

**Needham Finance Committee
Minutes of Meeting of January 27, 2016**

The meeting of the Finance Committee was called to order by the Chair Louise Miller, at approximately 7:00 pm in the Selectmen's Chambers at the Town Hall.

Present from the Finance Committee:

Louise Miller, Chair; Richard Zimbone, Vice Chair

Members: John Connelly (arrived approximately 7:30 pm), Tom Jacob, Kenneth Lavery, Richard Reilly, Carol A. Smith-Fachetti (arrived approximately 7:05 pm)

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

Sandy Cincotta, Support Services Manager

Citizen Requests to Address Finance Committee

There were no requests.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Reilly that the minutes of January 20, 2016 be approved as most recently distributed, subject to technical corrections. Mr. Lavery seconded the motion. The motion was approved by a vote of 5-0. (Ms. Smith-Fachetti and Mr. Connelly had not yet arrived.)

FY2016 Departmental Budget Requests (operating and capital):

Personnel Board

Mr. Coleman stated that the FY17 funding will cover a classification and compensation study for NIPEA employees. In response to a question from Ms. Miller, he stated that he did not know whether the study might lead to an adjustment in salaries. He stated that the funding in the FY16 budget was used to support the salary of the management fellow, who has progressed to a different job in town. He stated that the funding is budgeted as expenses and would be used for a consultant. The \$15,000 has traditionally not been enough for all the work so some could be done in-house.

Townwide Expenses

Ms. Miller stated that most Townwide expenses are set, with little room for adjustment. There was a change in the actuarial schedule that the Contributory and Non Contributory Retirement

expenses are based on last year, so there are no changes in the assumptions this year. Ms. Fitzpatrick stated that there is a 3-year schedule with 3.9% growth per year. A change could be changed if the market had done well last year, but since it did not, they felt a change was not justified. An adjustment is not expected before FY19. Mr. Reilly stated that the sensitivity analysis showed huge differences per percentage point of assumed returns. They are using a 7.75% rate of return currently, but considering dialing that down. He stated that a recent article in the Wall Street Journal indicated a 6.6% median rate of return for the past 10 years. Ms. Fitzpatrick stated that the Commonwealth is considering lowering its assumed rate of return, though the long term average has been greater than 7.75%. Ms. Pones stated that it is important to be realistic when budgeting because the appropriation needs to be sufficient.

Ms. Miller stated that health insurance costs are the big driver of costs in the Employee Benefits budget line. Ms. Fitzpatrick stated that she is predicting a 9% increase, but the premium cost has not yet been set. She stated that the FY17 budget includes a net of 9.0 additional FTEs for the Town and 6.0 additional FTEs for the School Department. There is also a contingency of 20 plans for employees who opt in. She stated that the West Suburban Health Group has indicated that the plans offered now will not exist in FY18. They are discussing changing different elements to reset costs and lower premium increases. She stated that the Town will analyze other options such as moving all employees into the Group Insurance Commission or working independently with a carrier. In her experience, working independently with a carrier could provide low increases for the first two years, followed by a big increase since a single town has little purchasing power. The Town has engaged a consultant to analyze options. The Employee Insurance Advisory Committee will also be meeting to discuss the issue. The Town will know the FY17 rates from Suburban in March in time for the Annual Town Meeting. Mr. Davison stated that he pulled out the cost of benefits relating to all of the DSR4s, which was \$627,490. The Town Manager's recommended budget includes an increase of \$208,288 for the benefits for new positions that are recommended.

Mr. Reilly stated that the rate of increase in the Retiree Insurance is lower than the increase in employee health insurance. Mr. Davison stated that medical cost inflation is the major driver of OPEB costs. Ms. Fitzpatrick stated that the Town has done well funding the OPEB liability through additional contributions so the assets are starting to grow. Mr. Reilly stated that the Town started funding the OPEB liability later than retirement liability which is about 70% funded. The OPEB liability was 25% funded in the last audit, but is probably closer to 30% now. Mr. Davison cautioned that medical cost inflation could affect the overall liability. Needham is ahead of most other communities, but many are starting to make progress. Mr. Reilly noted that the Town has built a big enough base to participate in the state's OPEB trust fund.

