

**Needham Finance Committee  
Minutes of Meeting of January 31, 2018**

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

Present from the Finance Committee:

Richard Reilly, Chair; Barry Coffman, Vice Chair

Members: John Connelly, Tom Jacob, Kenneth Lavery, Joshua Levy, 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

Evelyn Poness, Town Treasurer/Collector

Michelle Vaillancourt, Town Accountant

Roger MacDonald, Director of Management Information Systems

Tatiana Swanson, Finance and Procurement Coordinator

Rachel Glisper, Director of Human Resources

Chuck Murphy-Romboletti, Assistant Director of Human Resources

Timothy McDonald, Director of Health and Human Services

Katy Colthart, Acting Director, Youth Services

**Citizen Requests to Address Finance Committee**

No citizens requested to speak.

**Approval of Minutes of Prior Meetings**

MOVED: By Mr. Lavery that the minutes of January 24, 2017, be approved as distributed, subject to technical corrections. Mr. Jacob seconded the motion. The motion was approved by a vote of 8-0. (Mr. Connelly had not yet arrived.)

**FY 2019 Department Budget Requests**

**Personnel Board**

There was no budget submission. Ms. Glisper stated that the funding for the classification/compensation study is in the Town Manager's budget. She stated that this year's study is not yet underway because there were no vendors that bid at a satisfactory price.

**Municipal Parking**

Mr. Davison stated that this budget is for maintaining Town lots and the downtown parking, including free and leased parking. He stated that the budget is separated out from others because it has two departments involved: DPW for maintenance and Town Manager for leasing. He stated that the parking fees go into the General Fund, and that an old parking fee account was

dissolved. He stated that the parking lot at Needham Junction had been under an agreement between the MBTA and a property owner, all outside of the Town's authority.

## **Health and Human Services**

Mr. Jacob introduced the budget stated that there was a consolidation and reorganization in recent years. There has been a high trajectory of costs, but certain services are costly. Mr. Reilly stated that in many situations, the Town is trying to move critical costs into the operating budget, and asked if some grant-funded costs should be moved. Mr. McDonald stated that the Department tries to be frugal, but some core functions should not rely on outside sources. He stated that certain funds are reliable. Ms. Colthart stated that there has been a shift in Youth and Family Services toward providing clinical services. There had been no funds in the budget for clinical recertification, so that has been added. Mr. McDonald stated that the same applies to Aging Services. He stated that they rely on donations and gifts for many supplies and services. He stated that the Town pays for no aging services programs, and almost all operate at a loss. The programs are often sponsored by outside groups, such as local retirement residences. He stated that there is a request to pay for more expenses and training, but not the cost of the programs. He stated that he would work with Friends of the Elderly to see what costs it would agree to cover.

Mr. Reilly pointed out that the Town funds nurses to provide vaccines at North Hill, which charges residents for its services, and could pay for a nurse. Mr. McDonald stated that the goal is to vaccinate as many people as possible. The Town bills insurance companies for the vaccines, and does not lose money. Mr. McDonald described some of the programs offered, and how they operate as a loss, since the budget does not cover the costs. He stated that additional costs are often borne by the Friends of the Elderly or supplemented by the revolving fund. He stated that the Aging Services receive about \$75K in donations each year. Ms. Colthart stated that Youth Services receives about \$3K in donations. Most of their outside support comes from volunteer work. She noted that there is a graduate level intern. The total volunteer work is equivalent to about 1.5 FTE. Mr. Reilly stated that it would be helpful to get a list of which components of the HHS budget are at risk of loss of funding.

Mr. McDonald stated that there are three DSR4 requests. The first request is to expand the Emergency Management position that was funded at the 2016 Town Meeting from 2/3 to full time, with funding from the operating budget. He stated that the request is also supported by Police Chief Condon. Mr. McDonald stated that the second DSR4 is for additional staffing for HHS including a Director of Public Health, as well as an Administrative Analyst. However, they were not recommended by the Town Manager. He stated that the third DSR4 would provide funding for certain additional expenses. The Town Manager recommended funding the Recording Secretary for Aging and Youth Services. Mr. McDonald stated that the Director of Public Health position is being requested on behalf of the Board of Health to provide a staff position to devote full time to the Board of Health and the Public Health Division. He stated that with the reorganization, he became Director of HHS, and the Board has had concerns that only 1/3 of his time is focused on Public Health.

