

**Needham Finance Committee
Minutes of Meeting of January 28, 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 7:45 pm), James Flinton, Richard Lunetta, Richard Reilly, Lisa Zappala, Rick Zimbone

Others present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Christopher Coleman, Assistant Town Manager/Director of Operations

Timothy McDonald, Director of Public Health

Edward Cosgrove, Ph.D., Board of Health

Jon Mattleman, Director, Youth Services

Jamie Gutner, Director, Council on Aging

Evelyn Poness, Town Treasurer/Collector

Citizen Requests

Jennifer Cohen, resident and parent of 7th and 9th graders, spoke in support of continued funding for the position in the Health Department currently held by Carol Read. Ms. Cohen stated that she is a social worker at the high school in Billerica and feels that the position is needed to effectively respond to the problem of youth substance abuse.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Reilly that the minutes of the Finance Committee meeting of January 14, 2014 be approved as most recently distributed. Ms. Miller seconded the motion. The motion was approved by a vote of 6-0. (Ms. Zappala had stepped out of the room; Mr. Creem had not yet arrived.)

MOVED: By Mr. Reilly that the minutes of the Finance Committee meeting of January 21, 2014 be approved as most recently distributed. Ms. Miller seconded the motion. The motion was approved by a vote of 5-0-1. (Ms. Zappala had stepped out of the room. Mr. Creem had not yet arrived. Mr. Flinton abstained since he was not at the meeting of January 28.)

FY2016 Departmental Spending Requests:

Health and Human Services

Mr. Lunetta stated that Public Health is now included in the same departmental budget with Human Services. He stated that there are significant DSR4 requests. He noted that the department receives over \$107K in grants and donations, and significant in-kind services. He

stated that the department's salary line is increasing in FY16 due to contractual increases while the expenses are essentially flat. He provided a handout showing the department's budget numbers broken down into the divisions of Health, Council on Aging, Youth Services, and Veterans' Services. He stated that the Veteran's Services assessment is increasing. He stated that Health expenses are increasing minorly, and that Health brings in over \$200K in permits and fees.

Mr. Lunetta stated that there is a DSR4 request for an administrative assistant to help with expanding services at the Council on Aging (COA) particularly during after-hours and weekend times. Ms. Miller stated that last year, the budget added an administrative staff person in Youth Services that assisted at the Council on Aging, and that this year there is a request for an additional full time administrative person at the COA. She asked whether a full time person at Youth Services is still needed. Mr. Coleman stated that the person will still do some work for the COA in addition to the work at Youth Services. Ms. Gutner stated that the COA has been short-handed and that while some work can be done remotely, they need someone on location. Mr. Connelly stated that there is another DSR4 request for a social worker and asked if they could only have one, which it would be. Ms. Gutner stated that both are important, but the administrative assistant will help all staff in the building, and will help meet the goals of the Board of Selectmen. Mr. Coleman stated that there are no additional benefit costs because they would be increasing the hours of a benefit-eligible employee.

Mr. Lunetta stated that the Health Department has been having trouble finding volunteers for the Traveling Meals program and that they are trying to increase services, so they are requesting funding for a driver and meal packer for \$57K. Mr. Reilly stated that there has been a dramatic decline in the number of meals provided and asked if it was caused by a decrease in demand or an inability to deliver meals. Mr. McDonald stated that the hospital has decreased the program's space, so they are now at the threshold of staffing. Mr. Cosgrove stated that the hospital has been transformed dramatically recently which has stressed the program's ability to provide services. However, they have committed to providing healthy meals prepared with sanitary equipment at an attractive price. Mr. Connelly asked if \$57K would allow them to provide more meals, and whether the number of meals is limited because of space and this funding will just allow the department to provide the service without volunteers. Mr. Cosgrove stated that they intend to continue to use volunteers, but need funding for fill-ins when volunteers are not available. Mr. Lunetta asked if there were any grants they could seek. Mr. McDonald stated that he is new and does not know of any specific funding opportunities, but last week he submitted a grant proposal for unrestricted funds that could be used for this purpose. Mr. Cosgrove stated that this is different from the federally-funded Meals on Wheels program, since that program is means-tested. Most Needham residents will not qualify because they have assets that disqualify them. He stated that there are a large number of people who need services and do not qualify under the federal definition. Mr. Reilly stated that it is not clear whether there has been a decline in demand or whether they are not able to meet a higher demand because of space or money limitations. Mr. McDonald stated that there is some of each. He stated that without reliable volunteers, they cannot do more than they do now, and that with a more stable pool, they will be able to do more. He stated that for a price of \$5.50, they provide 2 meals: a hot dinner and a sandwich lunch. He stated that Needham Friends of Traveling Meals is a 501(c)(3)

organization that pays when someone is unable or unwilling to pay. Mr. Coleman noted that these programs are often the only interactions home-bound people have and also serve as an unofficial wellness check. Mr. Lunetta asked if they could suggest any way to reduce the requested amount. Mr. McDonald stated that any amount would help stabilize the volunteer pool and allow them to increase services.

