

**Needham Finance Committee  
Minutes of Meeting of January 25, 2016**

The meeting of the Finance Committee was called to order by the Chair Louise Miller, at approximately 7:09 pm in the Selectmen's Chambers at the Town Hall.

Present from the Finance Committee:

Louise Miller, Chair; Richard Zimbone, Vice Chair

Members: Barry Coffman, John Connelly, Tom Jacob, Richard Lunetta, Richard Reilly, Carol A. Smith-Fachetti

Others present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Michael Fee, Town Moderator

Dan Matthews, Board of Selectmen

Marianne Cooley, Board of Selectmen

Theodora Eaton, Town Clerk

Evelyn M. Poness, Town Collector/Treasurer

Chip Davis, Administrative Assessor

Michelle Vaillancourt, Town Accountant

Roger MacDonald, Director of Management Information Systems

Tatiana Swanson, Finance and Procurement Coordinator

**Citizen Requests to Address Finance Committee**

No citizens requested to speak.

**FY2017 Departmental Budget Requests (operating and capital):**

**Town Clerk/Board of Registrars**

Mr. Lunetta introduced the FY17 budget. There are increases due to the number of elections, as well as an increase in pay for election workers. The additional elections have also caused an increase in the communications line and the professional and technical line expenses. He stated that revenue fluctuates. In response to a question from Ms. Miller, Ms. Eaton stated that the new voting machines were first used in April 2015, and worked well. The department has also purchased new voting booths and handicapped chairs for each voting location. Ms. Miller asked if the Town Clerk's salary was being increased in accordance with other non-represented employees. Mr. Davison stated that the part time non-represented employees would be getting that increase, but the Town Clerk is an elected position, and increases are done by Town Meeting. Ms. Miller stated that it appears that the Town Clerk is not getting the same percentage increase as other non-represented employees, though she would expect that the position should get an increase in line with that group. Mr. Connelly asked why the liquor license fee revenue jumped around in recent years. Ms. Eaton stated that because of the timing of license renewals, some of FY13 fees were paid in FY14. She agreed that she expects FY16 to be as high as FY15.

**Finance Department**

Mr. Connelly introduced the budget. He stated that expenses have increased by \$30,000 for technical expenses that had been in the capital budget, but reallocated to the operating budget. He noted that this is not an additional expense. Mr. Davison described the function of the Finance Department, which supports the other Town departments which provide services. He stated that the budget increase is 3.1% including the \$30,000 that was reallocated to the operating budget, or 2% excluding that change. The staffing is the same. There has been a re-organization in the Assessing Division. Some expenses have been moved to different categories more properly aligned with their purpose.

Mr. MacDonald stated that the Management Information Systems division has 6 total staff, and described the functions. He stated that there has been growth in the number of technology users as well as the number of devices. There are also more buildings that require service. He stated that his biggest short term challenge is the much-increased use of mobile devices. His long term concern is data storage. Mr. Coffman asked why the School and Town systems departments are separate. Mr. Davison stated that the business side, such as payroll and accounts payable are all maintained by the Town, but the academic technology support is separate.

Mr. Zimbone asked how the system is backed up. Mr. MacDonald described the business continuity program, and the primary data centers and where the data is backed up and stored. He stated that there is some cloud back-up but that it is very expensive. Mr. Zimbone asked if there is a firewall. Mr. MacDonald stated that there is a sonic wall that provides security and monitors the traffic. He stated that they do the best they can with the money and equipment, but the risk of hackers exists. He stated that he has more concern about employees inadvertently clicking something that allows intrusion. Mr. Lunetta stated that all of the backup is within close proximity and asked if he has considered more remote storage. Mr. MacDonald stated that they have considered a state disaster recovery facility in Springfield.

Mr. Reilly stated that Park and Rec is doing a pilot using employees' own cell phones and reimbursing the employees for additional costs. Mr. MacDonald stated that he is responsible for Town-owned devices, and can only help people set up Town email on phones. He stated that other arrangements are between managers and employees. He stated that the Town monthly cost for a smart phone is \$52 for unlimited talk/text/data. He stated that the cost for a flip phone is \$20-\$25/month. Ms. Miller stated that she would be concerned about employees texting town business on a personal phone.