Mr. Reilly stated that the budget includes significant expenses for postage and printing and asked if this could be reduced through the electronic distribution of information. Mr. McDonald stated that some seniors are not comfortable with technology, though that is changing every year, and they are trying to evolve. Some printing, such as forms or posters for substance abuse and

domestic violence programs, will still be needed. In response to a question from Mr. Reilly, Mr. McDonald described efforts to fight opioid abuse, which included some initiatives funded with grants. Mr. Reilly asked if the Director of Public Health has responsibilities either to employees or to the public that are not being done because of the lack of a dedicated Director of Public Health. Mr. McDonald stated that he could be more active to promote employee wellness programs. Mr. Lunetta stated that if employee wellness programs could actually lower health insurance premium costs, they could be worth doing. He stated that one employee has offered to instruct free yoga classes during lunch break. Ms. Miller expressed concern that could compete with a class at the Council on Aging that would generate a fee.

Mr. Connelly asked whether there is a need to have a permanent emergency management position, or if there was a point at which the program is in place and the position is no longer needed. Mr. McDonald stated that it is a continuous cycle, and there is always room to improve. Mr. Connelly noted that the Committee needs to weigh the funds against teacher salaries, and is unsure whether the need for an emergency management position is constant. Mr. McDonald explained how there had been a previous emergency management plan that fell out of date and lapsed because it was a tertiary responsibility for several employees. This would make emergency management a primary responsibility. The consequences can include loss of eligibility for FEMA funding. Ms. Fachetti noted that it is a responsibility like school accreditation that needs to be done on a cycle every few years, and someone needs to be responsible. Mr. Connelly stated that it is hard to argue against the need for emergency management, but he is trying to understand the point when a program is in place and no longer needs staffing. Mr. McDonald stated that he would forward information about the Town's three-year action plan. Ms. Miller noted that \$70K was appropriated for part-time work to catch up to where the Town needed to be, but now the request is for full-time work to maintain the plan. Mr. McDonald stated that the program needs to be constantly maintained and proactive measures need to be taken. Mr. Reilly asked if there is a savings component to having a program in place. Mr. McDonald stated that there are some rewards from the insurance company, but the benefits are generally not tangible. More effective emergency response means lives saved or less property damage. Mr. Lunetta asked if emergency management is core to the mission of public health. Mr. Donald stated that it is a core town function, though it could be supplementary to Public Health if it is primary to another department. Mr. Reilly pointed out that the transition of the part-time emergency management work to the operating budget is in the recommended base budget, while the DSR4 includes the expansion to full-time, so they are justifying the increase. Mr. Davison noted that the part-time position had been paid from the warrant article funds, and is now included in the FY19 operating budget.

Mr. Connelly asked whether the vacant Public Health Director position still exists. Mr. McDonald stated that he has continued to do that work since he was promoted to Director of HHS. There are three divisions, but Public Health does not have a Director. He stated that the Board of Public Health requested the new position so that they will be more responsive. Mr. Connelly stated that the Administrative Assistant position's benefits are almost 50% of the salary. Mr. Davison stated that the budget is determined according to a formula, but for lower wage positions, the percentage is higher because some benefit costs are fixed and not connected to the salary level. Mr. Connelly stated that it is important to consider the benefit costs when considering adding positions. Mr. Coffman asked if Public Health needs a Director and an Assistant Director. Mr. McDonald stated that the Assistant Director is just a small step above the

Senior Environmental Specialist. No one filled the Public Health Director position when Mr. McDonald was promoted.

Mr. Lunetta asked if there is overlap of functions in the divisions. Mr. McDonald stated that the substance abuse grants should be under Public Health but some are handled by Youth Services. Mr. Jacob pointed out that there are similar services needed across different ages, so there will be overlap whether the divisions are by age or by function. Mr. Reilly stated that he would plan to meet with the Town Manager to discuss the staffing structure. Mr. Jacob stated that he would like to sit in. He stated that there has been an evolution in the department, and that changing the existing structure is not easy. Mr. Lunetta stated that he had hoped for some efficiencies with the reorganization, but that it seems only the budgets were consolidated. Ms. Miller asked that the FTE counts in the budget recommendation be checked against the organizational chart.

