

Needham Finance Committee
Minutes of Meeting of January 10, 2018

The meeting of the Finance Committee was called to order by Chair Richard Reilly at approximately 7:00 pm at the Center at the Heights.

Present from the Finance Committee:

Richard Reilly, Chair; Barry Coffman, Vice Chair

Members: John Connelly, Kenneth Lavery, Joshua Levy, Richard Lunetta, Louise Miller, Carol Smith-Fachetti

Others present:

David Davison, Assistant Town Manager/Finance Director

Theodora Eaton, Town Clerk

James Healy, Memorial Park Trustees

Ann MacFate, Director, Needham Public Library

Carol Thomas, Chair, Library Trustees

Demetri Kyriakis, Assistant Director, Needham Public Library

Dan Gutekanst, Superintendent of Schools

Anne Gulati, Director of Financial Operations, School Department

Melissa Richard, Assistant Director of Financial Operations, School Department

John Regan, Fleet Supervisor, Department of Public Works

Roger MacDonald, Director of Management Information Systems

Evelyn Poness, Town Collector/Treasurer

Citizen Requests to Address Finance Committee

No citizens requested to speak.

FY 2019 Department Budget Requests

Town Clerk/Board of Registrars

Ms. Eaton stated that she has added funding for early voting in 2018 to the budget, just as she did for early voting in 2016. The State recently paid the Town \$4,950 as mandated for the early voting in 2016. There will be mandated funding for 2018 early voting as well. Mr. Reilly asked why the Town Clerk posts meeting notices rather than individual committees and boards. Ms. Eaton stated that the law specifies that the Town Clerk must post them. In response to a question from Mr. Reilly, Ms. Eaton stated that the Town pays to mail out absentee ballots, and the voter pays the return postage. Mr. Reilly asked if the Town has undertaken protections against election hacking. Mr. MacDonald stated that the voting devices are independent and not connected to any network, so they cannot be hacked. The data is transferred by hand to the Town's network. Ms. Eaton described the success of early voting in 2016. She stated that overall voter turnout was typical, but 40% of the voters came early, and as a result, there were shorter lines at the polls on election day.

In response to an inquiry from Mr. Levy, Ms. Eaton explained that the Board of Selectmen increased dog license fees in 2014. The fees had not been increased since 1991. At the time of the increase, part of the increase in licensing fees was designated to be used to offset

maintenance costs of the proposed dog park. Ms. Eaton stated that the fees come into the General Fund, and the maintenance costs come from the operating budget. The operating budget is also funded by the General Fund, but the dog licensing fees are not specifically set aside for maintenance.

Trustees of Memorial Park

Mr. Healy stated that the requested budget remains at \$750, which is used to buy POW and U.S. flags. If there is remaining money at the end of the year, it is used for minor repairs or flowers for the park. Most of the expenses related to the park are included in other parts of the operating budget. Mr. Reilly asked how the new building project would affect the budget in the short and long term. Mr. Healy stated that there would be no effect in FY18, but in the future, the new building would require maintenance and possibly a monitor. He is not sure of the budget impact. He stated that they expect to ask non-Town groups that use the building for an additional fee to offset the costs. Ms. Miller stated that when the DPW comes in, the Committee should expect to see additional costs in the budget for cleaning and a monitor. Mr. Reilly asked if they expected to continue to allow use of the concession stand without charging for it. Mr. Healy stated that he is not sure, especially since it is often used by Town teams. Mr. Reilly stated that the fee should be reviewed, since the related expenses come from the General Fund. Ms. Smith-Fachetti suggested that there should be some consistency across Town over fees charged for rented space.

Mr. Healy stated that the building project is moving along. There have been meetings with stakeholders during the planning stages, and that they are now applying for CPA funding to support the project.

Public Library

Mr. Lunetta introduced the budget and provided statistics about usage and staffing. He stated that the usage of paper items is decreasing, but the use of the building and of electronic resources is continuing to grow. He stated that the Library operations depend not only on the tax levy for funding, but also on state aid, trust funds, grants, and donations. He briefly described the eight DSR4 requests included in the budget request.