Mr. Davison stated that the General Insurance and Self-Insurance Program expense covers property and liability insurance and small claims and deductibles. He stated that the increase is 4%. The biggest impact is due to new or expanded buildings. Mr. Davison stated that Debt Service is decreasing because of declining payments, some refinancing, the addition of no new excluded debt, and some debts finishing up. Ms. Miller stated that the Reserve Fund is recommended at its usual level. She feels that this is a bit high, and the Committee should discuss whether to keep it at this level. Town Meeting often adds to the Reserve Fund in November, so some could be allocated now and replenished later. Mr. Zimbone asked how much she would like to decrease the Reserve Fund. Ms. Miller stated that it would depend how much

revenue is assumed for solar power. Mr. Davison stated that he recognized approximately \$700K of revenue, less \$365K of costs. Ms. Miller stated that she felt that \$1.4 million would be reasonable for the Reserve Fund.

Health and Human Services

Mr. Zimbone introduced the budget, and stated that the new HHS budget combines three budgets into one budget, following a re-organization over year ago. He stated that this is an area where the Finance Committee often asks whether more is needed, because the budgets are tight and there are so many services. He stated that the budget increase is about 3.7%-3.8% without DSR4s, most for salaries and wages. The first priority DSR4 seeks to increase social work hours which has been recommended to be accomplished by a reallocation of wage. Mr. Coleman stated that the Town Manager's recommended budget explains on page 1-14 how the funds for the Senior Program Coordinator and the part time Outreach Worker FY17 will be used to provide two full time social workers at the Center at the Heights. He stated that the Finance Committee had previously approved a Reserve Fund transfer for a Substance Abuse Counsellor position that had not been awarded a grant renewal for years 6-10 of the position. A new grant was prepared and awarded for \$500K for a total of 5 years, with no opportunity for renewal. He stated that there is a youth social worker and a social worker at the Heights that helps people off all ages, but there remains a gap in service. The new social worker would help people ages 18+. Mr. Coleman stated that they want to reallocate the funds right away and hire the new social worker now if the position is recommended in the FY17 budget.

Mr. Zimbone stated that the second DSR4 seeks funding for an additional Environmental Health Agent. Mr. McDonald stated that there is an experienced Environmental Health Agent who has worked for the Town for 15 years doing plan reviews, permitting and inspections. He stated that the regulations have increased in number and become more complex, so there is additional workload. He conceded that it is a reach to say there is enough additional work for an additional full time agent, but he wants to be proactive and not reactive in providing services. He stated that there is a need to implement marijuana dispensary regulations. He would like the agents to draft policy and not be limited to inspections and permit work. Mr. Zimbone noted that just as the Police and Fire Departments have increasing workload with the expanding occupancy at Needham Crossing, the Health Department has more work. Ms. Miller asked if a Health Agent position could be filled part-time. Mr. McDonald stated that there is a Health Agent who now works 7-8 hours per week who also works as a Health Agent in another town. He agreed that hiring another person would obviate the need for that part-time work. He stated that the part-time work currently amounts to about \$13K-\$14K per year in the part-time salary line.

Mr. McDonald stated that the third DSR4 seeks funding for federal accreditation of the health department. He stated that it would be worthwhile, though no other health department in Massachusetts is now accredited, though some applications are pending. He stated that the process would involve 18-24 of preparation and 6-9 months to actually apply, plus a payment of \$12,738. He stated that accreditation will provide no immediate benefit, but in the future will likely be linked to federal grant funding. Mr. Lavery asked if the process might take longer and be more costly to be the first. Mr. McDonald stated that there will be a cost, but Needham would not be the first applicant. He stated that regardless of whether the Town actually seeks accreditation, the process would be valuable. Mr. Reilly agreed, saying that he sat on the board of an organization that was better for having gone through an accreditation process.

