

**Needham Finance Committee  
Minutes of Meeting of February 1, 2017**

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

Present from the Finance Committee:

Rick Zimbone, Chair; Richard Reilly, Vice Chair

Members: Barry Coffman, John Connelly, Tom Jacob, Ken Lavery, Richard Lunetta, Louise Miller, Carol Smith-Fachetti

Others present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Christopher Coleman, Assistant Town Manager/Director of Operations

Rachel Glisper, Director of Human Resources

Chuck Murphy-Romboletti, Assistant Director of Human Resources

Timothy McDonald, Director of Public Health

Jon Mattleman, Director, Youth Services

Latanya Steele, Acting Executive Director, Council on Aging

Evelyn Poness, Town Treasurer/Collector

Sandy Cincotta, Support Services Manager

Carys Lustig, Supervisor of Administration, DPW

**Citizen Requests**

There were no requests to address the Committee.

**Approval of Minutes of Prior Meetings**

MOVED: By Mr. Reilly that the minutes of January 18, 2017, be approved as distributed, subject to technical corrections. Mr. Connelly seconded the motion. There was no further discussion. The motion was approved by a vote of 7-0. (Ms. Miller and Ms. Smith-Fachetti had not yet arrived.)

MOVED: By Mr. Reilly that the minutes of January 23, 2017, be approved as distributed, subject to technical corrections. Mr. Connelly seconded the motion. There was no further discussion. The motion was approved by a vote of 7-0. (Ms. Miller and Ms. Smith-Fachetti had not yet arrived.)

**FY2018 Departmental Budget Requests:**

**Personnel Board**

Mr. Coleman stated that the Personnel Board funding has been reduced from \$18K to zero in FY18. Instead, there will be a warrant article requesting \$80K to fund a Townwide classification and compensation study of all positions. There has been one group studied per year. Because

there are issues with the consultant that was being used and the method is dated, and a new consultant is needed. It seems appropriate now to have a broader study with an updated system that can be maintained by the Human Resources Department. An update will still be needed every 3-5 years. He stated that there is an ongoing study of DPW compensation. Ms. Miller stated that classification and compensation work has been done in recent years, and questioned whether the expenditure is appropriate. Mr. Coleman stated that one consistent Townwide study has not been done in a very long time. With the smaller studies, some “bumping” has happened where positions get pushed closer to the supervisory roles which can cause issues. Mr. Lunetta stated that he sits on the Personnel Board as well as the Finance Committee. He stated that the previous studies have looked at the tasks of positions and the compensation in relation to external competitors while the proposed study will also study internal equity of positions and compensation which has not been done in more than 18 years. He stated that he is not sure if it will cost \$80K. He suggested that they should come back to the Finance Committee before the warrant article is finalized to discuss the estimated cost. Mr. Zimbone stated that one request for a new position in DPW showed that further analysis is needed to determine how to describe and classify the position, and this could help in those situations. He stated that when the warrant article is discussed, the Finance Committee will want to understand the scope of the study and the costs.

### **Municipal Parking**

Ms. Lustig stated that salaries are essentially unchanged because the DPW collective bargaining agreement has not been settled yet. She stated that there is an increase in expenses for lot markings because there are more lots, and some are due to be redone, and an increase for spring work which will be contracted out. There will be an offsetting decrease in the costs of mulching and seeding. Ms. Cincotta stated that the lease costs of the MBTA lots increase every year. The change in costs of the library and Dedham Ave. leased lots depend on the license agreements. Mr. Coffman asked why the municipal lots are in a separate budget. Mr. Davison stated that the Finance Committee made that request 20 years ago, before he worked for the Town. Mr. Zimbone suggested that the Town rethink where the costs should be in the budget, and perhaps eliminate the separate line in the FY18.

### **Health and Human Services (HHS)**

Mr. Jacob introduced the budget and described the four divisions within the department. He stated that the department’s salary line is increasing because of step and cost of living adjustments, and also due to the addition of an Environmental Health Agent which is new in the FY17 budget. He stated that the increase in expenses is primarily due to an increase in communications costs for additional cell phones, an increase in the professional and technical costs for outside contractors, and an increase in the assessment for Veterans’ Services. He stated that there are three DSR4 requests: one for \$20 K for data collection, one for \$38K for vendor training and compliance checks for intoxicating substances, and one for \$6K for preparation for accreditation. Mr. MacDonald stated that they had planned to make a fourth request but the costs will be covered by a grant from Metrowest Health for \$20K. He stated that he would like to seek non-town funds to start the work toward accreditation as well, and then come back with a request when further progress has been made. Mr. MacDonald stated that he and the Police Chief met

with the Town Manager about the training and compliance for intoxicating substances. She recommended \$9,700 in funding for expenses. The HHS and the Police budgets would absorb the additional salary costs associated with overtime work needed for the training and inspections.

