garage budget in FY14 and asked if there was justification for restoring that in FY15. Mr. Reilly stated that they are now spending at the rate of the FY15 request. Mr. Reilly stated that the department did not have the right person running it last year so the budget was not being used, and was cut. Ms. Miller asked about the \$46K reduction in field maintenance. Ms. Fitzpatrick stated that \$46K was removed from the budget in FY14 because

the costs are being supplemented with funds from the new field fee. For FY15, there is an \$11.5K increase in the base request to fund a wetting agent to protect certain grass. Ms. Fitzpatrick stated that the overall field maintenance protocol is \$222K, funded with \$96K from direct fees and the remainder from the operating budget.

Mr. Reilly stated that he had wanted to shift some funds from the DPW, but is not convinced. Ms. Zappala stated that there is a choice of specific garage maintenance or specific field maintenance. She stated that the Town should stick with the full field maintenance because of the investment made in the fields. Mr. Zimbone stated that cutting \$150K would be only 3%, and he does not think their budget is that tight. Mr. Davison stated that the Committee would have to specify which line. Mr. Reilly suggested sticking with the Town Manager's line for now, unless additional money is needed.

Mr. Zimbone asked when the solar panels will be installed and running, since they will affect energy costs. Ms. Fitzpatrick stated that there is no date; the agreements are being put together and then they will get in queue for net metering. The work has not yet been permitted. They will not be running at all in FY15. Mr. Zimbone stated that the Public Facilities Department had made estimates based on a good projection method, but that they do not account for effects of their work installing energy upgrades. He stated that he had been thinking that \$100K could be cut, but he also looked at the Senior Center estimates, which he thinks are too low. He stated that he would recommend a reduction of \$50K in the energy budget.

Mr. Lunetta stated that he was interested to know whether the Health Department and Human Services partnered together, since some of their services are similar. Ms. Fitzpatrick stated that they do work together, as their services overlap, particularly for youth, in areas like suicide prevention. Mr. Reilly stated that Ms. Berns stated that the department applied for a grant to fund the Substance Abuse Director position, but also requested to include it in the operating budget in case the grant was not awarded. Ms. Berns told the Finance Committee that if the grant was funded, then the salary money would flow through to the Reserve Fund. Ms. Fitzpatrick stated that several other similar communities have not gotten the grant funding. Mr. Reilly stated that since there was no other use for the funds, he preferred not to include the position in the operating budget at this time, and to fund from reserves if necessary. Mr. Davison stated that a Reserve Fund transfer would not be appropriate for a salary, but it could be funded through a budget amendment at a Town Meeting. Ms. Fitzpatrick stated that it would be important to communicate the plan to fund the position even if the grant does not come through in order to make sure not to lose that employee. Mr. Reilly stated that he supports the need for the position, but does not think that it should be funded in the operating budget at this time.

Mr. Lunetta stated that the Human Services budget is the same every year, with the addition of one DSR4 request this year. He stated that he feels that there is a need for more funding in the Youth Services budget, but it should be driven by the director who has not requested more funds. Mr. Zimbone stated that he has asked many times, even in a sidebar conversation, but the director does not want more funding.

Ms. Zappala stated that the Town Manager recommended funding one DSR4 from the Library's budget request, but not others. Ms. Miller stated that she had asked the Library Director whether there was anything needed that was not in the budget. She was told that they want some capital improvements, and they are working on a study of what is needed. Ms. Miller stated that the Library is very slowly starting to spend down the state aid account. Mr. Zimbone stated that the



Committee should pull out the DSR4 request for \$21,223 for the Children's Programming staff person since that work is being funded with state aid and that can continue.

Ms. Fitzpatrick distributed a spreadsheet with the Employee Benefits Budget History that showed that the additional funds at the end of the past three years, and what transfers were made of those funds to other budget areas including OPEB. Mr. Reilly stated that there was a substantial excess in the Employee Benefits line for those years. Ms. Fitzpatrick attributed the savings to the fact that employees were changing to less expensive rate saver health insurance plans. Mr. Reilly stated that the estimated cost per employee increased from FY13 to FY14. He stated that the number of enrollees was down. Ms. Zappala stated that it is important to look at the number of enrollees budgeted for when looking at the amount budgeted. Mr. Davison stated that the FY15 budget will be closer to actual expenditures because the effects of the change to rate saver plans are accounted for in the rate assumptions. He stated that he does expect some turnback from FY14 because there were people who were enrolled in the health plan in FY13 that did not stay in the plan in FY14. He stated that the firefighters also had 6 months of rate savers plans in FY13 and a full year in FY14. Mr. Reilly stated that it appears likely that \$10 million of the \$10.8 million health insurance budget will be needed in FY14. He stated that there has been a turnback of \$600K each year recently. Mr. Davison stated that he does not expect the turnback to be at the same level going forward. He stated that he expects it to be closer to the levels before FY10 which was closer to 4%. Mr. Reilly stated that 4% is roughly \$450K, and asked if that contingency is needed. Ms. Fitzpatrick stated that she had just received notice of the rate increases for the health plans, which range from 5.8% to 17.1%, so the FY15 costs will be higher than previously anticipated.