Mr. Reilly asked how much money is in the State Aid account. Ms. MacFate stated that State Aid has been provided since the 1960s to supplement the Library budget. The Library receives about \$35K annually, though it has been higher or lower, depending on the state budget. There is a balance of \$136K. She stated that the account is used for various costs including the purchase of: equipment such as security cameras, services such as the page for packing and unpacking materials, and electronic subscriptions and licenses. In response to a question from Mr. Reilly, Ms. MacFate stated that if the DSR4s were not approved, that the costs could eventually deplete the State Aid account. Ms. Miller noted that budget surplus, such as excess salaries are used before State Aid. Ms. MacFate noted that some of the expenses are committed for funding from State Aid earlier in the year such as the museum software, and the Comcast and Overdrive subscriptions. Ms. Miller stated that over the last few years, the Finance Committee has wanted the Library to use funds from the State Aid account in order to reduce the balance, but the Committee has also wanted the Library's budget to reflect the operating expenses more accurately. Ms. MacFate stated that the Trustees like to hold some State Aid for costs such as an expert consultant to help with reconfiguration of space. She noted that there was one recent year

where there were not enough salary funds in the budget, and they need to use some State Aid for some pay.

Mr. Coffman asked if the two positions requested are for incrementally more work versus new services. Ms. MacFate stated that the reference work is incremental, but the children's librarian may not be. Mr. Connelly noted that the children's librarian position was eliminated in 2009, and asked why it is being resurrected. Ms. MacFate stated that there is a new supervisor for children's programming. The department is much more active, and the supervisor needs more help than the part-timers can provide. Mr. Connelly asked if the programming has been augmented since 2009. Ms. MacFate stated that it had. She stated that the young adult librarian position that was added recently is in the different part of the library.

Mr. Reilly asked if here were statistics to show the usage of the Library during the expanded Sunday summer hours. Ms. MacFate stated that she included that data in the packet, and that there is even greater use of the Library on Sundays than she expected. Mr. Reilly asked if the trust funds had limitations on uses. Ms. MacFate stated that the permissible uses varied by trust. She stated that some terms restricted the amount of funds that can be used, and some restricted what can be purchased with the funds. Mr. Reilly noted that there are \$117K of expendable funds, and that there are plans to spend \$23K. Ms. MacFate stated that she is conservative with the trust funds. Mr. Reilly stated that the Committee should consider to what extent the trust funds should be used for one time expenses versus putting them into the operating budget. Mr. Levy stated that since State Aid fluctuates, it should not be used for recurring expenses. Mr. Reilly suggested that, like Free Cash, some portion could be expected to recur, and therefore available for recurring expenses, while additional amounts should be used for one-time costs. Ms. Thomas stated that they made DSR4 requests for recurring expenses.

Mr. Coffman asked how often the Library is asked for resources that it cannot provide. Ms. MacFate stated that the Library seeks to meet all needs, and if any are unmet, there is probably a good reason they don't have access to the materials. Ms. Thomas stated that things could be borrowed from the network or obtained in other ways. Mr. Levy asked what is being considered for the space reconfiguration. Ms. MacFate stated that they are still studying the issue. Ms. Thomas stated that the staff and Trustees are meeting with the Mass. Board of Library Commissioners to discuss the wants and needs, and to get advice. Mr. Reilly asked about investments of the trust funds. Ms. Miller stated that they are aggressively invested. Ms. Poness stated that the Trustees are subject to the prudent man rule, and that the trustees have wanted to be somewhat aggressive. Mr. Coffman stated that the returns have generally reflected the market. Ms. Miller asked if the State Aid funds are being set aside for the items in the Capital Improvement Plan. Ms. MacFate stated that the CIP request which is for furniture next year and is completely different. The State Aid funds are being set aside for designing the reconfigured space. Ms. Miller asked if there would be additional expenses beyond design. Ms. Thomas stated that she expected there would be additional costs.

Fleet

Mr. Reilly stated that there are 222 vehicles. They are reviewed on a schedule based on the manufacturer's suggested replacement time. After review of vehicles, recommendations are made

for replacements and refurbishments. Mr. Davison stated that the Fleet primarily includes vehicles purchased through the Capital Improvement Plan, but there are also some vehicles, specifically Police cruisers, which are in the operating budget since they have a useful life of fewer than 5 years. There are also two DPW trailers in the operating budget because they cost less than \$25K. The Town's definition of capital requires items to cost more than \$25K and have a useful life of 5 years or longer. The Enterprise Funds also have some capital items that are part of the Fleet. Mr. Davison stated that he reviews vehicles based on manufacturer's recommendations, in consultation with Mr. Regan and Ms. Lustig, who know the current condition of the vehicles. Each year some vehicles that are scheduled for replacement are deferred, while some are replaced earlier than planned. He stated that the Town Manager's Tier 1 vehicles reflect the primary recommendations for funding with free cash, and the Tier 2 vehicles are recommended to be funded if free cash comes in higher than estimated. He stated that the vehicles noted "TBD" are still being considered.

