

**Needham Finance Committee
Minutes of Meeting of June 11, 2014**

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

Present from the Finance Committee:

Richard Lunetta, Chair; John Connelly, Vice Chair (arrived 7:55 pm)
Members: Richard Creem (arrived 7:25 pm), James Flinton, Louise Miller (arrived 7:10 pm), Richard Reilly, Lisa Zappala, Richard Zimbone

Also present:

David Davison, Assistant Town Manager/Finance Director
Charles Laffey, Director of Public Facilities Operations
Stephanie Maloney, Administrative Analyst, Public Facilities Department
Dan Gutekanst, Superintendent of Schools
Anne Gulati, Director of School Financial Operations
Steve Popper, Director of Design and Construction
George Kent, Chair, Permanent Public Building Committee
Aaron Pressman, School Committee Member

Approval of Minutes of Prior Meetings

MOVED: By Mr. Reilly that the executive session minutes of April 14, 2010, March 30, 2011, and July 15, 2013, be released and approved as distributed. Ms. Zappala seconded the motion. The motion was approved by a vote of 5-0.

Reserve Fund Transfer – Public Facilities

Mr. Laffey stated that he needed additional funds for budget line 28B because the fuel oil expenses were higher than budgeted due to an abnormally cold winter, and because an unexpected additional building came online. He stated that this has caused a deficit of approximately \$44,500. He stated that he is unsure how the electricity bills will come in, which are traditionally high when air conditioning is needed. Mr. Lunetta asked if the planning has fallen short. Mr. Laffey stated that the unusually cold weather was combined with unexpected repairs and security needs for buildings, and that the expenses were an anomaly. He stated that condensing boilers are generally more efficient, but when they are constantly running as needed in extremely cold weather, there is no energy savings over other boilers. Mr. Lunetta asked if this will be factored into future budgets. Mr. Laffey stated that this was not considered in the FY15 budget. However, they use a three-year average in budgeting, so this past winter will be accounted for in the FY16 budget.

In response to a question from Mr. Reilly, Ms. Maloney stated that the transfer request represented approximately 8% of the budget. Mr. Reilly asked if the request was sufficient since the memo suggested repair work was being squeezed. Mr. Laffey stated that some painting and ancillary work was being delayed.

MOVED: By Mr. Reilly that the Finance Committee approve of the request for a transfer of \$70,000 from the Reserve Fund to Public Facilities Operations budget line 28B. Ms. Zappala seconded the motion. The motion as approved by a vote of 5-0. (Mr. Connelly, Mr. Creem, and Ms. Miller had not yet arrived.)

Reserve Fund Transfer – Snow and Ice

Mr. Davison stated that the Snow and Ice Removal account has been closed, with total expenses of approximately \$1.106 million. The Finance Committee has authorized spending up to \$1.2 million. The appropriation was \$400,000 leaving a need for \$706,635. He stated that the Reserve Fund would be left with \$590,157.

Ms. Zappala asked if there were other budget areas that might need additional funds. Mr. Davison stated that the legal budget is on watch, but was in good shape last week. He stated that a DEP or Needham Mews issue could arise. He stated that the Public Safety budgets have no problems. Mr. Reilly asked if the salt shed had added value to the Town. Mr. Davison stated there will be value next year because the added space will be available in time to buy a larger amount of stock earlier in the season. He stated that the high costs of salt this year are more attributable to the amounts needed than the incremental costs. Mr. Reilly stated that he would like to see an analysis of salt purchases in the past to get a sense of the benefit of the salt shed.

MOVED: By Mr. Zimbone that the Finance Committee approve of the request for a transfer of \$706,635 from the Reserve Fund to budget line 25B for Snow and Ice Removal. Mr. Reilly seconded the motion. The motion as approved by a vote of 6-0. (Mr. Connelly and Mr. Creem had not yet arrived.)

