

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

Others present:

David Davison, Assistant Town Manager/Finance Director

Daniel Gutekanst, Superintendent of Schools

Anne Gulati, Director of Financial Operations, School Department

Timothy McDonald, Director of Public Health

Citizen Requests

There were no requests to address the Committee.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Jacob that the minutes of March 1, 2017, be approved as distributed. Ms. Miller seconded the motion. There was no further discussion. The motion was approved by a vote of 8-0. (Ms. Smith-Fachetti had not yet arrived.)

Appropriate for FY 2018 General Fund Operating Budget

Mr. Jacob stated that there were two outstanding issues in the Health and Human Services budget. The draft budget excluded funding for two requests for which additional information was requested: \$9,970 for vendor training and compliance checks for sellers of intoxicating substances. The Department has a similar, successful program for sellers of tobacco products, and this would provide a new program for sellers of alcoholic beverages.

MOVED: By Mr. Jacob that the Finance Committee include funding for the vendor training and compliance program in the recommended FY 2018 operating budget. Mr. Lavery seconded the motion.

Discussion: Mr. Connelly stated that the Committee had a robust discussion and concluded that there was not a true need for such a program. He stated that he has seen no additional information to change his mind. Mr. McDonald stated that the Board of Selectmen issues all licenses, but there is little done to ensure compliance. There are limited checks performed on sellers of alcohol for both onsite and offsite consumption. The Police are not able to check all licensees annually. There are only 5 vendors for offsite consumption, so they are checked each year. There are compliance checks for tobacco vendors. The Town found 6 underage sales in 48 compliance checks one quarter. This funding would allow two compliance checks per alcohol

vendor per year. Mr. Lunetta asked if the Town would be out of compliance with the laws without this funding. Mr. McDonald stated that it would not be. Mr. Lunetta asked if the Police have seen an increase in youth drinking. Mr. McDonald stated that there is an increase in youth alcoholism according to the Metrowest survey. Mr. McDonald stated that the Town Manager recommended funding this expense with the stipulation that the funding for overtime work for staff to do the compliance checks would have to be within the current budgets of HHS and Police.

Mr. Reilly stated that the request does not seem overpriced and questioned whether the Finance Committee should oppose an article based on its judgment on the necessity for the expenditure rather than financial reasons. Ms. Miller stated that since the Board of Selectmen is the licensing authority, they should be supporting such a request. Ms. Miller asked whether restaurants would voluntarily have their staff go to the training. Mr. McDonald stated that they can get a discount on liability insurance if staff is trained. He stated that they could seek other training at their own expense, but he feels that since the Town takes in substantial fees for licenses, this program should be provided.

Mr. Connelly stated that the Town needs to contain this type of expense, and would vote against this program. Mr. Reilly stated that he would support it because the Town has made strides with this type of program for tobacco sellers and because the Board of Selectmen and the Town Manager have recommended this expense.

Vote: The motion was approved by a vote of 6-3, with Ms. Miller, Mr. Connelly and Mr. Lunetta dissenting.

Mr. Jacob stated that the request for funding for additional data collection is for the HHS Department to understand the needs of the Town and figure out new preventative programs. Mr. McDonald was asked to describe the results conducted last year and the actions taken as a result. Mr. McDonald stated that HHS has identified areas of concern from the data gathered in last year's survey on senior living. He stated that he was able to use the data collected to get a Metrowest grant for Continued Health Aging which is designed to help seniors understand how to make their current homes more accessible. Another area that they are seeking to help seniors is with a transportation plan to coordinate different services that provide transportation to seniors to make better use of available services. Mr. McDonald stated that the grants look to address common community conditions and this data will provide the data, and will also guide Town services. Mr. McDonald stated that information is gathered through surveys and focus groups. He stated that they have information on senior housing and transportation issues from last year's surveys and information about youth from the Metrowest survey, but they would like more information on ages in between. They would like to focus some efforts on youth substance abuse and mental health for all, and on veterans' issues. Mr. Davison stated that this request would be a recurring expense in the operating budget. Mr. McDonald stated that if the program is not funded, his job would be more difficult.

MOVED: By Mr. Jacob that the Finance Committee include funding for the data collection program DSR4 request in the recommended FY 2018 operating budget. Mr.

Coffman seconded the motion. There was no further discussion. The motion was approved by a vote of 7-2, with Mr. Connelly and Ms. Miller dissenting.