Ms. Vaillancourt stated that the accounting division has 4 staff members. She described the accounting and payroll functions, and the reports prepared for governmental filings. She stated that she has had trouble retaining staff for payroll. Mr. Lunetta asked if outsourcing has been considered. Mr. Davison stated that the cost is prohibitive because of the complexity. They would also still need to do the data entry, and the contractor would do the check processing and the records work. Mr. Lunetta asked if it would be worth considering 2 positions for the payroll position so the job is not so overwhelming. Ms. Vaillancourt stated that it would be work exploring, since in that position there is no time to catch one's breath.

Mr. Reilly asked if the Town uses direct deposit. Ms. Vaillancourt stated that they do as much as possible. Mr. Davison stated that the Governor's municipal modernization bill contains a section to allow municipalities to make direct deposit mandatory. He stated that currently it must be negotiated with unions.

Ms. Swanson stated that she is the one staff person in the purchasing division, and described the function of providing guidance on purchasing under the Uniform Procurement Act, as well as advising on risk management and processing claims. She also supports the Finance Director.

Mr. Davis stated that the assessing division has 3.4 FTEs. He stated that the work is cyclical, assessing real estate, commercial/industrial property, and personal property. He stated that personal property is most complex and most costly to do. He stated that the department also defends request for abatements. He stated that they track property sales and building permits to capture new growth. Mr. Reilly asked if they have reviewed abatement data from other towns to know how they compare. Mr. Davis stated that they don't compare themselves, but it is public information who applies for an abatement, and whether it is granted. He stated that about 20% of requests are granted, usually because of an error in the data that it is based on. He stated that 0.03% of tax bills are abated, based on the number of bills. Ms. Miller asked why the allowance for abatements is down \$1 million in FY17. Mr. Davison stated that it is not a valuation year. He stated that if there are additional funds at the end of Town Meeting, this is the place that he would restore funding. Mr. Davis stated that in FY15, the evaluations went up 9%, so there was additional funding available for abatements to cover that.

Ms. Poness stated that the treasurer/collector division has 3 full time and 2 part time staff. She stated that they primarily produce utility and tax bills and collect payments. She stated that she uses an additional level of security when transacting with banks. She stated that she has appointed a deputy tax collector, which she has the authority to do under the statute. She stated that the person is not a town employee, and is compensated by fees. She stated that the person has collected \$170K in owed taxes, not including fees or interest, dating back to 2004. Mr. Reilly noted that the Town's income is outperforming the Massachusetts Municipal Deposit Trust, and asked by how much. Ms. Poness stated that it was about 0.25% higher. Ms. Miller asked if adding an ambulance would affect ambulance billing. Mr. Davison stated that additional revenue would be incremental, and would not double.

## **Special Town Meeting Warrant**

### **Article 2: Minuteman District Agreement**

Mr. Matthews stated that this change to the district agreement is the reason for the Special Town Meeting. The changes are similar to the changes that the Town supported in 2014. That agreement failed because only 10 of the 16 districts approved the changes. The impetus is to get the district's support for the MSBA funded capital project, which has not been possible under the existing agreement. The current facility does not meet code, or the school's programming needs. He stated that the district agreement does not work well at this time. No member can leave without unanimous consent of the others. The MSBA has indicated that they will withdraw their support of the capital project if the bonding is not completed by June 2016. He stated that the impact on the Town is virtually the same as the 2014 agreement, and is relatively neutral. He stated that the new agreement does not address all issues, but the most important ones are addressed. If it fails, the project will need to be limited to incremental capital improvements financed with cash capital, and would likely be more expensive.