Council on Aging: Ms. Steele described many of the functions and activities being done by the Council on Aging. She stated that recently they are working to make even more use of the facility, and have partnered with the School Department for programs, and increased programming for seniors. Mr. MacDonald stated that they have been able to expand programming into 2 evenings per week because they received funding for an additional position and received some other grants. Mr. MacDonald stated that they have an \$80K grant from Metrowest Health, a \$64K grant from the state. They seek outside funding as aggressively as they can. Mr. Zimbone stated that the COA and Youth Services provide valuable services for very little cost to the Town, and encouraged them to request funding if they have programs that they want to offer and cannot because of funding. Mr. Reilly stated that there may need to be additional SHINE counselling because of changes in health care related issues that are expected soon. Mr. MacDonald stated that there have been some positions vacant, and so they have cost savings to support the necessary staff. He stated that he will monitor the situation. Mr. Coffman asked how many volunteers worked at the COA. Ms. Steele stated that a volunteer/transportation coordinator seeks many of the volunteers, and there are also the social worker recruits visitors for home-bound seniors. Mr. MacDonald stated that with those people and the SHINE volunteers, there are probably at least 50 volunteers.

Youth Services: Mr. Mattleman stated that last year they changed from 2 part-time counsellors to one full-time counsellor, which has been very helpful and productive. He stated that there is a person working 15 hours who is a great fit, who is also studying for an advanced degree. He may need an increase in salary when the student has graduated. He stated that they have about 2.0 FTEs and they have a lot of volunteer help, including an undergraduate student and a grad student. He stated that the most important topics today are suicide and technology. He stated that technology causes more problems among youth than drugs and alcohol.

Veterans' Services: Ms. Miller asked if there has been a rise in the number of veterans seeking services in recent years. Mr. MacDonald stated that, because of affordability, Needham does not have many veterans that have served recently. Most veterans in Town are older veterans. He stated that they need to do more outreach to make sure that there are not people who are eligible for services and don't know it.

Public Health: Mr. Reilly asked why the travelling meals program services varied significantly in some months. Mr. MacDonald stated that the program can do 50 meals per day. He stated that sometimes there are challenges that interrupt services on a short- or long-term basis. He stated that it is not means or age restricted, but people don't often know that. Mr. Reilly asked about the DSR4 request for FY17. Mr. MacDonald stated that there was funding for a report on healthy aging. He stated that they did a survey, as well as interviews of "key informants," and held a focus group. He stated that that information that was gathered helped them to secure a \$20K grant. He stated that this funding will allow similar information gathering in more areas of public health which would help guide the Department. He stated that in the FY18 budget, Public

Health is seeking some increases in expenses because they have held costs very low in recent years.

Mr. MacDonald stated that he has been unable to fill some vacancies because of space issues. He stated that there are health issues relating to air quality in the current office space for the Health Department. Mr. Zimbone stated that there have been discussions about leasing space. Mr. MacDonald stated that the costs will likely require a competitive procurement process, which can mean that the space may not remain available through the process. He stated that he is preparing a memorandum addressing the issues.

### **Townwide Expenses**

Mr. Reilly introduced the Townwide Expenses which cover expenses that apply throughout the Town. He stated that there are three significant issues. First, the assumed rate of return for invested funds is different for two funds which are managed by the same state pension management program. The Contributory/Non-contributory assets that make up the Town pension plan have an assumed 7.75% annual return, while the OPEB assets managed by the same entity have an assumed 7.5% return. He stated that he is uncomfortable with that separation in the long run. Ms. Fitzpatrick stated that there is a new actuarial table for determining contributions to the pension plan unfunded liability, so this is the first year that the rates of return are different. She stated that the retirement actuarial analysis is being updated now. Ms. Pones stated that several changes surrounding the retirement plan were made in one year, including a decrease in the assumed rate of return and an increase in the COLA base. She stated that the Retirement Board will look at 7.5% or even 7.25% for the retirement plans.

Mr. Reilly stated that another important issue is that the Town's rate saver health insurance plans are being discontinued, so different health insurance plans need to be considered. Mr. Reilly stated that the third issue of concern is the level of the workers' compensation reserve. He stated that the goal is to have a reserve balance of \$1 million and it is currently \$800k. At the end of the budget season, this is a potential place to use additional funds.