School Department- FY14 Budget Update

Ms. Gulati explained that the FY14 third quarter projections show a residual balance of \$784 thousand, after incorporating certain projected additional expenses. She stated that the balance comes from prepayments of FY14 expenses last year, higher than budgeted Circuit Breaker reimbursement, and normal budgetary surplus. She stated that special education tuitions of \$435K were prepaid last year to cover a projected deficit of that amount, but that none of it was needed. She stated that the SPED tuition budget is expected to have an additional surplus of \$133K. Ms. Gulati stated that the sources of the anticipated residual budget balance are the same sources that have provided additional funding in recent years: higher than expected Circuit Breaker reimbursement of \$227K, last year's pre-payment of special education tuitions of \$435K, plus an additional \$133K surplus due to volatility of this budget area, salary savings of \$293K due to turnover, and \$130K budgetary surplus in other accounts.

She stated that the Department is committed to using \$433K to buy one-time items for FY15 that were cut during the budget process but intended to be covered if additional funds were available at the end of the year, including text books and furniture. She stated that some of the expenses are related to the override programs: \$141K relating to the extended day program and \$291K for

textbooks. Additionally, \$260K would be used for SPED tuition prepayments. She stated that the School Committee approved this plan as part of its FY15 budget plan.

She stated of the \$784K anticipated budget surplus, the Department is proposing to use \$619K for prepayment of FY15 tuitions and to cover FY15 needs not funded in the budget. She stated that the FY15 budget already incorporates positions that needed to be added in FY14 that had not been budgeted. She stated that during the next budget process, such positions are either added to the budget, or considered temporary and not continued. She stated that the projections include payroll calculations from the new financial system which is much less time consuming than the traditional method of manually adding up projected salaries, but she is not as confident as usual in the figures. Mr. Reilly stated that there seem to be four main drivers of the increased salary costs: temporary payroll clerks, teacher reallocation, sequester positions, and additional world language teacher. Ms. Gulati stated that the teacher reallocation was needed to cover SPED teachers that were needed to cover additional IEP needs of about \$104K. Dr. Gutekanst stated that the sequester positions were affected by the automatic federal budget cuts. They were requested for the FY14 budget, but cut during the Town's budget process.

Ms. Gulati stated that there was a deficit in the SPED transportation costs because the two largest vendors merged, eliminating competition and causing a loss of some contractual savings. Dr. Gutekanst noted that there has been a significant rise in homelessness in the state, so the demand for these vans has increased as the supply has decreased. Ms. Gulati stated that the Schools' own vans have saved considerable amounts of time and money because of the flexibility. Part of the proposed pre-purchase plan includes a van and van driver. The budget had included two, but funding for one was cut. Ms. Gulati stated that the legal budget is projected to have \$20K surplus.

Dr. Gutekanst described the proposed end-of-year spending described in the memo of June 11, 2014. \$333K would be used for SPED needs not currently included in the FY15 budget, \$260K of SPED tuition prepayment, and \$26K which is the balance of funds needed to fully fund an additional 1st grade teacher needed at Broadmeadow. Ms. Miller asked how salaries could be pre-purchased. Dr. Gutekanst stated that additional SPED tuitions are pre-purchased in that amount, and then funds are reallocated. So \$619K of SPED tuitions will actually be prepaid, and the FY15 funds allocated to tuitions will be freed up.

Ms. Gulati stated after the proposed \$619K is allocated there is a projected residual balance of \$165K. Dr. Gutekanst stated that one proposed use would be to allocate \$125K-\$150K to complement the food service funds for designs to expand the cafeteria and add modular classrooms. If the design work is completed in summer of 2014, he would propose to go to Town Meeting in the fall to request approximately \$3 million for project construction during the summer of 2015. He stated that the project is expected to increase in cost \$200K-\$300K if delayed on year. He stated that the cafeteria expansion and modular are tied together and the cost and engineering work should be done together. He stated that the need has been there, but the project was put in the capital plan, and then removed when it appeared it could be funded with food service funds.

