

**Needham Finance Committee
Minutes of Meeting of January 7, 2015**

The meeting of the Finance Committee was called to order by the Chair, John Connelly, at approximately 7:30 pm in the Great Plain Room at the Town Hall.

Present from the Finance Committee:

John Connelly, Chair; Louise Miller, Vice Chair

Members: Richard Creem (arrived 8:00 pm), James Flinton, Richard Reilly, Lisa Zappala, Rick Zimbone

Others present:

David Davison, Assistant Town Manager/Finance Director

Patty Carey, Director, Park and Recreation Department

Cynthia J. Chaston, Chair, Park and Recreation Commission

John Gallelo, Chair, Trustees of Memorial Park

James Healy, Trustees of Memorial Park

Richard P. Merson, Director, DPW

Robert A. Lewis, Assistant Director, DPW

Anthony L. DelGaizo, Town Engineer

William Stockwell, Fleet Supervisor, DPW

Rhainhardt F. Hoyland, Highway Superintendent, DPW

Edward Olsen, Parks and forestry Superintendent, DPW

Vincent Roy, Superintendent Water, Sewer and Drains Division, DPW

Greg Smith, Superintendent, Recycling and Solid Waste Division, DPW

Carys Lustig, Supervisor of Administration

Citizen Requests

No citizens requested to address the Committee.

Approval of Minutes of Prior Meetings

MOVED: By Ms. Miller that the minutes of December 17, 2014 be approved as distributed.
Mr. Zimbone seconded the motion. The motion was approved by a vote of 6-0.
(Mr. Creem had not yet arrived.)

FY2016 Departmental Spending Requests:

Park and Recreation

Ms. Zappala introduced the budget and stated that there are few increases and no DSR4 requests. She stated that the most significant increase is the salary for a new part time person to perform playground maintenance and the associated supplies. She stated that there has been staff turnover in the department this year, so there will be salary savings. She stated that the biggest strategic goal for the department is to get approval of design funds for the Rosemary Pool project. She stated that the department is also working with the Town Manager to consolidate programs with the Senior Center and Community Education to avoid overlap. Ms. Carey stated

that the new playground maintenance person was added due to a DSR4 request last year and has been working well. She stated that Park and Recreation is working with Conservation and the DPW on trails projects: both new trails and upgrading existing trails. She stated that she has been working on the pool project for decades.

Mr. Reilly asked for an explanation of the jump in costs from FY14 to FY15. Ms. Carey stated that playground maintenance used to be funded out of DPW overtime, and has been shifted to the Park and Rec budget. She stated that there was also additional funding from the DSR4 for playground maintenance. She stated that there are additional expenses for playground surfacing for in-house work, and costs for an outside contractor for playground maintenance for which the Town does not have the equipment or ability. She stated that the additional costs for the in-house playground maintenance are under Salary and Wages, and Other Property Related Services. The Repairs and Maintenance Services line includes funding for playground repair contractors. She stated that the funding for contract work has decreased with the new part-time playground maintenance staff person. Mr. Davison noted that the Park and Rec Department had a large turn-back at the end of FY14, so the actuals appear low compared to the FY15 budget. He stated that change from the FY14 budget to FY15 budget was almost level dollar. He pointed out that the difference from the FY13 to the FY14 actual funds expended is a decrease. Ms. Miller asked if the funding for playground maintenance is sufficient. Ms. Carey stated that it is early, but it looks good. She stated that the equipment is being kept up and there is a noticeable difference in trash pickup.

Mr. Connelly asked about the stipend that was moved from the Commission on Disabilities budget. Mr. Davison stated that there was a \$1,200 salary reduction in the Park and Rec budget which was offset by the addition of a \$1,200 stipend added to the Commission on Disabilities budget. Ms. Zappala said that there would be discussion later about Park and Rec capital because the projects are currently before the Community Preservation Committee.