Ms. Fitzpatrick stated that there has been an assumed 7% increase in the cost of health insurance premiums. She stated that the actual increase may be higher than that. Mr. Reilly stated that the debt service costs will increase significantly in FY18. Mr. Davison stated that this is a result of additional payments for the first bond for the new elementary school project.

Ms. Miller asked about the different levels of debt. Mr. Davison stated that debt within the levy would be \$4,358K, excluded debt would be \$7,760K and CPA supported debt would be \$449K. He stated that the excluded debt in the Capital Improvement Plan is lower because the bond for the elementary school had not yet been issued then the CIP was released in December. He stated that the excluded debt shown in the revenue section of the Town Manager's budget includes the effect of the elementary school. Mr. Reilly noted that the Town refinanced some debt during FY16 which will save almost \$800K.

Mr. Lunetta asked if workers' compensation claims were increasing. Mr. Davison stated that costs were increasing because of medical cost inflation. He stated that though claims are not increasing, they need to make sure reserves are adequate. Mr. Lunetta stated that health insurance is getting challenging, and asked if the Town plans to work with a consultant. Ms. Fitzpatrick stated that once Metrowest Health makes a decision on what plans they will offer, she will bring in a consultant to evaluate the options. She stated that the whole market is in flux. She stated that changing health insurance plans is a mandatory subject of bargaining with the union.

Mr. Zimbone asked if additional funding for OPEB is being considered. Ms. Fitzpatrick stated that they are discussing it. She stated that it would be especially helpful if the Town could make a significant enough payment to bring down annual costs.

### **Town Manager/Board of Selectmen**

Ms. Fitzpatrick stated that the salary increases are for contractual increases, and expenses are increasing by only \$700. She stated that there are two DSR4 requests by the Human Resources Department. Ms. Glisper stated that the requests are based on needs for improving employee engagement and health insurance benefit compliance. She stated that an employee engagement program is needed because unemployment rates are low and the Town needs to be able to attract quality employees in a competitive environment. She stated that a survey showed disengaged employees. They have brought in a consultant to target problem areas and work with employees, managers and groups. Mr. Lunetta stated that he highly supports the program if the Town can afford it.

Mr. Reilly asked why they were no longer funding background checks. Ms. Glisper stated that that funding in the budget was not being used. Mr. Coleman stated that the Schools do their own background checks for School and Public Facilities employees, the Police and Fire do their own checks as well, and Human Resources does CORI checks. Ms. Fitzpatrick stated that the Town does check references.

Ms. Glisper stated that there is a DSR4 request for a Benefits Administrator. She stated that the Assistant HR Director now spends 50% of his time doing benefits administration and therefore cannot do other human resources work. She stated that there are HR policies that need updating, and that the HR department needs a better social media presence, and better branding for advertising for positions. Ms. Fitzpatrick stated that the HR office handles benefits for all employees including in the Schools. She stated that they are trying to have HR be involved in all recruitment and work issues. Ms. Glisper stated that she would like a HR representative on all panels, but she does not have the time. Mr. Lunetta stated that they need a Benefits Administrator that can envision where things are going, and can also talk to any employee about benefits. He stated that this should have been done years ago. Ms. Fitzpatrick stated that there was a Benefits Administrator, but the position was reclassified to Assistant Director instead of continuing with the Management Fellow position. Now they are requesting to have a Benefits Administration which mean an increase from 3 to 4 employees in the department. Mr. Coffman asked what the employee turnover rate is in Town, and whether it is higher than other towns. Ms. Glisper stated that she did not have data, but that she feels it is probably average. Ms. Fitzpatrick stated that there are some retirements, and that most turnover is in laborer and

custodian positions. Some of the reason is the hours, and some of it is that younger people tend to move jobs. Ms. Glisper stated that they need to learn to cater to millennials.

### **Town Manager's Recommended FY18 Operating Budget**

Ms. Fitzpatrick reviewed the budget presentation made to the Board of Selectmen on January 24. She stated that state aid is assumed to be flat. The Governor said that Chapter 70 funding may increase, but there may be changes at the federal level that will affect that. She stated that there is a one-time extraordinary overlay surplus. She stated that the budget assumes \$8.6 million free cash, but she expects more. Last year there was little use of the reserve fund, and all the free cash was not spent, and there was a settlement in some tax cases. She stated that her budget recommends three new FTEs. The budget always includes funding for benefits for 20 additional staff, and there are also benefits for 16 additional staff assumed in Schools and Town. Mr. Zimbone stated that he toured Fire Station 2, and that the conditions were terrible. He stated that the firefighters need to work there 2 more years before the new station would be available. He suggested that there might be funds in the Reserve Fund to improve conditions.