Mr. Lunetta asked the reason that health plan enrollment was down. Ms. Fitzpatrick stated that each year there are 50-60 new people at the School Department, and that this year many did not enroll. She stated that it is an anomaly, and there is no reason to expect such a decrease in the future. Ms. Zappala stated that the FY14 budget was built for 826 enrollees. There are now using a figure of 793 enrollees with a 5% rate increase, which is not unreasonable. Mr. Davison stated that he expects to return to the days of 10% growth in health insurance rates. Mr. Reilly asked why the Medicare and Social Security budget has increased. Mr. Davison stated that those increases assume a 4% increase in Medicare and a 3.8% increase in Social Security, based on a 4-year actual average. He stated that these costs must be paid for all employees whether or not they are benefit eligible, and whether their position is in the operating budget or funded by a grant.

Mr. Lunetta stated that he wanted to add \$100K back to the Reserve Fund. Ms. Zappala stated that she thought \$51K should be added to have sufficient funds in case the Health Department grant for the Substance Abuse Director is not funded. Ms. Miller questioned why the Reserve Fund should be so high when it is often not used. Ms. Mizgerd noted that there is approximately \$800K left in the FY14 Reserve Fund, assuming the entire authorized Snow and Ice Removal expenditure is made and the Reserve Fund covers the overdraft. Ms. Miller stated the Reserve Fund amount is getting large, and sitting unused. Mr. Reilly stated that it is needed in case there are needs in budget areas like Special Education or Fire Overtime that are being cut.

Mr. Reilly asked for an explanation of the building fee data. Mr. Davison stated that the Building Department data shows permit applications that are put into the system. He stated that since some permits don't materialize, the actual fee data from the Treasurer/Collector's office is often different. He noted that the Building Department reported FY14 fees as \$1.096 million

through October 2013, while the Treasurer's actual receipts of \$1.385 million are for the period through January 2014. He stated that the permit count information shows nonresidential permits, which include plumbing in commercial buildings. The data is not broken out by commercial vs. residential. Mr. Zimbone stated that there are almost \$1.4 million in fees in FY14 with 5 months left, so the Town can expect \$1.8 or \$1.9 million for the year. He questioned whether an estimate of \$1.2 million of fees for FY15 is too low. Mr. Davison stated that it is about 80% of the average of actual collections, so it is a prudent amount in case of swings in the numbers. He noted that the jump in nonresidential permits is not something that can be expected every year. He pointed out that there have been two permits issued in FY14 that brought in over \$200K, which represents over \$400K of the FY14 permit revenue. He noted that there can be volatility. Mr. Reilly stated if the goal is to assume 80% of prior years, then he would not quarrel with that. He stated that the estimate could be changed by approximately \$100K. Mr. Davison stated that until the state budget is farther along in the process he would not change it. He stated that this method is comparable to what he has been doing in Town for 10 years.

Mr. Lunetta asked if the Committee wanted to transfer the part-time salaries of the Assistant Athletic Director, the expanded High School Dance Program, the expanded High School Digital Multi-Media Program, and the World Language Administrator from the School Supplemental budget into the operating budget. Ms. Miller asked whether those positions are related to the needs for the expanded curriculum in the supplement or whether they are intended as a hook to get the support of High School parents. She stated that there is no reason why they can't be funded in the operating budget since it would be cleaner. Ms. Zappala stated that it is the Schools' decision where to request the funding. Ms. Miller stated that the Finance Committee said that they would work with the Schools to try to decrease the amount of the override. Mr. Zimbone stated that the World Language Administrator for \$11K is part of introducing Spanish to elementary students which is part of the expanded curriculum. The other three positions, which represent \$59K, are items that would normally have been included in the operating budget request. He stated that if they are left in the override budget, then they might not be funded next year, and the Schools want to get those positions in place. He stated that if the \$59K can be funded, then the Finance Committee should do that, since it would be fiscally responsible and the right thing to do. Mr. Connelly asked what would happen in the Finance Committee recommends funding these positions in the operating budget, and then the Schools also leave them in the override request. Mr. Zimbone stated that the School Committee will decide what will be in the override request on February 25, and the Finance Committee will vote the final budget recommendation after that, so the positions can be pulled out then. He noted that he fully expects that they would not do that. Mr. Zimbone stated that the cost of the crossing guards also needs to be funded. He stated that funds should be put into the Reserve Fund, and moved into the police budget later if needed. Mr. Reilly stated that the need for the override is more self-supporting without those additional positions. Mr. Greis stated that those positions are important to the School Committee, and were not requested simply for marketing purposes. He stated that the School Committee would never request those positions in both the operating budget and the override request.

### **Finance Committee Updates**

The Finance Committee agreed to vote an initial draft budget on February 19.

### **Adjourn**

MOVED: By Mr. Flinton 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 8-0, at approximately 10:00 p.m.

Documents: Town of Needham Proposed Annual Budget, Office of the Town Manager, January 28, 2014; Town of Needham Departmental Spending Requests, FY2015, December 11, 2013; Town of Needham Capital Improvement Plan FY 2015 – FY 2019, dated January 7, 2014; Memo from Anne Gulati to School Committee dated Feb. 12, 2014 re: Proposed Changes FY15 Supplemental Request; Employee Benefits Budget History, dated February 11, 2014; Building Permit Revenue chart dated February 12, 2014.

Respectfully submitted,

Louise Mizgerd,  
Executive Secretary/Staff Analyst

*Approved March 5, 2014*