Mr. Lunetta asked what would happen if towns leave the district to get the lower out-of-district tuition costs, and then seek to rejoin later, avoiding capital costs. Mr. Matthews stated that out-of-district tuitions are set by the state, then the remaining operating costs are split by the

member towns. The out-of-district tuitions are sometimes higher. He stated that the issue of towns leaving and seeking to return needs to be examined. He stated that the current facility can accommodate approximately 900 students, and current enrollment is only 750-800. While the new facility has a 628-student target enrollment, he feels the new facility will attract additional students, which will change the calculation of assessments. He stated that the new agreement will allow an additional increment for capital in out-of-district tuitions. He does not know if it will be sufficient. Mr. Matthews stated that 7 towns have reserved the right to leave the district, most of them with low enrollment. He stated that the capital project will add about \$250K to Needham's annual assessment. He stated that the Minuteman cost may start to ramp up in FY17, and will reach the full amount when the facility is finished and long-term borrowing begins in FY20.

Ms. Cooley stated that Minuteman provided estimates of the annual assessments under the new agreement with the 16 member communities continuing, as well as with fewer communities. She stated, with the 16 communities, Needham's assessment would change by about \$20K. Mr. Zimbone asked what the options would be if Needham does not go along. Mr. Matthews stated that if the agreement is not ratified, Needham cannot leave the district. Ms. Cooley stated that Needham did not reserve the right to leave, so will not be able to leave either way. Mr. Matthews stated that if a certain percentage of towns leave, it will be destabilizing. He stated if Needham chose to leave the district in the future, there will still be the question of how to provide vocational education for students who want it. He stated there would be no way to control costs, and the Town would have to provide transportation. He stated that Superintendent Gutekanst said that it would be a problem with the number of Town students in vocational school. Mr. Matthews stated that the Town supports continuing to try to make the school work. He stated that the Selectmen and School Committee want to continue to support the school, and expect that the school will be oversubscribed when the new facility opens. He stated that current tuition is about \$28K, including capital and transportation, and that out-of-district students pay less. Ms. Miller asked why the Town plans to stay. Ms. Cooley stated that if the Town leaves, the district may not let them back in.

Mr. Coffman stated data is needed to show why this makes sense. Mr. Matthews stated that there are towns with enrollment like Needham that have some interest in joining under the new agreement, but not under the current agreement. These additional towns would affect the economics favorably. Ms. Smith-Fachetti asked about the capacity of vocational education in the area, because if enrollment is tight, it could encourage towns to join the district. Mr. Matthews stated that there are towns with 30-50 vocational students watching to see about the new governance, but which will not join under the current agreement.

Mr. Connelly stated that the materials show that the annual debt service for the project, excluding MSBA funding, will be \$3.9 million. If Needham is in the middle with \$250K in annual debt service, and there are 9 member communities, then there will be a gap of \$1.7 million. He asked how it would be allocated. Ms. Cooley stated that the costs would be allocated among those who will be paying for the project. Mr. Matthews stated that the debt service would be part of the Minuteman assessment in the Town operating budget. Mr. Connelly stated that it has been indicated that the costs would start in FY17, but they are not anywhere in the FY17 budget.

Ms. Miller stated that although the warrant article addresses only the change in the district agreement, the reason for changing the agreement is the capital project, and the Finance

Committee needs to know the costs. Mr. Matthews stated that Minuteman has indicated that if the agreement is not changed, there will be \$100 million in cash capital costs. They are waiting until there is a new agreement to work out the new numbers. Mr. Jacob asked if there will be a request for capital funding at the Annual Town Meeting. Mr. Matthews stated that if the agreement is changed, and the members agree to submit the capital project to the MSBA for approval, which they believe is largely ministerial. Then Minuteman will begin bonding for the project. Once the district has authorized bonding, communities have a 60-day window to veto that authorization through a Town Meeting vote. The Town leadership would determine whether to consider a veto and to bring it to Town Meeting. He stated that if a community does not raise an objection, it is committed to the capital payments. Mr. Jacob stated that accepting the agreement amounts to saying yes to the building project, with the potential for a veto. Mr. Zimbone stated that once the agreement is approved, there is no other opportunity for Town Meeting to vote on the capital project. Mr. Matthews agreed, unless the Board of Selectmen includes an article for a veto in a Town Meeting warrant. However, the vote to change the agreement is not technically a vote to approve the capital project, and it will therefore need a majority vote of Town Meeting, not the 2/3 vote which is needed for debt. Ms. Fitzpatrick stated that it would not be the Town's debt, and does not go against the Town's credit. Mr. Connelly stated that the Town will have to find \$400K additional funding for the additional assessment in the operating budget. Mr. Coffman stated that more information is needed to determine if this is the best option.