Mr. Zimbone asked which DSR4 requests for this department were recommended by the Town Manager. Mr. Coleman stated that the Town Manager recommended funding the COA administrative assistant position, as well as \$10,000 of the Traveling Meals program request. Mr. Davison stated that the \$10,000 is in the expense line and is intended for reimbursement for miles and out-of-pocket expenses of volunteers.

Mr. Lunetta asked if there was a way to combine the Health and the Youth Services program coordinator positions. Mr. McDonald stated that the Health department's position is more clinical while the current request for Youth Services is more programmatic. Mr. McDonald stated that Needham did not qualify for the Drug Free Community grant that had funded the Youth Program Coordinator position, but that they have submitted other grants and are aggressively pursuing alternatives. Mr. Lunetta stated that the Committee's practice is to rely on reserves rather than use a DSR4 where there may be another source of funding. Mr. Zimbone stated that the Committee received several letters from citizens concerned about preserving Carol Read's position, but that the Town Manager told the Board of Selectmen that that position was funded. Ms. Fitzpatrick stated that that position was funded 75% in FY15 by the operating budget and 25% by grant, and that the position is fully funded in her recommended FY16 budget. The DSR4 request for a part-time Program Coordinator is different. Mr. McDonald stated that both positions had been funded through the Drug Free Community grant. He stated that this part-time position is funded through March 2015, and that they have other funds to go through June. He stated that they are now asking the Finance Committee to cover the position in the operating budget after that. He stated that the position runs the SALSA (Students Advocating Life without Substance Abuse) program that provides peer education where high school students talk to 8th graders about avoiding substance use. Ms. Miller suggested applying for a grant from the Needham Education Foundation.

Mr. Lunetta stated that there is a request for \$3,500 for health department accreditation. Mr. McDonald stated that the funding would provide a consultant to help with planning and writing the application over several years. Mr. Reilly asked if it is certain whether the accreditation will be required for grant eligibility in the future. Mr. McDonald stated that different agencies have said different things, but agreed that it is very likely that accreditation will be needed in the future to qualify for federal grants. Mr. Cosgrove stated that the help would be needed only for the first time application for accreditation. After that, they would have a model to work from. Mr. Connelly suggested that this work would be better done all at once rather than in phases.

Mr. Reilly stated that the fees charged by the department have increased over time, and stated that it is a good strategy to continue to raise fees in small amounts as costs continue to rise.

Board of Selectmen/Town Manager

Ms. Zappala stated that the salary and expense lines of the budget are very straightforward. She stated that it would be best to focus on the DSR4 request for a management fellow. Ms. Fitzpatrick stated that they have begun a program to monitor health insurance and employee benefits, and hired a management fellow last year to do this as well as special projects. She stated that the recommendation at this time is for a one-year position. She is contemplating adding a permanent position, but needs another year to determine what is needed. She stated that for FY16 the main goal of the position will be to examine alternatives to the West Suburban Health Group. Three communities have pulled out of the group to go Massachusetts Interlocal Insurance Association (MIIA) or the Group Insurance Commission (GIC), so the group's future is unclear. She feels it is important to review the effect of moving to the GIC. She stated that the management fellow could also do the classification/compensation study. Mr. Lunetta stated that he supports this position, with the caveat that more expertise may be needed for analyzing health insurance and that hiring a consultant may be needed for a full blown professional study of the options for health insurance. He questioned whether a management fellow would have sufficient expertise to be an advisor on health insurance. Ms. Fitzpatrick stated that the Town's options are limited in this area, and there are funds in the Professional and Technical budget line to pay a consultant if needed. Mr. Lunetta noted that in the private sector, businesses turn to consultants for this kind of work. He asked what the health insurance options are. Ms. Fitzpatrick stated that the Town can join another group, or find a dedicated provider.