Mr. Zimbone asked Mr. Mattleman and Ms. Gutner to outline what Youth Services and the Council on Aging have achieved with grant funding. Mr. Zimbone state that there is much more being done than is reflected in the budgets. Mr. Mattleman described the trends that he is seeing in youth, particularly with mental health and the work that is being done and programs that have been established to help. Ms. Gutner stated that it is difficult to monitor usage of programs, but that there has been an increase in programming and in the number of low cost meals provided. She stated that appointments with SHINE counsellors to discuss health care coverage options have increased significantly. She stated that one grant was denied in the summer and they persevered and reapplied and received a grant to provide evening hours for social services, which has filled a need. She stated that the receive support from the Friends group, and from voluntary contributions for programs. She stated that they receive approximately 13 FTEs worth of work from grants. Mr. Zimbone stated that the case studies they shared were very moving. Mr. Lavery stated that he was impressed with the amount of good work being done, and how thoughtful and resourceful the staff is.

Mr. Reilly stated that 24.4% of the Town is currently age 60+. That percentage is expected to grow, which will likely increase the demand for services. He expressed concern that there will be a serious funding given the increasing demand and the fact that this department is dependent on revenue that is beyond the Town's control.

Mr. McDonald stated that he wanted to point out that there has been an increasing focus on the complexity of cases. He stated that small complaints sometimes lead to larger more multi-faceted problems. Dr. Cosgrove stated that looking 2-3 year ahead, the Health Department will continue to face increasing regulations and responsibilities. He stated that he was in support of adding another Environmental Health Inspector.

Municipal Parking

Mr. Davison stated that this budget covers the expenses of municipal parking lots for employees and customers of local businesses. A significant cost is the lease payments to the property owners where the lots are located, including the Library lot, the MBTA lots in the Center and the Heights, and a lot on Dedham Ave. There are also costs of marking, sweeping, repairs and plantings. There is some revenue from permits and meters. The work is done primarily through the DPW.

Board of Selectmen/Town Manager

Ms. Fitzpatrick stated that the major change in the budget is that the Management Fellow position is not recommended for FY17. She stated that the position was very successful, and may be recommended in FY18. The FTE count has decreased from 9 to 8, and the budget has decreased. The emphasis this year is refining the performance measurement program. They are working with the provider of the citizens' satisfaction survey to see if there should be a goal of reaching a certain level of satisfaction. Some areas have citizen satisfaction below 60%, so they are working on improving those areas. She stated that there is an increase in the Human Resources budget for assessment work expected to be needed because she anticipates leadership vacancies in public safety positions.

Mr. Zimbone asked about revenue from usage of Powers Hall for public events. Ms. Cincotta stated that only non-profit organizations are allowed to use it. The Town receives 5% of ticket sales. The event holder pays for all event-related costs including audio visual staff, custodial work, police detail, liquor license and Hall Rental. She stated that they charge \$50 per hour for the Hall, up to \$250. Mr. Reilly asked why rentals were decreasing. Ms. Cincotta stated that she did not know, but it could be that the novelty has worn off, or the bad weather last year. She stated that there is no kitchen appropriate for a fully catered event. Ms. Fitzpatrick stated that the Hall is used many weekends, and the event holders can be disruptive on Fridays and Mondays. Ms. Cincotta stated that the events have been very successful.

Finance Committee Updates

Mr. Zimbone stated that the School Committee voted its proposed budget which included reductions from the Superintendent's original budget totaling \$282,861.

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 7-0 at approximately 8:37 p.m.

Town of Needham, Departmental Spending Requests, December 2015; Town of Needham Capital Improvement Plan FY2017 – FT2021, January 4, 2016; Town of Needham, Proposed Annual Budget FY2017, Office of the Town Manager, January 26, 2016; DPW FY17 Operating Budget Request Increases over FY16 Budget; Finance Department tables proposing new Municipal Lighting Program budget; MSBA Awarded Construction Contracts – Elementary Schools

Respectfully submitted,
Louise Mizgerd
Staff Analyst

Approved February 3, 2016