**Townwide Expenses** (Employee Benefits/Health Insurance, OPEB, Retirement Assessments, Workers Compensation, Classification/Performance/Settlement)

Employee Benefits: Mr. Davison stated that the health insurance line includes a contingency of 20 plans for additional existing employees to opt in. He stated that the School Department has most new hires in September, which is during the fiscal year, so this is a necessary contingency. He stated that the budget recommendation segregates the benefits costs for DSR4s, so that the source of that part of the increase is clear. Mr. Reilly stated that the health insurance rates are increasing, but the Town is shifting to high deductible plans, so the effect on the budget is not as high. Ms. Fitzpatrick stated that the West Suburban group is discontinuing the rate saver plan that 99% of Town subscribers choose. She stated that they are working with the unions to bring in benchmark plans with high deductibles, and a qualified high deductible plan with a health savings account to which the Town would contribute. She stated that by statute, they must share the initial savings with the employees. She stated that there will be moderation of growth of this expense in FY20 due to the high deductible plans, but after that, growth in health insurance will be comparable to growth of medical expenses. She stated that West Suburban does not allow towns to pay more than 50% of the deductible. Mr. Reilly stated that the premium rates are increasing 7.5% in the budget, and asked why the the overall health insurance budget is increasing by 1.6%. Ms. Fitzpatrick stated that they took the number of people enrolled in November 2017 and inflated the cost by 7.5%. She stated that there is another \$532,501 in the budget line for newly recommended FTEs. The total recommended budget with the base plus new positions is increasing \$2.3 million or 18.5%.

Mr. Lunetta asked why the Town planned to stay with West Suburban. Ms. Fitzpatrick stated that they asked MIIA for a quote, but they declined. She stated that Harvard was more expensive. They also looked at GIC, but the rates would be unknown at the time when they would have to commit. Ms. Fitzpatrick stated that the fact that MIIA declined to quote might reflect bad loss data. Harvard quoted high, but they have mostly smaller groups. Mr. Lunetta stated that having high deductible plans would leave little wiggle room for additional savings later. Ms. Fitzpatrick stated that by management right, they can benchmark in accordance with the GIC plan. In response to a question by Mr. Levy, Ms. Fitzpatrick stated that there is no limit to the number of times that the plans can be changed, but that the Town must bargain changes with the unions.

OPEB and Retirement: Ms. Fitzpatrick stated that after an account analysis, the OPEB interest rate has been reduced from 7.75 to 7.5%, which is now the same as the retirement assumed rate

of return. She stated that the goal is to get down to 7%, but it would be very expensive to do it all at once. Mr. Reilly stated that 100 basis points equate to \$24-\$25 million, so it makes sense to decrease the rate gradually. Ms. Miller stated that the MWRA is reducing its rate assumption to 6% because otherwise the risk is too great. It has a target date of 2024. Ms. Fitzpatrick stated that the Town's target funding date is 2030, and that a 6% assumed rate of return is not recommended for the Town at this time. She stated that 80% is considered fully funded but the Town wants to be at or near 100% funding of this liability. She stated that the Town is currently 67% funded for its retirement obligations, but only approximately 24% for OPEB.

Mr. Reilly stated that the largest operating budget segment is the School Department, followed by Townwide expenses, within which Debt Service, Employee Benefits, OPEB, and Retirement Assessments are growing the most quickly. Mr. Davison stated that the pro forma looks at the factors, including health insurance, causing the growth. This is not a local issue. 17% of the GDP is medical care costs. If that were suddenly decreased, it would affect jobs in that sector and also affect other areas of the economy. The Town is being proactive and making efforts such as changing health plans to mitigate the growth of health insurance costs, but this growth is not easy or quick to change. Mr. Reilly noted that Debt Service costs could be controlled by the Town for future obligations, but not for existing debt. He stated that the other lines in Townwide expenses are formulaic. He stated that the Town pays 76% of health insurance premiums, which is at the low end compared to other towns. He stated that Needham has lower OPEB costs because it did not increase the Medicare contribution.

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

Ms. Fitzpatrick stated that the vast majority of the increase is because the Town runs an assessment center to promote Police and Fire staff, rather than rely solely on civil service test scores. Mr. Reilly asked why the Memorial Park construction project was not noted as a critical priority on the Board of Selectmen goals on p. 3-23 of the budget recommendation. Ms. Fitzpatrick stated that critical priorities are areas of focus where staff is needed. Mr. Reilly stated that the Finance Committee felt that the study of building maintenance best practices requested last year is important, especially in light of the expanding capital base. Mr. Davison stated that only one company responded to the RFP, and because the funding is in the operating budget, the study needs to be completed by the end of this fiscal year. Mr. Reilly stated that if it is necessary to fund the study with a financial warrant article, then that should be done. Mr. Reilly asked how actively the Town is considering building a hockey rink. Ms. Fitzpatrick stated that it is not on the front burner; the Town has a goal to determine what can be done with various properties.

