

Needham Finance Committee
Minutes of Meeting of January 7, 2009

The meeting of the Finance Committee was called to order by the Chair, David Escalante, at 7:05 pm in the Selectmen's Meeting Room at Town Hall.

Present from the	David Escalante, Chair	Steven Rosenstock
Finance Committee:	Lisa Zappala, Vice Chair	Michael Taggart
	Scott Brightman	Richard Zimbone
	Richard Creem	

There were no public comments.

Conservation Department Operating Budget and Capital Requests Review: Present for the Conservation Department Budget Review were Kristen Phelps, Conservation Officer, and Lisa Standley, Chairman of the Conservation Commission. Ms. Zappala introduced the Conservation Department Budget, noting an increase from \$72,835 in FY09 to a base request of \$74,285 for FY10. Of the Department's DSR-4 requests, \$600 for Trails Management has been assumed by Park & Recreation, and the \$50,000 appropriation to the conservation fund and \$14,010 for a Trails Preservation Coordinator would be requested to the Community Preservation Committee. Ms. Zappala stated that while she can appreciate the need for the other two DSR-4 requests, \$3,370 to cover two additional hours per week for the Conservation Officer and \$3,500 for a recording secretary to take minutes, she did not consider either a make-or-break for the Town. According to Dr. Standley, it is difficult for Ms. Phelps to take minutes of meetings during public hearings, in which she must participate as Conservation Officer, and then spend half a day in the office preparing the minutes for distribution. Ms. Phelps did not consider either DSR-4 request as significantly more important than the other; stating that one would compensate her for the time she spends on minutes while the other would compensate another person to write up minutes.

In response to a question from Mr. Brightman, Dr. Standley reported that the Conservation Department is responsible for administering the Wetlands Protection Act and Wetlands By-Law by holding bi-monthly hearings with three or four applicants, holding a pre-hearing review and site visit, performing a second visit for the permit process, and continual follow-up on projects approved to ensure compliance. Dr. Standley also noted the Department is responsible for several properties, the most prominent of which is Ridge Hill Reservation. The Conservation Department's jurisdiction does not extend to the building or the parking area. Ms. Phelps stated that the Department must review all building permits to determine whether the Conservation Commission has jurisdiction. In response to questions from Mr. Rosenstock, Dr. Standley reported that permits are issued in a timely manner and Ms. Phelps reported that she is frequently in the office for more than the budgeted 30 hours per week. Ms. Phelps also reported that the Department has not seen a slowdown in activity even despite the slow economy. In response to a question from Mr. Escalante, Dr. Standley reported that a potential future project with implications for the Department would be any use of the Nike Missile Site due to its location within 100 feet of a wetland requiring permitting and also the site's access issues. Dr. Standley stated that the Conservation Commission is hoping to

implement a trails program with Community Preservation Act funding. The Commission is requesting a handicapped accessible trail around the reservoir.

Finance Department Operating Budget and Capital Requests Review: Present for the budget review were Michelle Vaillancourt, Town Accountant, Chip Davis, Assessor, Roger MacDonald, Information Technology Manager, Evelyn Poness, Treasurer, and David Davison, Assistant Town Manager - Finance Director. The Finance Department is composed of six divisions:

- Office of the Assistant Town Manager - Finance Director
- Accounting Office
- Assessor's Office
- Information Technology Center (ITC)
- Parking Clerk
- Collector and Treasurer's Office

Mr. Creem stated that the Finance Department is extraordinarily well-run, that Mr. Davison and his senior staff are top-notch, and that the Department does an amazing job with limited resources.

The Finance Department's core functions include financial planning, cash and debt management, tax assessment and revenue collection, internal financial controls, audit reviews, federal/state/local compliance (including enforcement of procurement regulations), and operation/maintenance of the Town's information system. Much of the Department's work is highly regulated. Other activities have, over time, become the responsibility of the Finance Department because of efficiency or sound business practice considerations. Up-to-date technology is critical to the Department's functioning.

Mr. Creem next addressed the operational considerations for each of the Finance Department's divisions. The office of the Assistant Town Manager - Director of Finance still does not have clerical support for basic office work. This is a major concern, given the responsibilities of that office. The Assessing Division continues to look for ways to maximize tax assessments and, therefore, revenue. The personal property collection effort funded in FY09 is expected to generate \$400,000 in additional revenue, thereby restoring the overlay reserve from which the Newman temporary HV system was partially funded. This will be followed up on an annual basis to ensure accurate and timely personal property assessments. Going forward, one of the focuses of the Assessing Division will be the capture of communications equipment being added, on an on-going basis, to Needham's television transmission towers. Another area of emphasis will be the physical inspection of sold residential properties in order to more accurately ascribe property values going forward.

