

**Needham Finance Committee
Minutes of Meeting of April 30, 2014**

The meeting of the Finance Committee was called to order by the Vice Chair, John Connelly, at approximately 7:00 pm at the Town Hall.

Present from the Finance Committee:

John Connelly, Vice Chair

Members: Richard Creem, James Flinton, Louise Miller (arrived 7:10 pm), Richard Reilly, Lisa Zappala, Richard Zimbone

Also present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Citizen Requests

There were no requests to address the Committee.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Reilly that the minutes of April 2, 2014 be approved as distributed, subject to technical corrections. Ms. Zappala seconded the motion. The motion was approved by a vote of 5-0-1. (Mr. Zimbone abstained. Ms. Miller had not yet arrived.)

2014 Annual Town Meeting Warrant Article 11: Appropriate the FY 2015 Operating Budget

Mr. Zimbone confirmed that the only changes to the Finance Committee's originally voted budget are to implement the additional expenses authorized by voters in the recent Proposition 2 ½ override for new school programs.

MOVED: By Mr. Zimbone that the Finance Committee recommend adoption of 2014 Annual Town Meeting Article 11, as amended, with the following changes:

Line	Description	Changing From:	Changing To:
3	Group Health Insurance & Benefits	\$10,212,592	\$10,398,872
20A	Police Department Salary & Wages	\$5,531,607	\$5,576,287
24	Needham Public School Budget	\$56,643,838	\$57,961,288

Ms. Zappala seconded the motion. The motion was approved by a vote of 6-0.

Amend the Finance Committee Recommended FY2015 Budget

MOVED: By Mr. Reilly that the Finance Committee amend its recommended FY 2015 operating budget consistent with the amendment to Annual Town Meeting Warrant Article 11. Ms. Zappala seconded the motion. The motion was approved by a vote of 6-0.

2014 Annual Town Meeting Warrant Article 7: Fund Collective Bargaining Agreement – NIPEA/DPW

Ms. Fitzpatrick stated that the final union agreement is consistent with the terms she previously described in her recent update to the Finance Committee in an executive session. She stated that the terms comply with the sustainability guidelines keeping the annual increase within 4%, including steps and COLAs. She stated that one important change is to eliminate hazard pay and pesticide pay that some workers receive and to roll the differential into the base pay for all unit employees. This amounts to an increase of 2.5% before the COLA. She stated that the total increase is just over \$29,000, which is less than 1% of the salary budget of the unit. The hazard pay was being given to water distribution, highway, garage and some parks and forestry employees because of their exposure to hazardous conditions. Approximately 60% of the unit was receiving hazard pay. Including hazard pay in the salaries for the whole unit recognizes that all public works jobs are hazardous.

Ms. Fitzpatrick stated that the Town agreed to buy back RTS vacation time that workers cannot take. She stated it is harder for them to take vacation because of the schedule. The buyback is made at the regular rate of pay. If the Town pays overtime to cover for vacations, then the rate is time-and-a-half. She stated that snow operations pay is also being provided for RTS workers under the new contract. Other DPW workers have gotten this pay, but RTS workers have not, although they also need to work during storms when salt and sand is needed.

She stated that the FY16 wage increase under the contract is 1% on July 1, then 1% on January 1. The January 1 increase has a net effect of ½ % for budgetary purposes because it applies to only half of the year. She stated that this is consistent with the salary increase for the firefighters union. The costs of steps and other increases is 1.44% for a total unit salary increase of 2.94% for FY16.

Ms. Fitzpatrick stated that the clothing allowance is being rolled into the base pay starting in FY15. She stated that meals for emergency work are being rolled into base pay, which will save a great deal of administrative work. She stated that they determined the amount based on a three-year average of submitted costs. She stated that the agreement includes a statement that the salary has been increased includes meals so that this is not raised again in the future. She stated that there is now a provision for the Town to replace a mechanic's own tools that break. She stated that terms have been added allowing for electronic timekeeping, though the Town is still considering whether it will implement it.

Ms. Fitzpatrick stated that the four hours of mandatory weekly overtime for RTS workers has been removed from the contract. She stated that the change applies only to employees hired after

March 1, 2014. She stated that there are 2 new employees who will be affected. She stated that their shifts will be staggered so they work from 8-4:30 where others work 7-4:30. She stated that more workers are needed at the end of the day. The employees that are being grandfathered will continue receiving mandatory overtime during this contract, but will lose the mandatory overtime that after this contract. She stated that the employees may still get overtime work, but it is not mandatory for the Town. She stated that the RTS overtime budget would be reduced from \$151,156 to \$121,056. She stated that this is in the budget voted as recommended by the Board of Selectmen and the Finance Committee. The current mandatory overtime is for 6 employees for 4 hours per week.