Trustees of Memorial Park

Mr. Healy stated that the Trustees of Memorial Park depend on the DPW, Park and Rec, and Public Facilities to get work done. He stated that he wanted to acknowledge the work of Chip Laffey, Patty Carey and Ed Olsen on behalf of the Trustees. He stated that the budget has one expense, \$750 for flags.

Mr. Healy stated that he wanted to support a proposed capital project seeking \$20,000 to renovate the Gateway Gardens at the corner across from the library. Mr. Davison stated that this will be a financial warrant article, since it is too low to be considered capital. Mr. Healy stated that, previously, \$50,000 of private funds were raised to install a new Fallen Brave monument and to renovate part of the park, including upgrading some landscaping, replacing a walkway, and installing a wood guardrail with seating. He stated that a future capital project could be installing better fencing at the baseball field near Kingsbury Street. He urged the Finance Committee to look at all proposed capital projects, and not just the ones deemed highest priority by other boards, and if possible to come up with creative ways to finance lower profile projects. He stated that renovation of the Memorial Building is in the capital plan for \$8 million at a future time. He stated that currently it would be about \$4-\$6 million. He stated that a schematic drawing was made with an expanded roof, Needham and visitor team rooms, meeting rooms, and new bathrooms. Mr. Zimbone stated that the project could be CPA eligible, and if the project

were broken down so that items like trees or fences could be addressed with cash capital, then financing would be less difficult. Ms. Miller stated that Park and Rec has a shortage of space, and it could help if this project could be combined with another department. Mr. Healy stated that the building has good parking and a central location near the library and High School. Ms. Chaston noted that it also is near the Rosemary Pool which will have some program space. Mr. Connelly suggested using a landscape architect for the Gateway Garden and an irrigation system. He noted that an electronic sign at that location would be an improvement.

Municipal Light

Ms. Miller stated that the municipal light maintenance contract is out to bid, and she expects a substantial increase in price from the current contract. Ms. Lustig stated that the current contract bid was half of the others. The company was bought out by one of the competitors, so she does not expect a similar deal. She stated that the budget uses the second lowest bid from the last round three years ago. The current contract will expire on June 30, 2015, so a new contract will not affect FY15. Ms. Lustig stated that they planned to go out to bid in April or May. Ms. Miller suggested that they get bids earlier. Without additional information, she stated that she would recommend a low budget, and they could rely on the Reserve Fund for any shortage.

Mr. Creem asked whether there has been any progress moving toward LED lighting. Mr. DelGaizo stated that they could lower energy costs. He stated that the LED fixtures last longer but are more complicated, so he is not sure where the finances would come out considering the maintenance costs. He stated that they need to look into this for the future.

RTS Enterprise Fund

Mr. Reilly introduced the budget, and handed out a summary of the changes in the proposed budget. He stated that the main budget drivers are Salary and Other Property Related Services, which is mainly the costs of getting rid of materials from the dump, and grinding. Ms. Miller stated that there is much in flux for all of the divisions, and there may be need for serious follow-up. Ms. Lustig stated that the Town is part of a collaborative for the Wheelabrator contract. The collaborative decided to renegotiate rather than wait until the need of the 10-year contract in 2018. The company was trying to sell its Wheelabrator business, so was open to renegotiating. She stated that the prices are \$64/ton for 18 months through FY16 which is a reduction, then one year (FY17) at \$66/ton. After that, the annual increases would be 3/4 of the CPI. There is a one year notice requirement to end the service, but there is no longer a required minimum. Ms. Lustig handed out a document showing the changes that the Town Manager would be making to the RTS budget due to the new Wheelabrator contract. Ms. Miller asked for data on tons disposed. Ms. Lustig said she does not have December numbers. Ms. Miller stated that more data is needed to support the projected increase.