Mr. Zimbone stated that the voted draft budget removed \$75,807 out of the Town Manager's recommendation for the Park and Recreation Department salary line, which represented 2/3 of the summer pool staff salaries of \$113,711. The reason was that the pool would not be open in July or August of 2017. The 1/3 remaining would be needed if the pool opened in June of 2018. The Town Manager submitted information stating that \$40,000 would be needed for wages for hiring pool staff for other work in summer 2017, and \$70,539 for pool staff for May and June 2018. Mr. Reilly suggested that the two items be considered separately.

MOVED: By Mr. Reilly that the Finance Committee recommended budget exclude the \$40,000 to pay pool staff to perform other tasks in July and August 2017. Mr. Connelly seconded the motion.

Discussion: Mr. Zimbone stated that if there is a need for services such as trail work, then there should be a request in the budget for that work. He supported the motion.

Vote: The motion was approved by a vote of 9-0.

Mr. Zimbone stated that the other information received seeks to support funding for pool staff in May and June of 2018. Some training is needed before the pool is open for the season. Mr. Connelly stated that the \$70K is a fully loaded number. He stated that the pool will open in June only if all construction targets are hit. He suspected that all lifeguards would not be working 6 weeks by June 30. Mr. Jacob asked the consequences of cutting too much from the Department's budget. Ms. Miller stated that the Finance Committee can approve moving funds from the Reserve Fund. Mr. Zimbone suggested funding half to cover 3 weeks instead of 6 weeks of work. Mr. Jacob asked if \$30K is included in the budget for pool staff and the pool never materializes, whether the Department could spend the money elsewhere. Mr. Zimbone confirmed that they could use the money for other salaries. Mr. Jacob commented that he does not think this is a good way to put together a department budget. Ms. Miller suggested putting the \$70,539 into the Reserve Fund in case it is needed later. Mr. Zimbone agreed and suggested taking the remainder of the \$113,711 from the original budget request and putting it into the OPEB line. Mr. Davison stated that this would mean the Park and Recreation salary line would be \$391,972.

MOVED: By Ms. Miller that the Finance Committee's recommended budget exclude \$113,711 from the Park and Recreation salary budget and place \$70,539 into the Reserve Fund and the remainder into the OPEB line. Mr. Reilly seconded the motion. There was no further discussion. The motion was approved by a vote of 9-0.

The FY18 budget as modified was as follows:

Townwide Expenses

1	Casualty, Liability, Property & Self Insurance Program	\$606,200
2	Debt Service	\$12,573,958
3	Group Health Insurance, Employee Benefits, Assessments & Administrative Costs	\$13,949,197
4	Needham Electric, Light and Gas Program	\$3,558,040
5	Retiree Insurance Program & Insurance Liability Fund	\$6,115,455
6	Retirement Assessments	\$7,332,277
7	Workers Compensation	\$656,283
8	Classification, Performance & Settlements	\$260,000
9	Reserve Fund	<u>\$1,862,600</u>
	Total	\$46,914,010
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	Townwide Expense Total	\$46,914,010

Board of Selectmen & Town Manager

11A	Salary & Wages	\$846,088
11B	Expenses	\$138,079
	Total	\$984,167

Town Clerk & Board of Registrars

12A	Salary & Wages	\$329,145
12B	Expenses	\$48,415
	Total	\$377,560

Town Counsel

13A	Salary & Wages	\$75,442
13B	Expenses	\$254,000
	Total	\$329,442

Personnel Board

14A	Salary & Wages	\$0
14B	Expenses	\$0
	Total	\$0

Finance Department

15A	Salary & Wages	\$1,816,698
15B	Expenses	\$835,624

15C	Capital	\$68,475
	Total	\$2,720,797
<u>Finance Committee</u>		
16A	Salary & Wages	\$36,629
16B	Expenses	\$1,250
	Total	\$37,879
<u>Planning & Economic Development</u>		
17A	Salary & Wages	\$511,815
17B	Expenses	\$30,128
	Total	\$541,943
General Government and Land Use		
Total		\$4,991,788
<u>Police Department</u>		
18A	Salary & Wages	\$6,139,368
18B	Expenses	\$304,090
18C	Capital	\$174,118
	Total	\$6,617,576
<u>Fire Department</u>		
19A	Salary & Wages	\$7,552,956
19B	Expenses	\$352,248
19C	Capital	\$30,646
	Total	\$7,935,850
<u>Building Department</u>		
20A	Salary & Wages	\$691,442
20B	Expenses	\$51,040
	Total	\$742,482
Public Safety Total		\$15,295,908
<u>Minuteman Regional High School</u>		
21	Assessment	\$806,252
	TOTAL	\$806,252
<u>Needham Public Schools</u>		
22	Needham Public School Budget	\$68,350,083
	TOTAL	\$68,350,083