Mr. Connelly asked whether the cost for the position is \$51K, with an additional \$15K in the Human Resources budget. Ms. Fitzpatrick stated that \$36K is from the Town Manager budget, and \$15K from Human Resources for a total of \$51K. Mr. Connelly asked if the management fellow would have the expertise to perform the classification/compensation study. Ms. Fitzpatrick stated that the Town has recently struggled with finding a consultant. She stated that the Town formerly used Olney. That company closed, and the Town hired the person from Olney that had done the work previously, but the results were not satisfactory. The Town has not been able to find a good match. She stated that the compensation study is very straightforward because the information is all public record. Ms. Miller asked if this DSR4 is funded and the Town wants to make the management fellow position permanent, would she come back next year with another DSR4. Ms. Fitzpatrick stated that she would.

Mr. Reilly asked about the goal indicated in the Town Manager's budget to evaluate the status of paper roads in Needham. Ms. Fitzpatrick stated that these are roads that were planned on paper, and legally exist, but were never built. She stated that one paper road goes through the High Rock School. She stated that the developers have used paper roads to establish frontage for subdivisions, so they need to be evaluated.

Mr. Zimbone asked for the rationale for the \$165K that is being recommended for the School Department budget above the department's request. Ms. Fitzpatrick stated that she has been working with the Superintendent to meet the needs of the School and the out-of-district tuitions. She stated that she could not find a way to do that with recurring money. The allocation is reasonable in terms of what is needed and what the Town can afford. Mr. Zimbone stated that they have requested an additional \$276K, and the Town has come up with \$165K, which leaves a \$110K differential. He stated that the School Department has gotten rid of the contingency, but

still has pending placements in the budget which are placements that may not happen. He stated that this year for the first time, they will need to come to the Finance Committee seeking a Reserve Fund Transfer for costs that are out of the ordinary. Mr. Zimbone stated that he does not think pending placements should be funded. The question is whether the money is better off as a contingency in the School Department budget or in the Reserve Fund. Ms. Fitzpatrick stated that the Finance Committee will have to evaluate whether a pending placement that has been identified can be considered an expense that is unforeseen or extraordinary. She added that the Board of Selectmen is concerned about big cost swings.

Personnel Board

Mr. Connelly stated that this budget is level-funded. The funds will be used in FY16 to conduct a classification study for the Building Custodian Tradesman Independent Association (BCTIA) unit. He stated that the money will be used for the management fellow's salary. Mr. Lunetta stated that a compensation comparison is easy, but that it is not easy to determine classifications. He asked whether it can be done in-house. Ms. Fitzpatrick stated that the classifications for this group are straightforward and that she is not concerned. She stated that she may need to reconsider for FY17.

Townwide Expenses

Mr. Connelly stated that there are seven different components to Townwide Expenses, and that they should be addressed individually.

Retirement Assessments

Mr. Connelly stated that the Town is reducing the assumed rate of return from 8% to 7.75%. The FY16 budget request accounts for that change. Mr. Reilly stated that the base amount for calculating the retiree cost of living increase is proposed to change from \$12K to \$14K, and asked what the likely cost to the Town would be. Ms. Fitzpatrick stated that if there is a full \$2,000 increase, the cost in FY17 would be about \$200K. Mr. Connelly stated that there will be a warrant article to approve the change this year, to be implemented in FY17.

Employee Benefits

Mr. Connelly stated that employee benefits in this line consist of health insurance, Medicare, and unemployment and workers' compensation insurance. He stated that the management fellow will study health insurance options. Ms. Fitzpatrick stated that health insurance premiums are projected to increase by 6.2%, though she will know the actual amount in February. She stated that there will be additional costs of \$75,252 determined by formula to cover the additional 9.2 FTEs in the FY16 budget: 2 FTEs in the Town departments, and 7.2 FTEs in the Schools. Mr. Connelly stated that the total increase in health insurance costs is due to increases in premiums and headcount.

Mr. Connelly stated that the Town is self-insured for unemployment. He stated that the budget was reduced from \$250K in FY14 to \$100K in FY15, and is recommended to stay at \$100K in FY16 due to economic and local conditions.

Mr. Connelly stated that the workers' compensation budget is being increased to account for additional employees and increased salaries. He stated that any balance go into the workers' compensation reserve. He stated that the workers' compensation reserve is now over \$1 million. Mr. Davison stated that the Town has been building the reserves back up.