Mr. Zimbone asked whether the Town's contribution to the RTS has been determined. Mr. Davison stated that the contribution will be part of the Town Manager's final recommended budget, and has not been calculated. He stated that the decrease in costs for disposal will not change the General Fund contribution to the RTS, but will help the Town avoid raising bag fees. Mr. Reilly stated that more time will be needed to determine how new contracts will affect the FY16 budget. Mr. Reilly stated that the text discussing changes in the salary lines on page 1 of the request do not match the numbers on the spreadsheet on page 12. Ms. Lustig stated that the

new union contract wrapped the allowances for meals, uniforms and boots into the base pay, so the base pay increased. She stated that overtime hours are flat. Mr. Reilly stated that the text describes an increase, but the overtime budget shows a decrease, which does not make sense.

Ms. Zappala asked why there was a jump in operating capital from \$60,000 in FY14 to \$81,000 in FY15. Ms. Lustig stated that there was a DSR4 that was approved for additional roll-off containers. Mr. Reilly asked what the replacement cycle was. Ms. Lustig stated that the plan is to replace each container every 12 years. She stated once these 6 are replaced, they will replace them on a cycle of 2 per year. Mr. Reilly asked how the cycle would work if most of the containers are replaced close in time. She stated that some replacements will have to be stretched out. Mr. Reilly stated that the Committee will need to be more comfortable with several aspects of this budget. Ms. Miller stated that the budget includes no trade-in value for the open top trailer. Mr. Davison stated that it may be sold at auction which would come in as revenue. He stated that if there is a trade-in, then the additional money would be turned back. He stated that the Town is obligated to get the best value for surplus property.

Sewer Enterprise Fund

Mr. Reilly introduced the budget and stated that the MWRA assessment is a huge driver of costs. He stated that the liaisons had asked questions about the performance factors. Ms. Lustig stated that the department was transitioning from tracking data on a spreadsheet to entering it directly into a database. She stated that some data from the spreadsheets was not included in the database. She stated that the drain maintenance data on page 3 will be revised. She stated that the catch basin inventory will increase the capture of data and create operational efficiencies. Ms. Miller asked if the energy usage numbers account for the Reservoir B station. Ms. Lustig stated that the energy usage is based on a three-year average, and Reservoir B was open in the third year, so to that extent the energy usage is included. She stated that they are not sure what the actual increase will be. Ms. Miller commented that they do know the energy is underestimated. Ms. Miller noted that the liaisons will follow up on disposal costs because certain contracts are being rebid.

Mr. Reilly stated that the first DSR4 covers the sewer flow meter maintenance program. Ms. Lustig stated that the funding will provide for maintaining flow meters installed as part of the Inflow and Infiltration (I/I) study, and will monitor and report flow to help target where I/I is happening. Mr. Merson stated that the current reports show a positive impact of the I/I work. Ms. Miller asked for backup data.

Ms. Lustig stated that the second priority DSR4 is for Environmental Compliance for the Drains Division, which would provide funding for a consultant to audit Town programs make recommendations to make improvements and to comply with the new changes to sewer regulatory requirements.

Mr. Zimbone asked if the recent decrease in oil prices has affected the prices of oil based products such as fuel and asphalt. Mr. Davison stated that he would not be comfortable changing the fuel costs he projected for gasoline and diesel fuel. He stated the prices can jump back up quickly. He stated that he feels comfortable that the total of the energy requests is appropriate. Mr. Zimbone stated that oil prices are expected to remain low for three years. Mr. Reilly stated that he is not confident that the three-year averages are as accurate as they need to be. Mr.

Zimbone asked whether asphalt prices are decreasing. Ms. Lustig stated that the cost of liquid asphalt prices are driving the asphalt contract prices. Ms. Miller stated that the state has an escalator built in, as well as a provision for decreases. Mr. Hoyland stated that asphalt prices are exactly the same as one year ago, and have only risen 4% over a few years.

Ms. Miller requested a list of the sewer pumps, and the replacement schedule.

Water Enterprise Fund

Mr. Reilly stated that for this budget, the drivers are wages, expenses, debt service as well as MWRA costs. He stated that overtime is a big driver, especially the need for standby. He stated that contracts for chemicals are going to change. Ms. Lustig stated there is much fluctuation in pricing. She stated that all filters have been replaced with greensand, so there is less need for chemicals. Mr. Reilly stated that it will be another month before the costs of chemicals can be solidified. Ms. Miller asked about the annual schedule for redeveloping wells. Mr. Roy stated that well #3 was redeveloped 2 ½ years ago, and worked fine for 6 months. Then it got worse and is now very inefficient. He stated that #3 will be redeveloped in FY15 and #2 will be redeveloped in FY16.