Mr. Zimbone stated that one provision in the new agreement would change the appointing authority for the Minuteman School Committee from the Town Moderator to the Board of Selectmen. Mr. Matthews stated that the reason for this is that there is no appellate authority if issues arise within the Minuteman Committee, unless a moderator would be willing to address it. It would be better to have the moderators removed from the process. Mr. Fee stated that he has had no discussion or negotiation with the Board of Selectmen about this. He stated that other moderators have been vociferous, but he is taking no position.

Mr. Zimbone asked who would oversee the Minuteman capital project. Ms. Cooley stated that she sits on the Minuteman School Building Committee which has been overseeing the project and reviewing the designs. She stated that there has been much back and forth, and they have pushed for alternate designs. Ms. Miller asked for a list of who is on the Minuteman Building Committee.

Ms. Cooley circulated a chart showing the community assessments under the proposed district agreement, assuming there are 16 member towns. Mr. Connelly asked for the chart showing the changes if there are 9 members under the new agreement. Ms. Cooley noted that the Needham School Department does not believe that it could place all students in one school if the Town withdraws from Minuteman, which will affect transportation costs. Mr. Zimbone asked if there is a chance that Minuteman will shut down if the agreement is not changed. Mr. Matthews stated that would happen only if all members agreed. Mr. Matthews stated that current enrollment is 750-800 students, of which approximately 375-400 are in-district. The building design enrollment for the proposed new facility is 628, and he expects that to be fully enrolled in-district within a few years of opening. Ms. Cooley stated that the MSBA would not participate if the building was designed for fewer than 600 students.

In response to a question from Mr. Reilly, Mr. Matthews stated that the capital assessment formula in the new agreement will account for per capita property valuation and per capita

income for communities. Lower wealth communities will benefit the most. Mr. Jacob asked the process to become a member. Mr. Matthews there would need to be a committee vote, and the agreement would have to be amended. He stated it will be tough to get in or out, but possible. Mr. Coffman stated that more qualitative and quantitative support is needed to make a recommendation.

Mr. Zimbone asked if there is a doubt whether the Finance Committee will support the article. Mr. Connelly stated that he would support it if there is data to back it up. Mr. Matthews stated that the numbers are all speculative, but he will get as much as he can. He stated that the proposed changes are better than doing nothing. Ms. Cooley stated that the \$100 million estimated cost if the agreement is not changed is a number that has been vetted. Ms. Miller stated that it would be helpful to know if the program will be enhanced by the new building. Ms. Cooley stated that there are two new majors planned for the new facility.

### **Article 3: Appropriate for Feasibility Study**

Ms. Fitzpatrick stated that the funding for the study of Fire Station 2 was approved at the fall Special Town Meeting, but it has become clear that it makes most sense to have one designer for both fire stations. Because this Special Town Meeting has been called, she asked the Board of Selectmen to consider funding the study of the Police Station and Fire Station 1 now, instead of at the Annual Town Meeting, in order to avoid delaying the Fire Station 2 project. She stated that the \$90,000 cost estimate was provided by the PPBC.

Mr. Connelly asked about the procurement process and whether this study could be added as an amendment. Ms. Fitzpatrick stated that it would be too big a jump. Ms. Miller stated that the cost and project scope would be different, and would require different qualifications.

Mr. Reilly stated that it makes sense to have one designer, and asked whether there were any reasons against it. There was discussion of whether this project should be discussed at the Annual Town Meeting so that all capital projects are discussed at the same time and weighed against each other, and whether the possible delay of the Fire Station 2 study justified considering this now. Mr. Connelly stated that using the same designer makes sense, but the timing does not. He stated that not much time would be lost on the other project, and he is concerned about the precedent if this goes forward now. Ms. Miller stated that acting on this now effectively makes this project top priority. She is in favor of funding the study, but not taking it out of order. Mr. Coffman stated that the project construction is not being funded, so this does not prioritize this project. Mr. Reilly stated that he agrees that one designer should be used, but that all capital should be considered at once. He asked the impact of a delay for Fire Station 2. Ms. Fitzpatrick stated that it will delay when the Town can assess the ambulance needs.