In response to a question from Mr. Jacob, Mr. Davison stated that the Town is adding a third street sweeper because two are needed, but due to the nature of their work, they break down often. When the street sweepers are needed, the Town needs to have two available. Mr. Jacob asked the age of the sweepers. Mr. Regan stated that they are both within the recommended replacement age. He stated that they are holding onto the vacuum sweeper which is older, and replacing the newer street sweeper, in case the vacuum will be needed to comply with the upcoming NPDES regulations. Ms. Miller stated that the Town has a contract for street sweeping, and asked why additional Town equipment is needed. Mr. Davison stated that the only way to meet the Town's needs are to have a combination of the contract and the Town-owned street sweepers. Ms. Miller stated that the Town is looking for redundancy with the new street sweeper. Mr. Davison agreed.

Mr. Levy asked how much of the Fleet is operating capital. Mr. Davison stated that the Police cruisers, which last only 3 years, are operating capital. The Town will replace the worst vehicles. Mr. Regan stated that part of the replacement plan is getting rid of diesel vehicles, which have not worked well. The Town should not keep them beyond warranty because the technology is problematic and they are not reliable, and repairs can take months of waiting. Mr. Regan stated that he has refurbishment funds from a warrant article to extend the useful lives of vehicles in the fleet, but right now there are many vehicles that are not worth putting money into. However, the fleet is getting closer to the point where there are vehicles that can be good candidates for refurbishment rather than replacement.

Mr. Reilly stated that it would be useful to have some type of metric that is tracked to demonstrate the value of the vehicle maintenance budget refurbishments. Mr. Regan stated that there is not sufficient administrative staff to track the specific usage of the various vehicles. Mr. Reilly encouraged him to find a way to measure and quantify the value that results from the costs. Mr. Regan stated that they have improved the useful life of vehicles from 7-10 years to 10-12 years. Mr. Reilly stated that is helpful to know, and that it is easier to justify an expense if there are metrics to demonstrate the value.

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

General insurance: Ms. Miller stated that the general insurance cost is going up 2% in accordance with a contract that goes through FY19. She stated that premiums are expected to increase at a greater rate in FY20 sure to market conditions. Mr. Reilly asked whether higher deductibles had been considered. Mr. Davison stated that increased deductibles would ultimately cost the Town more than the premium savings but that he checks on this every other year.

Debt Service: Ms. Miller stated that this cost is increasing since the payments for the Sunita Williams School will start in FY19. She stated that the projected cost does not include anything that may be approved at the 2018 Annual Town Meeting. Mr. Reilly asked whether bond counsel was chosen through a competitive bidding process. Mr. Davison stated that it was not. There are only a couple of firms that are options, since the credibility of bond counsel has an impact on the receptiveness to the bonds.

Electric, Light and Gas: Ms. Miller stated that this covers the costs for electricity, natural gas, and the solar plant. She stated that there are no significant changes. There is a risk that transmission costs could increase significantly beyond the budget. She stated that there is some risk in gas as well, since the requested amount is lower than last year, and the prices could spike. She stated that the solar project is producing as expected, and the revenue is coming in as assumed. She stated that higher-than-expected revenue in FY17 will increase the level of free cash available for FY19. Ms. Miller stated that the street light costs should be discussed with the DPW, which is doing LED light conversions.

Mr. Reilly asked what the electricity capacity surcharge was, and what was being done to control it. Mr. Davison stated that the surcharge results from spot measurements of electricity usage at peak times. He stated that the surcharge in FY19 depends on measurements taken in the summer of 2017. The surcharge amount will be known in March. He stated that the Town uses generators to supplement the supply and scales back on usage at certain peak times to avoid surcharges, which can be as high as 20%. He stated that he is expecting a surcharge in the range of 8.5% to 15%.

School Transportation Report

Dr. Gutekanst stated that the Department has made efforts to control transportation costs, even in an environment with one bidder. A study committee was convened to recommend the best next steps. Ms. Gulati stated that the goals are not only to meet state and local mandated transportation, but also to provide fee-based bus service for the other students. She stated that 35% of students use the bus system, and that 20% of those users ride for free. She stated that the operating budget funds the mandated services and also subsidizes the fee-based service. She stated that METCO transportation is covered by a grant. She stated that there is \$576K in the revolving fund, since 90% of fees are collected upfront. Mr. Reilly pointed out that in the survey, staff satisfaction on Middle School satisfaction was significantly lower than parent satisfaction and asked why that was. Ms. Gulati stated that they are not happy that there is no late bus to allow the riders to get help after school. She stated that the same issue exists at the High School for participating in after school programs, as well as for getting extra help with teachers. She stated that High School parents would like to have a morning-only option because many students do activities and miss the bus, but that is not fiscally feasible. Ms. Gulati stated that the capacity of the bus program is 800 families but they have 900 signed up, so the buses are overbooked, with the expectation of absences. She stated that there is still a chronic waitlist of families who want to ride the bus.

