

**Needham Finance Committee
Minutes of Meeting of February 8, 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: John Connelly, Tom Jacob, Ken Lavery, Richard Lunetta, Louise Miller, Carol Smith-Fachetti

Others present:

David Davison, Assistant Town Manager/Finance Director

Carys Lustig, Supervisor of Administration

John Regan, DPW Fleet Supervisor

Evelyn M. Poness, Town Collector/Treasurer

Michelle Vaillancourt, Town Accountant

Roger MacDonald, Director of Management Information Systems

Tatiana Swanson, Finance and Procurement Coordinator

Citizen Requests

There were no requests to address the Committee.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Connelly that the minutes of February 1, 2017, be approved as most recently distributed, subject to technical corrections. Mr. Jacob seconded the motion. There was no further discussion. The motion was approved by a vote of 8-0.

FY2018 Departmental Budget Requests:

Fleet and Technology

Ms. Miller stated that the Town is trying to extend the lifecycle of the Fleet and to make sure that each vehicle is most appropriate for its purpose. If not, at replacement time, a vehicle should be replaced with a better suited vehicle. She stated that all vehicles are looked at every year, and that every year some replacements are pushed out. She stated that there will be a financial warrant article to authorize an appropriation of \$250K for significant maintenance work to extend the life of fleet equipment. Mr. Davison stated that the Town needs funds available to do extensive repair work and for unexpected breakdowns that cannot be covered in the annual operating budget. The funding will delay having to pay the full replacement cost of some equipment. Mr. Regan stated that the money will be used for the maintenance program. He stated that there have been some equipment failures that would not have happened if more life-extending maintenance work had been done earlier. He stated that the funds will be used for proactive safety equipment as well as preventative maintenance such as rust-proofing and early

rust treatment. Mr. Connelly asked if this was a one-time or an annual cost. Mr. Regan stated that funding may be needed every other year. They will see what is needed to ensure the equipment is safe and operable and to extend the life of equipment. He stated an example of equipment at the RTS that fails regularly which would have been prevented with more maintenance work performed earlier. Mr. Lunetta asked how much money is saved annually. Mr. Regan stated that he could not quantify it, but he expects about a 20% return on investment by extending the life of equipment, but he cannot quantify the value of performing earlier work to prevent larger maintenance costs. He stated that there will be ongoing maintenance, but now they are catching up on work not done earlier. He stated that he expects to use about \$150K the first year, and \$100K the second year because there will be more work upfront. Mr. Reilly asked for the implications of the increasing use of electronic systems in vehicles. He stated that the electronic systems are very complicated and that his staff does not have the expertise and even dealers don't want to fix some electronic problems.

Ms. Miller stated that the goal is to make the vehicle program sustainable. She stated that recently, the program cost \$7.7 million over 5 years which is not sustainable. She stated that they now spend \$1.5-\$1.6 million per year which is expensive but should get better as the replacement cycle is stretched out. They are now trying to repair rather than replace equipment. Mr. Reilly asked how they would stretch out the replacement of school vans which were all purchased in a 2-year period. Mr. Davison stated that they had used federal funds so they bought the vans close in time, but that they will try to smooth the cycle by pulling some replacements earlier, and pushing some later.

Mr. Davison stated that there is also a request on the technology side for the replacement of non-public safety servers. Mr. MacDonald stated that it is part of the replacement cycle for the data centers. They have 2 backup places in Town as well cloud back-up. This is phase one of a replacement cycle and will replace hardware at Town Hall and the Center at the Heights. Some of it is 6 years old, and has a useful life of 5 years. Mr. Reilly asked if they looked at leasing versus purchasing the equipment. Mr. MacDonald stated that they had not looked at leasing, mostly because the lease affects the operating budget and purchases are capital. Mr. Reilly stated that taxable entities often favor the purchase over rent decision because they could deduct depreciation. This may tip the balance towards rent for entities not subject to taxation. Mr. Davison stated that the Town usually keeps equipment longer than the term of a lease, and stretch out replacement which can save money. The Town does not pay taxes on purchased equipment, but if the Town leases, it would pay retail market pricing.

Townwide Expenses (Casualty Insurance, Needham Electric, Reserve Fund)

Needham Electric: Mr. Davison stated that all energy costs are now in this core budget area except for the energy costs for the enterprise funds. Those bills still come to the Finance Department, but are paid from the enterprise fund budgets. He stated that he used the same usage figures from last year, a three year average of usage in FY13-FY15 because FY16 was such a mild winter that the data would under-estimate future usage. He stated that in addition to facility energy costs, this budget includes the energy and maintenance for street lights and the costs of the solar array project. The solar project brings in over \$700K in revenues which are accounted for separately.