Public Schools Total	\$69,156,335
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Department of Public Facilities

23A	Salary & Wages	\$3,972,394
23B	Expenses	\$2,696,730
23C	Capital	<u>\$0</u>
	Total	\$6,669,124

Department of Public Works

24A	Salary & Wages	\$3,673,538
24B	Expenses	\$1,597,235
24C	Capital	\$42,216
24D	Snow and Ice Removal	<u>\$412,120</u>
	Total	\$5,725,109

Municipal Parking Program

25	Municipal Parking Program	<u>\$103,905</u>
	Total	\$103,905

Public Facilities/Public Works Total	\$12,498,138
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Health and Human Services

26A	Salary & Wages	\$1,394,100
26B	Expenses	<u>\$302,843</u>
	Total	\$1,696,943

Commission on Disabilities

27A	Salary & Wages	\$1,500
27B	Expenses	<u>\$550</u>
	Total	\$2,050

Historical Commission

28A	Salary & Wages	
28B	Expenses	<u>\$1,050</u>
	Total	\$1,050

Needham Public Library

29A	Salary & Wages	\$1,310,073
29B	Expenses	<u>\$348,314</u>
	Total	\$1,658,387

Parks & Recreation Department

30A	Salary & Wages	\$391,972
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30B	Expenses	\$96,817
	Total	\$488,789

Memorial Park

31A	Salary & Wages	
31B	Expenses	\$750
	Total	\$750

Community Services Total	\$3,847,969
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Department Budgets	\$105,790,138
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Townwide Expenses	\$46,914,010
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Total Operating Budget	\$152,704,148
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MOVED: By Mr. Jacob that the Finance Committee recommend the FY 2018 budget in the amount of \$152,704,148 as discussed, and to include it in the Annual Town Meeting warrant. Mr. Reilly seconded the motion. The motion was approved by a vote of 9-0.

2017 Annual Town Meeting Warrant Articles

Appropriate for Full-Day Kindergarten Space Study

Dr. Gutekanst stated that ideally, the School Department would like to institute the proposed full-day kindergarten program in FY20, and would like to do so without an operating budget override. He would like the start of full-day kindergarten to coincide with the opening of the new elementary school on Central Ave. He stated that a study is needed to determine the capacity at the elementary schools and to ensure that the needed classrooms in the other schools will be properly equipped for kindergarteners. He stated that Steve Popper said that \$50,000 is the appropriate amount. Mr. Connelly asked if the money would be used for a consultant. Dr. Gutekanst stated that they would likely hire a designer. Mr. Connelly asked what value would be added by hiring a designer over what could be done in-house. Dr. Gutekanst stated that some of the schools are very challenged for space, even with added modulars, and the designer is needed to figure out what modifications need to be made to add the new program and preserve specialized program space. Ms. Gulati stated that it is possible they would use the lower floor space at the old Hillside building since they need exterior access. Dr. Gutekanst stated that the study will cover plans for any needed plumbing and electrical work.

Ms. Miller stated that the study seems premature. She would like to know more about the assumptions about the proposed full-day kindergarten program before spending money on a study. She is concerned the assumptions will change. Mr. Coffman stated that the study could incorporate different options and propose different scenarios. Mr. Connelly stated that the study

is needed to figure out whether and how to implement full-day kindergarten. An understanding of the space and changes that would be needed is important at this stage.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of 2017 Annual Town Meeting Warrant Article: Appropriate for Full-Day Kindergarten Space Study in the amount of \$50,000. Mr. Connelly seconded the motion. There was no further discussion. The motion was approved by a vote of 9-0.

FY2018 RTS Enterprise Fund Budget
FY2018 Sewer Enterprise Fund Budget
FY2018 Water Enterprise Fund Budget

Mr. Davison presented a handout summarizing the revenue and expenses for the Enterprise Funds. He stated that the RTS budget would be a base budget only with no funding for DSR4 requests. The Sewer includes a preliminary assessment from the MWRA which is higher than in the original budget request. The summary shows the drains expenses allocation to the general fund. He stated that the drains functions would still be needed even if the Town got out of the water and sewer business. He stated that there is no sewer cash capital because of the grant/loan program that is being used to fund the capital needs. He stated that the Water Enterprise Fund also has a preliminary MWRA assessment that is different from the original request. He stated that the salary for one administrative position was moved from Sewer to Water which will take some pressure off sewer rates because there is a wider base in the water division to divide the costs of salaries. Mr. Reilly asked if the MWRA assessments were reliable at this point. Mr. Davison stated that they could go down. He stated that the water rate structure assumes that people would conserve more if rates were higher, but it appears that people in Needham would rather pay more than conserve water.