Ms. Richard presented information about the yellow bus program. She stated that there are 1,700 riders in the program, and 271 are mandated riders. She provided information about surrounding towns, noting that Needham has a lower relative subsidy than many other districts. She stated that Needham's subsidy is 0.8% of the School budget, while the average amount in surrounding towns is 1.74%. She stated that Needham has a bus fee of \$415 per rider, which is higher than the \$318 average fee for surrounding towns. Ms. Richard stated that the study looked at the issues including how much to subsidize the fees and whether an increased fee would affect use of the bus. Eliminating the subsidy would require a fee of \$737, but could negatively affect ridership. Ms. Gulati stated that six buses need to run to provide the mandated services. Ms. Miller stated that the study group looked at the cost per rider for just the mandated riders, and the fee for voluntary riders seems right based on that. Ms. Miller stated that the cost to provide mandated buses is \$491K, while the whole cost of the yellow bus program is \$539K. Therefore, the fee-based program costs only the incremental \$48K. Mr. Reilly stated that it would be helpful to ask other towns with higher fees whether they experienced loss of ridership when they raised fees. Ms. Richard stated that the recommendation from the study is to add another yellow bus in FY19 to reduce the wait list. She stated that another bus might be needed in the FY20 budget.

Ms. Gulati stated that the Special Education transportation program is harder to compare because it is very individualized. She stated that Needham's cost per rider is higher than other towns, and the cost of out-of-district students is much higher, often because of traffic. The ride cannot be longer than one hour. She stated that there is no specific recommendation for change in the SPED transportation because the expenditures per pupil are comparable to other towns. She stated that there is some expectation that things will get better. She said that they would continue to pursue ride sharing and working with other towns, and to pursue legislative changes that would be beneficial. She stated that there is also no recommended change in the METCO transportation program because the costs are stable.

Mr. Jacob asked if there were comments in the satisfaction survey about the bus fee. She stated that there were comments from parents at the High School who want a one-way fee for using the bus only in the morning, but that cannot be done fiscally. She stated that people did not complain about the amount of the fee.

Mr. Connelly stated that the bus fee has been raised every 3 years, and asked if the plan is to now raise it every year to reflect the cost of living. Ms. Gulati stated that the general concept is to have incremental increases in fees to keep up with increasing costs, and also to have corresponding increases in the subsidy. Dr. Gutekanst stated that fee increases every other year may be better than every year. Mr. Reilly asked if ridership decreased significantly when the fee was raised \$20 in FY18. Ms. Gulati stated that it has not.

Discussion:

Mr. Reilly stated that the bus fees are dramatically higher for certain surrounding communities. Belmont's fee is over \$100 more, and 62% of the students have mandated busing. Mr. Jacob stated that Needham's fee is not too high if there is a persistent wait list. Mr. Reilly noted that, in addition, people did not complain about the fee in the satisfaction survey. Ms. Miller cautioned that it is important that the School budget should contain the cost of the mandated riders. She

suggested focusing on the cost per rider of the mandated riders, and the incremental cost of the remaining seats which would be empty without the voluntary bus service. She stated that there is a structural imbalance in the budget, and it needs to be worked out. Raising the fee is an easy answer, but the program needs to be made sustainable. Ms. Gulati stated that the fee would need to be greater than \$700 to break even. She stated that even with the \$415 fee, the costs are greater than revenues. Mr. Reilly stated that he thinks there is some room for flexibility on the fee now. Mr. Jacob stated that he thinks it is close to equilibrium. Mr. Reilly asked which level of school has most of the fee payers. Ms. Gulati stated that 1,500 riders pay the fee, and 1,000 are at the secondary level.

Finance Committee Updates

There were no updates.

Adjournment

MOVED: By Mr. Connelly that the Finance Committee meeting be adjourned, there being no further business. Mr. Lavery seconded the motion. The motion was approved by a vote of 9-0 at approximately 9:50 p.m.

Documents: Town of Needham FY2019 Department Spending Requests; Packet of Spreadsheets with Library Data; Fleet Program Five Year Capital Improvement Plan; School Transportation Focus Group Report; Slides: Public Schools District Transportation Review January 10, 2018; Transportation Focus Group Report.

Respectfully submitted,

Louise Mizgerd
Staff Analyst