Ms. Fitzpatrick listed the requests that she was not recommending for funding at this time, including the Project Manager since Public Facilities is using a contractor of Hillside, and part of the HHS request for the compliance project since that can be handled within the budget. She stated that she funded some of the Library requests. Mr. Reilly noted that the School Department is about 42% of the overall budget, but is getting less than 42% of the increased dollars for FY18. Ms. Fitzpatrick stated that she recommended a certain level of cuts for the School budget, and that the Superintendent decreased the budget by a greater amount in hopes that some funding could be set aside now and used for full-day kindergarten in a future year.

Ms. Fitzpatrick stated that the DPW union contract is not settled so any salary increase will come from the Classification, Compensation line in Townwide Expenses. She stated that she intends to discuss whether the RTS should be an Enterprise Fund since over half of the budget is now coming from the General Fund. She stated that there may be a need for a stormwater enterprise fund once the stormwater requirements are better known. She stated that there is a list of planned financial warrant articles. She stated that cash capital will be funded with free cash and also with overlay surplus. She stated that some DPW and Pollard work will be funded by overlay surplus.

Ms. Fitzpatrick described the proposed appropriations to the stabilization funds. She described how the Debt Service Stabilization Fund would provide a place to divert some recurring funds to hold them for later expenses rather than commit them for current operating expenses, so that the next year, when those funds recur, they will be available for future operating needs. She stated that the goal is to put aside \$2 million in the Debt Service Stabilization Fund. Ms. Miller stated that she did not think that so much money was needed in the Fund. She stated that the CIP does not show a need for \$2 million for debt service. She is concerned about saving money for something uncertain. Ms. Fitzpatrick stated that she would like the opportunity to come in to show why more than \$2 million is needed. She stated that they will determine the amount that is needed and why. Ms. Miller stated that last year, the Town discussed whether to increase the 3% debt service policy and decided not to. She stated that this looks like they are just trying to get around the decision not to change the policy.

## **Finance Committee Updates**

Mr. Connelly stated that he went to the recent PPBC meeting. They reviewed the cost estimates of the elementary school project under the accelerated schedule. It appears that they may end up with the project costing the same because of the cost of construction materials and the costs of site work. He stated that they also discussed the Rosemary project. They are trying to get the permit for the pool project decoupled from the permit for the lake dredging project. If that is not permitted, there may be some problems.

Mr. Coffman stated that he has gone to meetings of the High School Space Needs Committee. They have done a zero based analysis of rooms to see if they could be better used. He stated that 90% of the rooms are used on a full time basis. He stated that just under half of the classes for the core curriculum courses are in excess of the MSBA recommended level of 24 students. He stated that there are currently 1,600 students, but that is expected to increase to 1,800. He stated that they are coming to the conclusion that 9-12 new classrooms are needed. They have not factored in special needs. He stated that they have looked at what they should have and not what they do have. There is a general consensus that they cannot just reconfigure space within the building to meet the needs. The PPBC will discuss the project on February 13 and there will be additional numbers on February 28.

Mr. Reilly stated that there was a Chairs meeting regarding Memorial Park. He stated that they are looking at requesting design funds in May 2017 and construction funds in fall 2017. The current building is 8,300 square feet, and they are looking at options of 8,700, 11,000 or 12,000 square feet. The project is capped at about \$5.9 million, of which \$2 million would be debt and \$3.9 million cash, maybe partly from CPA funds or Athletic Facility Fund.

Mr. Zimbone stated that members should be prepared to start discussions for the Finance Committee's draft budget next week.

## **Adjournment**

MOVED: By Mr. Connelly that the Finance Committee meeting be adjourned, as there was no further business. Mr. Lavery seconded the motion. There was no further discussion. The motion was approved by a vote of 9-0, at approximately 9:25 p.m.

Documents: Department Spending Requests FY2018; Town of Needham Capital Improvement Plan FY18-FY22; Presentation: Balanced Budget Proposal for Fiscal Year 12018, Office of the Town Manager, 1/24/2017, revised 1/26/2017.

Respectfully submitted,

Louise Mizgerd  
Staff Analyst

*Approved February 8, 2017*