He stated that energy costs fluctuate in summer and winter, and that there are also congestion charges associated with each bill. Mr. Davison explained that the town has "Demand" meters at a number of locations. These meters are used to determine the Town's peak usage of electricity every day. The utility then uses this meter data to impose surcharges to our bill if the town's peak electricity usage coincides with the utilities. He stated that the Town has software to predict peak demands and to shut down power at those times to minimize surcharges.

He stated that they have recently negotiated gas prices through 2018. He stated that he did not want to go farther out in time because of uncertainties. He stated that if pipelines are built, prices may go down.

Casualty Insurance: Mr. Davison stated that this covers the cost of insuring the buildings in Town. He stated that the increase is due to inflation. When the new school comes online, there will be a higher increase.

Reserve Fund: Mr. Davison stated that the same calculation was used that had been used in prior years.

Finance Department

Mr. Davison stated that the FY18 budget for the department is up 3% from the FY17 approved budget. He stated that repairs and maintenance costs are up in order to provide more maintenance to office equipment such as a mail machine and a postage machine and to extend the service life and replacement time. Mr. Davison stated that professional and technical costs are up, as some work related to sending out bills is contracted out. There are some offsetting savings such as the costs of preprinted forms.

Treasurer: Ms. Ponesse stated that excise bills are outsourced. This frees up some staff time, and she is able to pass along more work to them. She stated that there are also some unexpected savings because the company can make change to the bills for no extra cost, and they used to have to call SunGard and pay for assistance in making changes. She stated that all Town bills, except real estate, are now payable online and are payable with a credit card.

Information Technology: Mr. MacDonald stated that they are fully staffed, and that the Town continues to see a growth in users as more employees use technology. He stated that there is an increase in related activities throughout the Town. He stated that they have grant funding through the state's Community Compact initiative and have hired a consultant to audit the department, including the network infrastructure, policies and procedures. Mr. Reilly noted that the write up indicated that they are considering a major change to the computer system. Mr. MacDonald stated that they plan to replace the general ledger system. He stated that it is becoming harder to be able to support the old system. Ms. Ponesse stated that there is twice as much work using 2 separate systems for general ledger and revenue.

Mr. Zimbone asked about policies on network security. Mr. MacDonald stated that there is no written policy, but they are conservative about access. Mr. Davison stated that most employee

information is public record. Mr. Zimbone stated that it is important to make sure the Town is doing everything required for cyber security. Mr. Davison stated that the auditor is presenting to the Board of Selectmen next week. He stated that the report will recommend a review of policies and procedures in this area. Ms. Poness stated that she has an additional layer of security from banks she works with.

Overlay Surplus

Mr. Zimbone asked Mr. Davison to explain why there is additional money available from the overlay account this year. Mr. Davison stated that there has been an exceptional amount of overlay surplus released this year and last year for four major reasons. (1) There was a large overdue personal property balance that was paid, \$800K-\$900K. Ms. Poness stated that collecting personal property tax can be difficult because the Town has no leverage, and they can only write threatening letters. (2) Mr. Davison stated that Verizon's outstanding abatement applications have all been resolved, so there is no longer a need for a reserve to cover potential liability for that issue. (3) An Eversource case challenging a personal property tax classification was dropped because of a change under the Municipal Modernization Act that closed a gap. (4) There was uncertainty as to how the Trip Advisor TIF would be interpreted by the DOR due to conflicting statements. The Town was unable to get an interpretation in writing, so funds were held in reserve in case lower taxes were collected. The methodology has been codified so the contingency could now be released. As a result of these reasons, the overlay reserve does not need to be as high, and surplus funds could be released.

FY18 Finance Committee Draft Budget - Discussion

Mr. Zimbone stated that the Finance Committee is responsible for recommending a balanced budget to Town Meeting. He stated that the Committee may take into account the recommended budget from the Town Manager and the School Committee, but that the Finance Committee is responsible to make its own recommendation to Town Meeting. Mr. Zimbone stated that he would go through each line of the budget, and members could raise issues regarding any lines. He suggested using the Town Manager's recommendation as a base of discussion.

Townwide Expenses:

Mr. Reilly stated that he was uncomfortable with the different assumed rates of return for the OPEB and Retirement lines, but that he could accept it for one year.