Dr. Gutekanst stated that another possibility is additionally funding the iPad program. He stated that 85% of parents have said they will purchase equipment, and 9% have asked to borrow iPads. He stated that approximately 5% have not responded. He stated that the program will go forward. Mr. Lunetta stated if \$120K is used for the high school design work, then only \$45K is available. He stated that the nonbinding resolution made at Town Meeting asks the Finance Committee to work with the Board of Selectmen and School Committee to reduce the financial burden of the program for parents. He stated that the \$45K could be used. He noted that the Reserve Fund has \$590K remaining. He stated that some of the \$430K being used for FY15 pre-purchases could be used.

Mr. Zimbone stated that he met with Dr. Gutekanst and Ms. Gulati to discuss the \$165K. He stated that some Reserve Fund money could be used for design funds. Ms. Gulati noted that the design work would not be contracted until after July 1, so it would need to come from FY15 funds. Mr. Zimbone stated that in addressing the Town Meeting resolution, the Town would need to reimburse parents who have already paid for equipment, and provide payments for others. Dr. Gutekanst stated that an additional \$200K would be needed to fund all off the iPads. Mr. Lunetta stated that the funding would need to be sustained in future years. Dr. Gutekanst stated that the goal is to try to address the issue. The School Committee has not discussed the practicality of getting it done by the end of this fiscal year.

He stated that the story that has been presented for the past couple of years is that if the program goes forward, it would require parents paying for iPads. He stated that the timing of funding the program differently at this point is impractical. Mr. Lunetta stated that providing the funding would be appreciated even if it is not what was being said earlier. He stated that a conservative approach could be to provide a certain percentage of reimbursement. Ms. Gulati stated that a lot of legal research was done for this project, and public funds cannot be used to subsidize private ownership. The plan is to provide some loaners for no fee. She stated that they could look into increasing the number of loaners. Dr. Gutekanst stated that he is concerned about whether this will solve the problem going forward. Mr. Zimbone stated that he feels the Town Meeting resolution intended to resolve an issue created at Town Meeting. He stated that it should be addressed this year since there is money in the School budget and in the Reserve Fund. He stated that it would be derelict in the responsibilities of the committees to let the funds go to free cash. Ms. Zappala stated that the program was designed to have parents purchase the iPads and that they would have them for personal use as well as for school. Because of the Town Meeting resolution, the Town could add loaners or supply all with loaners, but it would be a change to the program. She stated that it is important to consider how the change will affect the future. Mr. Reilly stated that he is not comfortable solving the issue for only one year. He stated that the Committee could take the position that the future turnback will be sufficient to fund it each year. He stated that if the program is funded later but not now, then this year's parents will feel they have taken an unnecessary hit. He stated that he feels the money should be used for design work at the high school. Mr. Lunetta stated that it is also important to consider how much should go back to free cash.

Ms. Miller stated that she is concerned with funding the design work without going to Town Meeting. She stated that the project was in the capital plan then removed. Ms. Gulati stated that

the modular classrooms are in the plan with the extraordinary expenses, but the cafeteria expansion was removed because the food service funds were expected to cover it. Ms. Gulati stated that the cafeteria work was removed when it was estimated to cost \$220K because it involved redesigning the current space, but it became apparent that expansion is necessary, and the cost has increased to \$1.4 million. Ms. Miller stated that Town Meeting should review any project that will be funded in the 3% levy limit. She noted that she does not question the need for the additional capacity. She stated that the funds should be appropriated by Town Meeting. Mr. Creem stated that he agrees wholeheartedly. He stated that once designs are funded, the Town doesn't back out of a project. He stated that Town Meeting needs to evaluate the project going into design. Ms. Zappala stated that design for some smaller projects has been funded in a similar way, but in a bigger case like this with \$250K design and \$3 million construction, the issue usually goes to Town Meeting. She stated that even in an emergency situation like the Pollard project, the project was presented to Town Meeting. Dr. Gutekanst stated that the Mitchell Modular project design did not go to Town Meeting, so they were following that path. He noted that perhaps it should have gone to Town Meeting. Mr. Connelly stated that he concurs with Ms. Miller and Mr. Creem. He does not have enough information to determine whether this is appropriate, such as the cafeteria and classroom usage, the cafeteria times and whether that could be modified. He needs more information to justify the project beyond the number of students. Dr. Gutekanst stated that he has that information, but did not prepare it for this meeting. Mr. Connelly noted that there are some other expensive building projects coming up, and doing this could diminish the focus on those projects. He is not sure that the work is being prioritized correctly.