Ms. Fitzpatrick stated that under the new contract, "snow" personal days were converted to regular personal days. Most employees get 2 personal days, but a certain group receives one personal day plus one snow personal day that must be taken in snow season. The original purpose was to ensure there was sufficient staff for construction work, but there is no need for it now. In response to a question about the source of funds for the salary increases, Mr. Davison stated that for the General Fund NIPEA employees, the additional funding will come from the Classification and Compensation line in Townwide Expenses. For the employees in the RTS, Water and Sewer Enterprise Funds, there will need to be an article to amend the budgets in the fall Special Town Meeting.

Mr. Zimbone asked what work qualified for hazard pay under the previous contract. Ms. Fitzpatrick stated that the contract included provisions about hazardous work which included exposure to hazardous substances or conditions, such as water treatment chemicals. She stated that other workers that were not eligible for hazard pay have argued that working with hot top or mowers also involved hazards. Since there was no way to measure or distinguish among the various hazards, it makes sense to provide hazard pay to the whole unit. Mr. Zimbone asked if there were any unit workers that were not exposed to hazards. Mr. Davison stated that all the workers in the field are exposed to hazards. He stated that situations arise such as a worker not receiving hazard pay who does emergency work in a situation with another worker who gets hazard pay for that type of work. He stated that because 60% of the unit already received hazard pay, the 2.5% differential will cost 0.94%. In response to a question from Mr. Zimbone, Mr. Davison stated that there are working foreman covered by this contract, but no office workers.

Mr. Zimbone stated that during budget meetings for the FY14 budget, there were discussions with the Finance Committee liaisons and the DPW about pay for people who do not work but are on standby for emergencies. He stated that those people are getting full pay for no work, and he asked that this be addressed in the next contract. Ms. Fitzpatrick stated that this was not changed. She stated that she thinks the standby pay is reasonable, and it was not brought up in the negotiations, since it was not a priority. Mr. Zimbone stated that the fact that full wage is being paid is not done in other workforces, such as utilities. Ms. Fitzpatrick stated that the employees are not paid for every hour that they are on call, but get 10 hours of pay for the week. Mr. Davison stated that it is a stipend at the rate of 10 hours of pay for employees to be ready and available to work and not to drink. Mr. Reilly noted that the employees get paid on top of the standby full hourly pay if they are required to come in. Mr. Zimbone stated that he found that to be excessive. Ms. Fitzpatrick stated that she would note his opinion.

Ms. Miller asked why the Town was waiting until fall to amend the enterprise fund budgets in accordance with the new contract terms. Mr. Davison stated that the contract was not settled when the warrant was finalized, and that it would be more efficient to do it in the fall when the ITWA contract should be settled as well. Ms. Miller asked for a breakdown of the effect of the NIPEA contract on the RTS, Water, and Sewer Enterprise Fund budgets. Ms. Miller asked if the understanding was that garage workers would bring their own personal tools. Ms. Fitzpatrick stated that it is the practice, but it is not mandated by the contract.

Ms. Miller stated that she is uncomfortable with the RTS workers losing a portion of their normal salary with the elimination of mandatory overtime. She stated that they work long hours and their shifts are different from other departments, so it would be difficult to make up the overtime elsewhere. She stated that the Town is planning to hire a new manager at the RTS. She feels employees may be less happy if they feel that they are paying for the salary of the new manager. Ms. Fitzpatrick stated that employee satisfaction is important to the Town. Ms. Zappala stated that overtime can still be worked, but it is not mandatory. Ms. Miller stated if it is not budgeted, they cannot be paid. She stated that the employees will lose four hours per week, which can add up to \$2,000 per year.

MOVED: By. Ms. Zappala that the Finance Committee recommend adoption of 2014 Annual Town Meeting Warrant Article 7: Fund Collective Bargaining Agreement – NIPEA/DPW. Mr. Reilly seconded the motion.

Discussion: Mr. Zimbone stated that he would vote for the article, but that he would like to go on record asking the Town Manager that there be executive sessions with the Finance Committee during collective bargaining to discuss issues. He is concerned that the one item that he was concerned about was not a priority or fell through the cracks and not included in the negotiations. He stated that he would like to have more discussion up front in the future.