Mr. Reilly stated that the first DSR4 is for a Water Leak Correlator. Mr. Roy stated that the DEP requires an annual statistical report on leaks, or water not accounted for. If the rate is over 10%, then there are additional requirements. The Town had 10.2% last year. The Town has some leak detection, but this system with loggers that process sounds and send it to software will complement the existing system and help with leak detection. Mr. Reilly stated that the answers to all questions about the request were “no.” He asked whether the request might reduce costs of using an outside contractor. Mr. Roy stated that it would not, since those costs are for an annual examination of the entire system during one month. He stated that the loggers will help find leaks on a continual basis.

Mr. Reilly stated that the second request is for a Water Meter Testing Program. Mr. Roy stated that the 4.9% of the meters that would be monitored cover about 70% of the water flow in Town. This program will test and calibrate commercial and industrial meters for the purpose of better measuring water provided and claiming potential revenue associated with the meters tested. Mr. Reilly asked what the potential revenue is. Mr. Davison stated that it is not clear, it could be \$20,000 or \$200,000, but he is confident that more than the \$10,000 cost would be recovered.

DPW

Mr. Reilly introduced the DPW general fund budget, and suggested going through each division.

Administration: Mr. Reilly stated that the costs are mostly personnel. He stated that there is a small additional expense for education that sounds reasonable.

Parks and Forestry: Mr. Reilly stated that the chart on page 6 of the budget showed a significant reduction in hours between FY12 and FY14, yet the salary and wages increased 7% in that period. Ms. Lustig explained that there was a vacancy, and the work needed to be made up with overtime. She stated that during FY14, there was a person out on workers' compensation, and someone else on sick leave. She stated that she expects that in FY15 the division will be fully

staffed. Mr. Olsen provided a handout to show the cost per acre for the different levels of fields. Mr. Olsen explained that the sand fields are the highest cost, then primary, and then secondary. The remaining fields require no additional maintenance costs. Ms. Miller asked if Newman fields would be ready for maintenance work in FY16. Mr. Olsen stated that the fields would be finished during summer 2015 if Town Meeting approves of the funding for the renovation. Mr. Olsen stated that fields at High Rock were upgraded using funds from an existing appropriation. He stated that there is another appropriation that can be used for upgrading Pollard fields. Ms. Zappala asked why Walker-Gordon was not top tier if it is new. Mr. Olsen stated that it was built right, and does not need the same level of maintenance. Mr. Olsen stated that he compared the overall cost of artificial turf fields with low maintenance to the premier grass fields, and found over 10 years the costs are similar. However, he noted that the durability and constant availability of the turf fields did take stress from the grass fields so that they could function better.

Mr. Reilly asked for information about the actual experience vs. budget costs for fuel consumption in terms of gallons and dollars for the first half of FY15. Ms. Lustig said this information would be provided in a week or two. Ms. Miller asked about the budgeted increase for irrigation repair. Mr. Olsen stated that one employee used to do all irrigation repair, but there is now too much, and it takes too long. This funding is for a contractor. There will not be any water cost savings from this increase, but it will save the turf.

Mr. Reilly asked for an explanation of the DSR4 for Personal Protective Equipment. Mr. Olsen stated that the equipment is needed mostly after a tree or wind event that brings down wires. This is for protective gear for first responders for protection while climbing or where there are live electrical wires.