School Department – Capital Planning

Dr. Gutekanst stated that in a June 4 memo to the School Committee, Ms. Gulati provided the main objectives of the major school facility needs, which are: upgrade facilities, implement full-day kindergarten, and reallocate the student population to fit into the existing facilities inventory. He stated that this includes the major projects in the capital plan, plus the high school cafeteria. He stated that he has recently learned that the MSBA is expected to vote on July 31 to move Hillside into the feasibility phase. He stated that the MSBA has been happy with the amount of data received, but there has been some back and forth since the MSBA wanted a smaller school at Hillside, which would not have worked. He stated that Hillside is now the focus, which is a priority not chosen by the Town. He stated that if the MSBA and the Town fund the projects, there will be significant funding needed for the Schools for the next ten years.

Ms. Zappala asked whether the high school design work could be done after the fall Town Meeting, and then the construction in summer of 2015. Mr. Popper stated that the time frame would be too short, since it would take approximately six months for a contractor to be on board doing submissions before construction can begin. Mr. Kent stated that the work will be tough to complete in one summer, but with the right contractor and the right pre-planning, it would be possible.

Mr. Zimbone stated that the Pollard science lab and auditorium work has been in the capital plan a long time, and suggested that it might be better to fund it piecemeal without waiting for the

MSBA. Mr. Kent said that the project will be significant and will likely require removal of the modular classrooms and to build a science wing off the back. He stated the project does not lend itself to be broken down. Dr. Gutekanst stated that while Pollard has significant needs, they have prioritized Hillside and Mitchell. There was a discussion of swing space and whether it is unacceptable to spend \$21 million on swing space, based on the opinions of a small vocal minority. Mr. Zimbone stated that he feels it is unacceptable as a Town Meeting member and as a Finance Committee member. Mr. Reilly stated that he feels that way as a Finance Committee member.

Mr. Reilly asked whether there is a way to start the high school design work and do feasibility study that is short of actual designs. Mr. Popper stated that there was seed money for a feasibility study, which is how the implementation plan came about. Ms. Zappala asked if the cafeteria money could be used for cafeteria designs, and hold off on the modular classroom designs. Mr. Popper stated that in order to solve the problems, the space must be expanded, which cannot happen in parts. Mr. Kent added that the only way to access the courtyard for to install modulars is to go through the cafeteria, so it must all be done at once. Mr. Zimbone stated that the Committee needs to make sure that all options are considered.

Adjourn

MOVED: By Mr. Connelly that the Finance Committee meeting be adjourned, there being no further business. Ms. Zappala seconded the motion. The motion was approved by a vote of 8-0, at approximately 9:10 p.m.

Documents: Request for Reserve Fund Transfer to Snow and Ice Removal account dated May 24, 2014; Request for Reserve Fund Transfer to Public Facilities Operations account dated May 28, 2014; Memo from Stephanie Maloney, Administrative Analyst to Chip Laffey, Director of Public Facilities Operations re: PFD Operations Operating Budget – Year End Close, dated May 27, 2014; Draft Memo from Anne Gulati, Director of School Financial Operations to Needham School Committee re: FY14 Third Quarter School Operating Budget Projections dated June 11, 2014; Draft Memo from Anne Gulati, Director of School Financial Operations to Needham School Committee re: FY14 End of Year Expenditure Planning dated June 11, 2014; Memo from Anne Gulati, Director of School Financial Operations to Needham School Committee and Needham Finance Committee re: School Facilities Planning dated June 4, 2014; Memo from Anne Gulati, Director of School Financial Operations to Needham School Committee re: FY14 Third Quarter Report dated March 31, 2014.

Respectfully submitted,

Louise Mizgerd,
Executive Secretary/Staff Analyst

Approved June 25, 2014