MOVED: By Ms. Miller that the Finance Committee recommend adoption of 2017 Annual Town Meeting Warrant Article: Appropriate FY2018 RTS Enterprise Fund Budget in the amount of \$2,418,945. Mr. Reilly seconded the motion.

Discussion: Ms. Miller stated that the use of retained earnings to cover RTS expenditures is unsustainable and will result in higher transfers from the General Fund.

Vote: The motion was approved by a vote of 9-0.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of 2017 Annual Town Meeting Warrant Article: Appropriate FY2018 Sewer Enterprise Fund Budget in the amount of \$8,873,305. Mr. Lavery seconded the motion.

Discussion: Ms. Miller stated that the Sewer Enterprise Fund continues to rely on retained earnings even after the rate increase last year. Mr. Davison stated that there will likely be another rate increase this year. The motion was approved by a vote of 9-0.

MOVED: By Ms. Miller that the Finance Committee recommend adoption of 2017 Annual Town Meeting Warrant Article: Appropriate FY2018 Water Enterprise Fund Budget in the amount of \$5,073,214. Mr. Reilly seconded the motion. There was no further discussion. The motion was approved by a vote of 9-0.

Establish Revolving Funds
Continue Department Revolving Funds

Mr. Davison stated that the article called Continue Department Revolving Funds is the annual article that authorizes the Town's existing revolving funds. Under the state Municipal Modernization Act, revolving funds must now be established in the Town by-laws. Once established, only the spending ceilings will be subject to annual authorization. Because by-law changes must be submitted to the Attorney General for approval, there is a risk that approval would not be issued in time for the revolving funds to be functioning on July 1 for the new fiscal year. Therefore, supplemental legislation has been passed to allow revolving funds to continue via the previous authorization process. The Annual Town Meeting Warrant includes articles both to create a new by-law and also to continue the existing revolving funds to ensure the various revolving funds can be active on July 1. Mr. Davison stated that the numbers for the article Continue Revolving Funds are not yet available. Mr. Zimbone stated that a recommendation on that article will be postponed.

MOVED: By Ms. Miller that the Finance Committee recommend adoption of 2017 Annual Town Meeting Warrant Article: Establish Revolving Funds. Mr. Reilly seconded the motion. There was no further discussion. The motion was approved by a vote of 9-0.

Authorize MGL c. 71, s 71E School Adult Education and Continuing Education Programs

Ms. Gulati stated that this is a housekeeping article. The School Department uses a revolving fund for enrichment programs that use School buildings. The programs bring in over \$600K per year and have been operating since 1978. It appears that Town Meeting has never acted to adopt this fund, so this article will accomplish that. In response to a question from Mr. Reilly, the School is seeking to authorize the fund moving forward but not currently seeking to ratify the past acts.

MOVED: By Mr. Jacob that the Finance Committee recommend adoption of 2017 Annual Town Meeting Warrant Article: Authorize MGL c. 71, s 71E School Adult Education and Continuing Education Programs. Ms. Miller seconded the motion.

Discussion: Ms. Miller asked why parking fees are included in the revolving fund. Ms. Gulati stated that the School Department does not charge for parking except for a fee at the High School, but there was a change under the Municipal Modernization Act allows parking fees in connection with the use of school property, so it is included in the article.

Vote: The motion was approved by a vote of 9-0.

Appropriate for General Fund Cash Capital

Mr. Zimbone stated that there was a question about School Technology, and the use of the portable public address system. Ms. Gulati stated that the PA system is used at both the Pollard and High Schools for graduations. The request would replace a 19 year-old system for \$30,000. The new system is expected to last longer than 10 years, based on a conservative estimate. The

cost of renting would be higher: \$57K for 10 years. Mr. Jacob asked if there were other uses than twice per year. Ms. Gulati stated that the system would be available for any Town public events, not just for School events.

MOVED: By Ms. Miller that the Finance Committee recommend adoption of 2017 Annual Town Meeting Warrant Article: Appropriate for General Fund Cash Capital in the amount of \$1,895,467. Mr. Reilly seconded the motion. There was no further discussion. The motion was approved by a vote of 9-0.