Departments:

Town Manager/Board of Selectmen: Ms. Miller stated that she was confused by the request for the Benefits Coordinator position. She stated that there was already a Benefits Coordinator position in the budget, but the position was reclassified this year as the Assistant Director of Human Resources, and the new position was never formally incorporated into the budget. Ms. Miller stated that the Assistant Director is doing at least 50% benefits administration work, and now there is a request to reinstate a Benefits Coordinator position to do the benefits administration. She stated that she would like to see the DSR4 revised to reflect the Assistant

Director position. Mr. Jacob stated that the full-time benefits coordinator position was already justified in the previous budget cycle.

Mr. Lunetta stated that he supported the new position. He stated that they need a person with more technical benefits experience, and that it is a valid request. They also need more support that is beyond clerical. He would like to see a study of what work that the Town HR department does for the Schools. He stated that the Schools have the staff and the skills to handle the work themselves. Ms. Miller stated that she has no dispute whether the position is needed, only that they chose not to continue with the Management Trainee position, and instead reclassified the Benefits Coordinator position and are asking for the same position. She did not dispute the need for both positions. Mr. Zimbone agreed that the additional position is needed. He stated that he was impressed with the new HR Director and feels that she has many ideas that cannot be accomplished without an Assistant Director. He asked whether, aside from the procedure, there is a budgetary difference. Ms. Miller stated that there is approximately \$10K difference in the salary of the two positions. Mr. Jacob stated that he feels it would be bad precedent to just allow the budget request. Mr. Lavery stated that it is important to communicate to the Town Manager that she should consult with the Committee when reclassifying a position, particularly if it has a budgetary impact. Mr. Zimbone stated that he would ask the Town Manager to request a DSR4 for the Assistant Director position, and noted that there is a difference in the cost of the two positions.

Legal Department: Mr. Davison stated that the FY17 Legal Department budget may not be sufficient because of a need to hire an expert witness in an Eversource case, and a reserve fund transfer may be needed. This case could carry into FY18, but this is an extraordinary expense and should not be included in the departmental budget.

Fire Department: Mr. Zimbone stated that a number of people have recently taken a tour of Station 2 and found the conditions deplorable and suggested that it might be reasonable to spend some money to make conditions better until the new facilities are available, even if the improvements are not transferable. Mr. Connelly suggested that some needs could be addressed, but that some issues are behavioral. Mr. Reilly agreed to some extent but felt that it would be a big morale booster to replace some equipment, but they should be careful not to reward certain behavior. Mr. Connelly stated that neither chief of Police or Fire advocated for these costs. He stated that the Finance Committee should not substitute its ideas. Mr. Zimbone agreed that it is not the responsibility of the Finance Committee to make these decisions, but he would like to send a message that the Town does care about the working conditions of its employees. Mr. Reilly stated that the Town Manager may have counselled the chiefs against asking to upgrade the conditions, so he felt that the Committee should speak to her. Mr. Lunetta stated that he had an informal tour of the Fire Station as a liaison and asked whether the conditions deterred recruitment and was told that they did not have an effect. Ms. Miller stated that most other towns' fire stations have similar conditions. Mr. Davison stated that he knows of no requests made for new furniture. He stated that the departments are focused on the new stations, and likely would not want to jeopardize the big project with quick fixes. He stated that there will be a request for additional money for the feasibility study in May. Mr. Zimbone asked if there is a consensus. Mr. Reilly stated that the Committee could ask the Town Manager if there are any requests to improve conditions at the Fire stations, and if so, the Finance Committee would be open to discussion of funding improvements.

Minuteman: Mr. Davison stated that he has seen a lower estimate, but that the actual cost will not be known until the amount of state funding is known.

School Department: Mr. Reilly asked if the Committee is comfortable with the School Department's offer to reduce the budget by \$181K more than needed to balance the budget. Ms. Miller stated that she supported it because the School Department said that they don't need the money. Mr. Zimbone stated that the funds will be set aside in the Debt Service Stabilization Fund with the expectation that they will be used to help with funding full day kindergarten.

Public Facilities Department: Mr. Connelly stated that he is not in support of funding the new Contract Administrator position until there is a new Director who has a chance to review the staffing. Mr. Zimbone stated that the Town Manager has said that she is agreeable to defer the position for now, but would like to have the funds available to fund the position during FY18 if it is appropriate. There was consensus to subtract the salary for Contract Administrator from the Public Facilities budget, and the associated cost for benefits from the Employee Benefits line and add the funds to the Reserve Fund line.