Retiree Insurance and Insurance Liability Fund

Mr. Connelly stated that the assumed rate of return for OPEB is also decreasing from 8% to 7.75% which increases required payments. He stated that there is also a proposal to make an additional payment of \$320K toward OPEB liabilities in a warrant article that will come from one-time revenue. He stated that this budget line is increasing to \$5.3 million for FY16. Ms. Fitzpatrick stated that the Town's OPEB liabilities are currently 24.9% funded. Mr. Zimbone asked how this compared to other towns. Mr. Davison stated that no other town except Wellesley has a percentage as high. Mr. Zimbone asked why the assumed rate of return is being lowered only to 7.75%. Ms. Fitzpatrick stated that it is the current rate recommended by the state actuaries. Ms. Ponesse stated that since the Town has moved funds to PRIT, the overall rate of return is 10.7%, and the one-year rate is 8.1%. She stated that 7.75% is a good first step, and she will continue to look at the rate. Ms. Fitzpatrick stated that the Town has a new actuary, and asked whether it would be better to drop the rate or to take years off the funding schedule. She stated that the actuary said it was most important to avoid adding years at a later time, so that dropping the rate is better.

Debt Service

Mr. Connelly stated that this covers general fund debt, excluded debt, and CPA debt payments. He stated that debt service is decreasing for the second year because some debt is coming off the books. Mr. Davison stated that CPA debt is also declining. He stated that projects are being completed, and new ones are not being added. Mr. Connelly asked what the current ratio of debt service to gross revenues is. Mr. Davison stated that it is 9.9%, which includes water, sewer and RTS debt.

General Insurance and Self-Insurance Program

Mr. Connelly stated that the Town has \$220 million of buildings and other assets. The budget increase is a premium increase and a contingency for losses that are not covered. Mr. Davison stated that this covers deductibles for covered losses, small claims that are cheaper to pay without insurance, and minor professional and technical services if the Town challenges a claim of loss.

Classification, Performance and Settlements

Mr. Connelly stated that there are three collective bargaining agreements set to expire at the end of June: Police, Police Superior Officers, and BCTIA. He stated that this line includes an allowance for settlement costs for FY16. Mr. Davison stated that they will recommend moving funds to appropriate budget lines if the contracts are settled before the Annual Town Meeting. He stated that otherwise, there will be a request to change the budget at the Fall Special Town Meeting, or the funds can be transferred from this line to the appropriate lines by the Town Manager, with a copy to the Finance Committee.

Reserve Fund

Ms. Fitzpatrick stated that she has recommended the same amount requested by the Finance Committee.

Finance Committee

Mr. Connelly stated that the budget is very straightforward. There is the same salary increase as for all non-represented employees, and flat expenses.

Municipal Parking

Mr. Connelly stated that this budget has increased this year because there are additional lots and because maintenance costs are increasing. Mr. Connelly stated that the cost of operating additional municipal lots plus of a new lease with the Christ Church for library parking are included. Ms. Fitzpatrick noted that the Board of Selectmen voted to increase the municipal parking fees to \$165 starting May 1, 2015. Mr. Reilly asked about the costs for sweeping and other functions performed by DPW employees, and whether the funding was also captured in the DPW budget. Mr. Davison stated that the services for the lots are specifically charged to this budget. Ms. Miller asked why the parks and forestry work is being done at the lots on an overtime basis. Ms. Fitzpatrick stated that the workers don't have time to do it during regular hours, and it is also better to do work when there are no cars in the lots. Mr. Connelly asked if there were plans for any new lots. Mr. Davison stated that there are no plans to build additional lots at this time.

Finance Committee Updates

Mr. Reilly stated that the DPW liaisons are still working with the DPW and reviewing the budget, but he expects there may be up to \$100K of decreases there. Mr. Zimbone stated that there will be a liaison meeting with the Schools, and that the \$269K operating capital costs should be discussed. Mr. Creem stated that he had attended the MMA Annual Meeting.

Adjourn

MOVED: By Mr. Zimbone that the Finance Committee meeting be adjourned, there being no further business. Mr. Reilly seconded the motion. The motion was approved by a vote of 8-0 at approximately 9:25 p.m.

Documents: Town of Needham Departmental Spending Request FY2016, dated December 10, 2014; Town of Needham Capital Improvement Plan FY2016 – FY2020; FY2016 Proposed Annual Budget, Office of the Town Manager, dated January 27, 2015; Health and Human Service Budget Comparison Detail, dated January 16, 2015.

Respectfully submitted,

Louise Mizgerd
Executive Secretary/Staff Analyst
Approved February 11, 2015