Ms. Miller asked the funding level of the construction for Fire Station 2. Ms. Fitzpatrick stated that the plan includes \$5 million funded within the levy, plus \$1 million of grant money. She stated that if the cost is higher, then the additional cost could be added to the debt exclusion for the Police/Fire Station. She stated that they will not know until the feasibility study is done. Ms. Miller asked if the Town could prequalify a designer for both projects, so that Fire Station 2 could be phase 1 of a two phase project. Mr. Davison stated it could if the bid was worded that way.

Mr. Zimbone stated that this \$90K is being funded from overlay cash capital, so it does not complete for funding with other capital projects. The construction costs will compete with other projects. He did not see a down side of going forward with this study now. Ms. Miller stated that she would not support going forward with the study now if there is not enough capacity for the debt exclusion, which is not known. Mr. Jacob stated that it seems advantageous to do the study now. Ms. Miller stated that Town Meeting Members will ask why this is not being considered with the other capital. Mr. Connelly asked what has happened since November that brought this issue up. Mr. Fitzpatrick stated that they had originally expected to make small changes to Fire Station 2, but the realized that they had underestimated the changes needed through the course of discussions with the new Fire Chief and additional understanding of her and the Assistant Town Managers.

MOVED: By Mr. Zimbone that the Finance Committee recommend adoption of Article 3: Appropriate for Feasibility Study in the amount of \$90,000. Mr. Jacob seconded the motion. The vote was 4-4 (with Ms. Miller, Ms. Smith-Fachetti, Mr. Lunetta and Mr. Connelly dissenting.)

Mr. Reilly stated that there should be a reason for changing the process here. Utilizing one firm to do the design work for both projects made a lot of sense, so it boiled down to whether there would be a problem in delaying the work on Station 2. That work had been authorized in November, 2015. Waiting until after the May 2016 Town Meeting would mean a delay of several months and that can be viewed as being a sufficient reason for changing the process. Mr. Connelly stated that the projects should be done together, but it would not prejudice the Town to wait until after the Annual Town Meeting. There is no reason to step away from the accepted practice. Mr. Coffman stated that he is not concerned that this would open a Pandora's Box, so he is supporting the article. The preliminary vote indicated a 4-4 split.

### **Article 1: Approve Collective Bargaining Agreement/BCTIA**

Ms. Fitzpatrick stated that the parties are in discussion, and the potential agreement has the same financial terms as the previously discussed agreement. She stated that the membership will vote on February 1. She stated that the union leaders have supported the agreement twice. It would be a three-year agreement, with approximately a 3.25% cost increase per year.

### **Finance Committee Updates**

Mr. Zimbone stated that the Town Manager's budget reduced the School Department request by \$220,865. Ms. Fitzpatrick stated that \$307K was added for technology. She stated that she also added \$87K for special education tuitions.

Ms. Fitzpatrick stated that the PPBC would like to know what information about the Hillside project is needed for the next Chairs meeting. Ms. Miller stated that there are 2 general questions: Why the cost per square foot is so high? Why is the square footage beyond the MSBA guidelines? Mr. Connelly asked for a breaks down for costs in the capital plan: \$2.2 million for construction management, and \$1 million for furniture, fixtures, and equipment.

### **Adjourn**

MOVED: By Mr. Connelly that the Finance Committee meeting be adjourned, there being no further business. Mr. Jacob seconded the motion. The motion was approved by a vote of 8-0 at approximately 10:06 p.m.

Town of Needham, Departmental Spending Requests, December 2015; Town of Needham Capital Improvement Plan FY2017 – FT2021, January 4, 2016; Special Town Meeting Warrant for February 20, 2016; Minuteman School Regional Agreement, Draft 12/21/15 showing proposed changes; Minuteman High School Building Project Presentation for Town Officials, October 2, 2015; Minuteman regional High School Five Year Projected Revenue Plan and Assessments, v. 17.0 All Member Towns.

Respectfully submitted,  
Louise Mizgerd  
Staff Analyst

*Approved February 3, 2016*