DPW: Mr. Reilly stated that the Town Manager did not recommend funding the DSR4 request for School Fields and Grounds, but he feels that they are in bad shape and should be upgraded. He stated that the DSR4 has two elements: a one-time cost for analysis and repair of certain irrigation systems, and a recurring expense for improved cultural practices on School fields. Mr. Zimbone stated that the Town Manager said that the DSR4 was a placeholder, because they need to get better pricing for the irrigation system work. Ms. Miller stated that the DPW budget is large, and unless the irrigation work is significantly different, they should be able to cover all the costs if funded for the stated amount. Mr. Davison stated that Mr. Olsen cannot yet back up the numbers, so the irrigation project is now expected to be included in the May Special Town Meeting warrant, when more information is available.

Mr. Zimbone suggested putting the recurring expense for field maintenance in the budget. Mr. Davison stated that the Town Manager wanted a better explanation of what would actually be done with the funding. He stated that the Parks Division has several other major projects planned for FY18, so she did not recommend this project now. Ms. Fachetti stated that it makes no sense to improve the irrigation systems without improving the fields. Mr. Reilly encouraged the Town to refine the description of what can be done. Mr. Zimbone stated that he was inclined to put the \$28,220 for the recurring expenses in the budget and to adjust the amount if needed before voting the final budget recommendation.

Health and Human Services: Mr. Jacob stated that there was a request for \$20,000 for data collection, but he felt that there is no plan what to do with the data. Mr. Connelly stated that they did not show any specific need. He stated that also the requested funding for training does not seem to address any identified problem. Mr. Jacob stated that \$5,000 was used for data collection last year. Mr. Connelly stated that he would vote not to fund any of the \$9,970 recommended by the Town Manager. Mr. Zimbone suggested holding off on reducing the \$9,970 and circling back with questions about what they plan to do with the money, what they will do with the data, and what was the result of last year's data collection.

Library: Ms. Miller stated that she is not sure an additional full time Young Adult Librarian is needed, especially since kids are in school much of the day. She stated that if they need general circulation help, then they should ask for that. Mr. Davison stated that the Town Manager recommended increasing the current part-time person to full-time, and did not fund a whole additional full-time position. Ms. Miller stated that Ms. MacFate, the Library Director, did not express a preference for a full-time person over a part-time person. Ms. Miller suggested funding a new part-time position with no benefits. Mr. Davison stated that this position is the #1 priority of the Library Trustees, who feel there is inadequate coverage for adult library services. They want 1.0 FTE in addition to the current part-time person. He stated that if the person slips into an average of 20 hours per week over a six month period, then the Town will be obligated to provide benefits. He stated that the Town Manager recommended 37.5 hours per week for a Young Adult Librarian and the Trustees were fine with that. Mr. Connelly stated that seems logical since the person is already there. Ms. Miller stated that she is not in favor of funding the full time position, only the part-time person with no benefits. She stated that Ms. MacFate likes more flexibility that comes with part-time staff. She stated that she would like to ask her opinion. Mr. Zimbone suggested keeping the Town Manager's recommendation in the budget.

Park and Recreation: Mr. Zimbone stated that the Director of Park and Rec wants to hire the pool staff for other jobs while the pool is closed. Mr. Lunetta stated that she argued that she has dedicated staff and wants to keep them around. He understands her point about not wanting to recruit again, but he is not sure that this is the best way to get the work done that is proposed. Mr. Connelly stated that there would be no trouble recruiting people to work at the new pool. Ms. Fachetti stated that there is a big demand for lifeguards. Mr. Connelly doubted whether a trained lifeguard would want to paint benches for the summer. Mr. Zimbone stated that he cannot support hiring a full staff without a pool, but could understand using some funding to retain some key people. Mr. Connelly advocated for withdrawing summer staff from the budget and requesting a presentation next year on the staffing needed for the new facility. Mr. Zimbone stated that the budget submission (p. 3-283) showed \$113,711 for pool staff. Mr. Connelly stated that summer 2017 was 2/3 of those costs (July and August) so that the FY218 budget request should be reduced by \$75,807. There was discussion about the pool chemicals and other costs. Mr. Davison stated that the costs did not include 2017, and were costs needed after opening the pool in 2018.

Finance Committee Updates

There were no updates.

Adjournment

MOVED: By Mr. Reilly that the Finance Committee meeting be adjourned, as there was no further business. Ms. Miller seconded the motion. There was no further discussion. The motion was approved by a vote of 8-0, at approximately 9:40 p.m.

Documents: Department Spending Requests FY2018; Town of Needham Capital Improvement Plan FY18-FY22; Presentation: Balanced Budget Proposal for Fiscal Year 2018, Office of the Town Manager, 1/24/2017, revised 1/26/2017; FY2018 draft budget spreadsheets.

Respectfully submitted,

Louise Mizgerd
Staff Analyst

Approved February 16, 2017