VOTE: The motion was approved by a vote of 7-0.

Ms. Miller commented that she will vote against this article as a Town Meeting Member. She stated that she did not see a financial reason to vote against it as a Finance Committee member.

May 2014 Special Town Meeting Warrant Article 1: Amend the FY2014 Operating Budget

Mr. Davison stated that the article moves \$500,000 of health insurance savings into the Retiree Insurance line, to further fund OPEB liability. He stated that he estimates that the turn-back from the Health Insurance line will be \$800,000-\$1 million and is therefore comfortable that \$500,000 can be transferred from that line and still leave sufficient funds in case something goes away. He stated that he has the sense that this year will be the last of the large turn-backs from this budget line. This year, the retirees were all converted to rate saver plans, and they were the last group to be converted. The cost of medical care has not decreased. He now expects 6-8% increases in premiums. Premiums have been increasing in recent years, but the expenses have been offset by savings from the transfer to rate saver plans. Mr. Zimbone asked if Mr. Davison thought funding OPEB is the best use of the savings. Mr. Davison stated that this makes sense since it takes health insurance funds and puts it toward health insurance liability. Mr. Reilly

stated that the most recent audit in 2011 showed that the Town has \$52.7 million in unfunded liability, and it was 89% unfunded. He stated that given investment performance and deposits made since that time, he would estimate the outstanding liability to be about \$51 million. Mr. Davison stated that agreed, though other people have less conservative estimates. Mr. Reilly stated that this is a big liability. Since this will be invested in the PRIT Fund, there is a reasonable likelihood that it could double in 12 years, assuming a 6% compound annual return, thereby reducing our unfunded liability by \$1,000,000, at that point. This is a significantly better return than would be obtained through investing these funds in any of the other reserve accounts, all of which have more limited investment options. Mr. Connelly asked what would happen with the additional turn-back. Mr. Davison stated that it would go into free cash. Ms. Zappala stated that this line needs to have a sufficient cushion each year in case more people sign up for health insurance than expected.

Mr. Zimbone asked whether there is something new that the Town can do for health insurance savings in the future. Mr. Davison stated that the consortium is always looking for new plans. The biggest driver of health insurance costs is medical cost inflation, and all plans are subject to that. He added that the Town has less flexibility than the private sector. Ms. Fitzpatrick stated that she is actively working on supporting legislation that would help contain costs. Mr. Reilly asked if it was possible to know which costs are attributable to drug costs. Mr. Davison stated that drug costs are included in the actuarial tables used to base the rates. He stated that the Medicare D benefit helps the Town's rates. In response to a question from Ms. Zappala, Mr. Davison stated that he anticipates \$4-\$5 million in free cash next year.

MOVED: By. Mr. Zimbone that the Finance Committee recommend adoption of May 2014 Special Town Meeting Warrant Article 1: Amend the FY 2014 Operating Budget. Mr. Reilly seconded the motion. There was no further discussion. The motion was approved by a vote of 7-0.

May 2014 Special Town Meeting Warrant Article 3: Amend Community Preservation Fund Reserves

Mr. Reilly stated that the Town received more CPA funding from the state than was expected, so the legally required minimum allocations to the Open Space and Community Housing Reserves were not met. He stated that the money will come from the CPA reserves. Ms. Fitzpatrick stated that additional CPA funds were received and not appropriated. Mr. Davison stated that \$429,000 was expected from the state, but the Town received \$887,000, so the additional funds must be appropriated. He stated that an additional \$29 thousand is needed in the Open Space and Community Housing reserves to meeting the 10% allocation requirement. 11% had been originally allocated to the special reserves to leave a cushion, but it was not enough. Mr. Davison stated that the actual funding was \$2,698,431. 10%, or \$269,843 was required to be deposited to the Open Space and Community Housing Reserves, which he rounded to \$270,000. This article will bring those allocations to \$270,000.

MOVED: By. Mr. Zimbone that the Finance Committee recommend adoption of May 2014 Special Town Meeting Warrant Article 3: Amend Community Preservation

Reserves. Mr. Reilly seconded the motion. There was no further discussion. The motion was approved by a vote of 7-0.