Highway: Ms. Miller stated that there is a decrease in the performance index for roads. She stated that the funding is flat except for some fuel and energy costs, and to repair road patches that are aging. She stated that the contracts are being rebid. Mr. Reilly asked if there is a plan with costs for improving roads outlining where they are going, and how to get there. Mr. Merson stated that the roads have declined primarily because the amount of trenching going on for natural gas connections. He stated that the major arterial roads are aging and due for treatment. They will mill and add asphalt, and curbing where needed. Mr. Zimbone asked how the requested budget will turn around the decline in road condition numbers. Mr. Hoyland stated that the goal is to rehabilitate 16-20 miles of road per year. He stated that it costs \$1 million per mile for reconstruction. He stated that due to the past budget cuts, they do about 12-13 miles per year. Mr. Merson stated that he tried to add a fee with gas permits that would be tied to the cost of road inspections that follow, but that was not successful. Mr. Zimbone asked how the budget can be tied to the improvement of the statistics. Ms. Lustig stated that there is an increased request for infrastructure spending that should address some of the issue. Mr. Zimbone stated that it could be difficult to get funding for a new DPW facility if the citizen surveys continue to show lower positive results. Ms. Miller noted that the Town has diverted funds for infrastructure to things like the salt shed and Town Common which has harmed the DPW.

Mr. Davison stated that the general infrastructure expense is being transferred from debt to cash over 4 years. The FY16 capital plan funds \$1 million in debt and \$400,000 in cash. The next year will have \$750,000 in debt and \$1 million in cash. There will be new revenue with new gas pipes.

Mr. Hoyland stated that they are also losing ground with sidewalks. He stated that with the number of miles of sidewalks in Town, and the limited amount they can accomplish with the budget, it is impossible to keep the conditions from declining overall. They are looking for \$100,000 to study the sidewalks and plan for the removal of some and to prioritize work on others. Mr. Reilly stated that the Committee needs to understand the metrics for evaluating the work, and how they are working to improve them.

Ms. Lustig stated that the only contracts in highway that are expiring this year are for disposal.

Facility Financing Plan

Mr. Davison presented the preliminary facility financing plan. He stated that it is preliminary, and that soon there should be some additional guidance on which projects will be moving forward. The numbers are not certain and will depend on decisions of how the Town will proceed. He stated that 3% of general fund revenue is set aside for debt service within the levy as a starting point for determining the financing plan. He stated that he has assumed interest rates of 6% in the near future, and 7% for borrowing farther out. He stated that another factor is the length of the loan, which varies based on the purpose. He stated that he assumes that half of the money for a project is borrowed short term for 12 months, and then the second half for another 12 months short term, and then at 24 months, the funding is borrowed long term. He stated that he assumed that MSBA would reimburse school projects at 30%, the lowest rate, since the Board of Selectmen voted not to put any school project on the ballot for debt exclusion unless the MSBA has agreed to participate. He stated that the excluded debt projects push up the debt service as a percentage of gross revenues (which the Town debt service policy seeks to limit to 10%) because when an excluded debt project is approved, 100% of the additional revenue goes to debt service.

Finance Committee Updates

Mr. Zimbone stated that he met with Chip Laffey who said that Public Facilities is a couple of hundred thousand dollars over budget for FY15 so far. He stated that the Schools are approximately \$400-\$500K over budget for special education tuitions. He stated that the Reserve Fund will need to cover these shortages as well as any potential snow and ice overage.

Mr. Zimbone stated that he saw the School Committee meeting. At the end, there was a motion to approve studying building a new school at DeFazio Field. The PPBC requested that the Board of Selectmen, the School Committee and the Park and Recreation Commission to all vote on the motion because they have joint jurisdiction over the field. The School Committee approved the motion 6-0-1, but several members expressed reservations about the procedure. He stated that the motion will be on the Board of Selectmen's consent agenda.

Adjourn

MOVED: By Mr. Reilly 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 7-0 at approximately 10:35 p.m.

Documents: Cover Memo for DPW/Enterprise Fund Budget Review; RTS-Other Property Related Services Revision with New Wheelabrator Contract; Roll-off containers replacement schedule; Parks Forestry – Field Maintenance Program Breakdown FY 2015 Program

Respectfully submitted,

Louise Mizgerd
Executive Secretary/Staff Analyst

Approved January 14, 2015