Amend General By-Law / Future School Needs

Mr. Zimbone stated that there have been years of discussion on this topic. The Chairs of the School Committee, Finance Committee and Board of Selectmen came up with the language in the article. It designates the composition of the seven-member committee, and states that the School Committee will oversee and use the School budget to contract an expert to estimate school needs, with the assistance off the other committees. The members of the prior Future School Needs Committee have been contacted. Mr. Zimbone stated that he spoke to one member who was in favor of the change, since the Committee has not been playing an active role, and it has not met in more than a year.

Mr. Lunetta stated that he is a strong proponent of collaboration, but feels that this function lies in the bailiwick of the Superintendent. He did not see how the committee would add value to the result, and that keeping the committee in place is anachronistic. Mr. Zimbone stated that there are important financial implications for the estimates that are produced, and that Finance Committee members felt the need to be involved and give feedback at an earlier stage in the process.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of 2017 Annual Town Meeting Warrant Article: Amend General By-Law / Future School Needs. Mr. Coffman seconded the motion. There was no further discussion. The motion was approved by a vote of 8-1, with Mr. Lunetta dissenting.

High School Space Needs Draft Presentation

Mr. Zimbone stated that the presentation shows five options for addressing space needs. An upcoming PPBC meeting will discuss the options with costs. He stated that he was impressed with the consultant who studied the space needs. Many of the details and questions raised were answered. Dr. Gutekanst agreed that this consultant showed a higher level of understanding. He stated that there is general consensus that there is a need to have space for 1800 students, and that it must be flexible space to meet changing needs. The designer found a need for 8-10 classrooms to accommodate that number of students, keeping all of the already repurposed space as it currently is. This will address the growing enrollment, but will not make it better. It is the best option that also makes sense financially. He stated that the Capital Improvement Plan includes \$7 million for this project. He stated that the Town needs to see what the \$7 million option is, even if it fails to meet the expected needs. He stated that they are trying to capture some space in the building without affecting the footprint. Mr. Davison stated that the \$7 million in the CIP comes from debt borrowed within the levy.

Mr. Connelly questioned 1800 as an appropriate benchmark. He looked at the current number of students, and ran them forward and found the highest would be 1758 students in the High School in 2024-2025. Dr. Gutekanst stated that the 1800 is estimated enrollment that includes the students in the system and also move-ins, transfers and other things happening in Town. Mr. Connelly stated that he understands but disagrees.

Mr. Connelly stated that he has deep concern for the additional Special Education space needed. The report shows 15K-16K square feet needed, which is about the size of the senior center. Mr. Reilly stated that it is clear what the other space needs are based on, but the criteria for special education space are not clear. Dr. Gutekanst stated that there are 7 students in the Pathways program, when they expected 2. This represents great cost savings because these students would have been out of district, but they do need space. The Schools need to make sure as enrollment increases, and as students are kept in-district more, that there is space. Mr. Reilly stated that it was important to have some decision making criteria, no matter how imprecise, otherwise decisions will be made on the basis of emotional considerations. Mr. Zimbone stated that the Pathways program is a great success, and that programs like this should be continued. If space needs to be designated, then the Town should do it. Dr. Gutekanst stated that there is also a therapeutic program in place for older elementary students, and the staff is convinced that they can do it with grades K-3 if there is space.

Ms. Miller stated that the High School expansion was \$5.5 million in last year's CIP, and now \$7.3 million. She asked where the number is from. Anne Gulati stated that the original number came from the architects DRA, and it is now escalated out to the midpoint of construction.

Mr. Connelly stated that he feels the High School expansion project is being rushed and that there will be insufficient time to vet it. Ms. Miller stated that there is also a need to discuss funding mechanisms.

Finance Committee Updates

Ms. Miller expressed concern that the capital projects relating to DPW facilities are being done piecemeal without an overall plan. Mr. Zimbone stated that he thought that had been addressed in the feasibility study.

Adjournment

MOVED: By Ms. Miller that the Finance Committee meeting be adjourned, as there was no further business. Mr. Connelly 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: 2017 Annual Town Meeting warrant, 3/3/2017 draft; Draft High School Expansion presentation; Additional Information From Kate Fitzpatrick to Finance Committee re: Park and Recreation Dept. FY18 budget, Dated 3/7/3017; Memorandum from David Davison to Finance Committee Re: Enterprise Fund Appropriations for 2017 Annual Town Meeting, Dated March 8, 2017; Finance Committee FY18 draft budget spreadsheets.

Respectfully submitted,

Louise Mizgerd
Staff Analyst

Approved March 15, 2017