Finance Committee Updates

Ms. Zappala stated that she has concerns about Article 2 of the Special Town Meeting. She stated that the contractor does not want to be required to build a fence, but she feels that deer or other damage could occur to the solar panels and the Town would be responsible. Mr. Davison stated that the contractor is not seeking the by-law change, but just wanted the fence requirement waived. He stated that the Planning Board submitted the zoning by-law, and now wants to allow discretion about fencing. The vendor does not see the risk to the site. He stated that there is a fence to prevent vehicle access, which has been the only concern at other solar farms. Mr. Reilly asked whether there were concerns that the panels could be an attractive nuisance. Ms. Fitzpatrick stated that they are surrounded by wetlands on three sides, and a steep hill. She also stated that there is no grass nearby to attract deer. Mr. Connelly stated that it is strange that the Planning Board studied the issue a few months ago and submitted a by-law with required fencing, and that now what have changed their determination. He wondered what is driving them to reverse so quickly, since they could lose credibility. Mr. Davison stated that the change is not driven by the contractor, who was looking for a Planning decision, not a by-law change.

Mr. Reilly stated that his son is on the Design Review Board, and he has been assigned the Annual Town Meeting Article regarding Site Plan Review. He stated that he does not feel there is a conflict of interest, and that there is no financial relationship involved. However, he wanted to make sure that the Committee was comfortable with his handling the article. The members indicated that they were comfortable.

Mr. Creem asked members whether they were planning to continue on the Committee into the next fiscal year. Ms. Zappala stated that last year she told the Moderator that she would stay an additional year as a transition, but that she did not want to complete another three-year term. She stated that she could stay another additional year, but still does not want to make a three-year commitment. Mr. Zimbone stated that he has one more year, and will leave after next year. Mr. Creem stated that his job has impacted his ability to fulfil his duties on the Committee, where he has served since 2003. He had hoped to finish out this term, but that he feels it is unfair to the Committee to stay on, and that he thinks it will not work for him to stay on the Committee. He noted, however, that he could be talked out of the decision.

Mr. Reilly stated that an issue was raised at the League of Women Voters meetings that he feels may be brought to Town Meeting. He stated that people have concerns about the School Department's 1:1 tablet initiative, and requiring students to pay for iPads. Mr. Reilly stated that the School Department stated that they have the support of the School Committee and the Finance Committee for the program and how it is funded. Ms. Zappala stated that she felt that the initiative was supposed to reduce the budget for technology replacement, but that they are funding both computers and iPads. Mr. Reilly stated that he would push back if the Finance Committee feels comfortable. Ms. Zappala stated that she is concerned about the program and she feels there will be an uproar when parents realize that they will be required to pay. This shifts costs to parents. She stated that the Finance Committee never suggested that parents

should pay. Ms. Zappala stated that the Schools are saying that if 85% of the costs are not met by parents, the program cannot happen. She stated that the Moderator told people that they could amend the Cash Capital article, and just remove the program. She stated that the Committee may not need to give an opinion on such a motion if it happens. Mr. Davison stated that if Town Meeting reduces an expense, then funds are just not appropriated. However, if something is increased, there must be a corresponding decrease elsewhere. Mr. Connelly stated that if the motion is made because there is an issue with the pedagogical approach and not the finances, then the Committee may not need to take a position. The amount of the program in the budget is \$127,725.

Ms. Zappala stated that another issue had been raised about whether revenue was being forecast too conservatively looking at the numbers in the warrant. She stated that she explained how there are limits on revenue forecasting, and that the Town cannot deficit spend, and that additional funds are used for cash capital. Mr. Zimbone stated that people can ask questions, but they cannot change the revenue projections. Mr. Reilly stated that a question was raised about getting Town Clerks electronic records online.

Ms. Mizgerd asked for an approval of a revision to the Minutes of March 26.

MOVED: By Mr. Reilly that the Finance Committee approved of the revised minutes of March 26 as circulated. Ms. Zappala seconded the motion. The motion was approved by a vote of 6-0-1, with Mr. Zimbone abstaining.

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 7-0, at approximately 8:25 p.m.

Documents: Town of Needham 2014 Annual Town Meeting Warrant; Town of Needham May 2014 Special Town Meeting Warrant; Motion to Amend Annual Town Meeting Article 11 - FY 2015 Operating Budget; Amended FY 2015 Finance Committee Operating Budget; Information re: Article 7 – 2014 Annual Town Meeting NIPEA/Public Works; Motion to Amend Special Town Meeting Article 1 – Amend the FY 2014 Operating Budget

Respectfully submitted,

Louise Mizgerd,
Executive Secretary/Staff Analyst

Approved May 7, 2014