### **Finance Department**

Mr. Levy recused himself from the discussion of the Finance Department budget due to a personal matter pending before the Department.

Mr. Davison stated that the budget has increased 4.5%, primarily in technology for software licenses. He stated that there is a DRS4 for an Administrative Analyst, and described the position. The auditors have expressed concern about the timing of the reconciliations. Mr. Reilly asked if the salary was high for the clerical nature of the work. Mr. Davison stated that there were clerical elements, but the position was above clerical positions and required knowledge of reconciliation. Mr. Connelly asked if they could get a sufficiently qualified person for the

requested salary. Mr. Davison stated that they should be able to get a recent graduate or person looking for a lifestyle change.

Mr. Reilly asked about the changes in the Municipal Modernization Act affecting the overlay account. Mr. Davison stated that there was a \$1 million floor for the account in each year, but the change allows the Town to pool past and present balances into one account. He stated that he expects \$1 million to be sufficient. He stated that if new growth comes in higher than projected, it means that there is extra tax revenue, and additional funds are usually put into the overlay. Mr. Reilly asked if the collector's office had a rush of people paying taxes early at the end of 2017 due to the changing federal tax laws. Ms. Poness stated that there was, but she could only collect money for taxes already assessed, which was only taxes for FY18. Ms. Miller asked if there has been any increase in abatement requests. Mr. Davis stated that they are about the same as last year.

### **Technology Capital**

Mr. Davison stated that there are three recommended items recommended for funding in this area in the cash capital article: servers for non-public safety data (\$180K), mobile devices in police cruisers (\$35K), and multi-function copier replacements (\$35.6K). Mr. Coffman stated that the liaisons talked about using cloud storage versus storing data in Town. There are issues, including the expenses, but the Town prefers on-site data storage for various reasons, and he would defer to their judgment. Mr. MacDonald stated that there is a 5-year replacement schedule for the data centers that are at PSAB and Town Hall, with each one being split over two years. There is also one at the police station. He stated that they are looking at cloud service, but they also need to keep some public safety data locally in case of loss of connection. He stated that cloud storage is not cheap, and municipalities do not get much of a price break. Mr. Lunetta asked if they have a disaster recovery plan. Mr. MacDonald stated that there is a 4<sup>th</sup> data center that is backup, and that there is backup in the cloud, but it is not fast to retrieve. It could take as much as 24 hours to recover the lost data, and could probably not be faster than 12 hours. Mr. Davison stated that the School technology capital is in a separate budget line within the School Department budget, though the Town software supports the School emails. Mr. Levy asked if there had been any issues with hacking. Mr. MacDonald stated that usually any problems have happened from users clicking the wrong the button, rather than from the outside. He stated that there are firewalls and other protections.

### **Finance Committee Updates**

Mr. Reilly stated that there is no new appraisal available for the 43 Lincoln St. property, and the Committee plans to discuss it next week. He stated that he thinks the decision should be driven not by the appraised value, but by the value to the Town. Even if it is a good price, it needs to provide value to the Town. He stated that if Committee members have questions, they should raise them, but that the recommendation to Town Meeting for the purchase will likely go forward even without Finance Committee support. Mr. Connelly stated that he would like to have the appraisal before the weekend to be able to read it and digest the information. Ms. Miller stated that questions about parking to the Selectmen are still unanswered. Mr. Reilly stated that the Selectmen need to clarify how the loss of permitted parking impacts the Town. Mr. Connelly stated that he would like a better explanation from the Planning Board about building permit requirements.

Mr. Reilly stated that the Committee's budget discussion would start next week, and the focus is likely to be the DSR4s. He stated if there are strong views, to be prepared to identify them from the start so that the Town Manager has a chance to respond. Mr. Reilly stated that he strongly supports a study of maintenance best practices. The Committee will also need to discuss funding of reserve accounts.

### **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 9:15 p.m.

Documents: Town of Needham FY2019 Department Spending Requests

Respectfully submitted,

Louise Mizgerd  
Staff Analyst