The Collector's Office continues to maintain a 98% collection rate—but the deteriorating economy necessitates stepped-up monitoring of accounts. More and more tax- and rate- payers are contacting the office to request payment plans or combined payment of real estate taxes and water bills. On the Treasurer's side, the challenge is to maintain adequate rates of return in the face of declining interest rates without sacrificing safety or liquidity. The Town's financial position must therefore be closely monitored on a daily basis. With respect to the Town Accountant's Office, staff turnover and retention has been an issue. In the past year, Mr. Davison has hired a new Town Accountant and there have been departures in the Assistant Town Accountant, Accounts Payable Clerk, and Payroll Clerk positions. While these various positions are being recruited, the current Accounts Payable Clerk is handling payroll

functions and the Town Accountant's and Treasurer's Offices are sharing one full-time position. Stabilizing this office is critical because outsourcing municipal accounting functions is prohibitively expensive.

Mr. Creem highlighted various performance metrics in the Finance Department's budget request that demonstrate how well the Department is doing. Among these items: Table 1 shows a comparison of Needham's AAA interest rates compared to a benchmark. Interestingly, Wellesley and Cambridge tend to do better than Needham—but the city of Newton does not fare as well as Needham. Table 4 shows that the assessing division is inspecting construction projects on a timely basis and, as such, capturing 100% of building permit new growth by the statutory June 30th deadline. Table 5 shows just how accurate and defensible the Town's assessing functions have become—out of nearly 11,000 real estate accounts, only 55, or five-thousandths of 1%, were changed as a result of the abatement process. Table 6 points out that, although Recycling and Transfer Station sticker processing efficiency remains a work in progress, it is very much a departmental focus. Table 7 shows that Needham's investment yield was slightly higher than that of our peers (2.78% versus 2.72%). Table 9 shows that the Town's data network was up and running during nearly 100% of the Town's business hours.

Mr. Creem stated that the Department's base budget request is \$2,090,396—just \$576 more than the FY09 appropriated budget, excluding anticipated FY09 cost of living and classification adjustments. Aggregate salaries have increased by \$46,131 or 3.5% over the FY09 appropriation. The number of full-time equivalent employees (FTEs) remains the same at 21.7. The FY10 salaries request includes applicable step and longevity increases and a cost of living adjustment (COLA) of 2.5% pursuant to the ITWA contract which runs through June 30, 2010. Overtime for the ITC has been reduced by \$10,000 from \$20,000. All other overtime has been level funded at \$500 for Accounting, \$500 for Assessing and \$2,000 for the Collector's/ Treasurer's Office. ITC overtime is for work performed after hours—actual ITC overtime has varied in recent years from \$10,889 in FY06 to \$5,788 in FY05 (some compensation has been in the form of compensatory time).

Mr. Creem summarized the Finance Department's budget request for services, supplies, and other expenses. The FY10 submission of \$715,252 is \$45,555 lower than the FY09 appropriation (-6.0%). Last year's appropriation included \$50,000 for a personal property reporting compliance vendor. If this is factored out of the FY09 appropriation, the FY10 request represents a \$4,445 (+0.6%) increase. The professional and technical services line has been reduced by \$75,665, reflecting a reallocation of some expenses to other line items such as \$15,000 to rental and leases. The rental and leases line has been increased by \$16,773. In addition to the reallocation from professional and technical expenses, this includes a 5% increase for software licenses and support (the exact amount is not known at this time; however, 5% represents a good historical number). The communication line has increased by \$16,380 or 20%. This is due to an anticipated increase in presorted first class postage rates among other factors. The basic supplies line has been increased by \$2,000 to reflect increases in parking enforcement supplies. Much of this line also includes technology products such as ink cartridges, toner, etc. supplied by the ITC to other departments. The travel and mileage line reflects a reduction of \$5,550 for conference registrations which the Department of Revenue now considers professional and technical expenses. Conference travel expenses, however, are still charged to this line.

Mr. Brightman described the ITC budget request. Mr. Brightman stated that the ITC services the entire Town and should fairly be compared to ITC's of other \$100 million enterprises. Mr. Brightman stated that he is concerned over the increase in workload for the department. Mr. Brightman is also concerned that the department has insufficient resources. There is a DSR-4 request for an additional desktop support technician. In Mr. Brightman's view, he does not see that there is any request that would weigh heavier than this request. The ITC is responsible for 165 desktops, 40 laptops, 15 servers, security, mail, network infrastructure, back office applications for municipal and school departments, printers and copiers, storage and disaster recovery. The ITC is staffed for general management of information technology (IT) services: 99.99 percent availability during business hours and 100 percent resolution of help desk service calls. A desktop employee cannot function without a PC therefore a fast response is very important to the Town's staff productivity utilization. As employees and applications are added, the demands on the IT support team grow. Apparently there is room for improvement in response time. The ITC is not adequately staffed for projects beyond day to day services.

Mr. Brightman outlined the current and future challenges of the ITC:

- Back Office HTE (the Town's finance software) dates from 1993 and is end of life
- The AS400 is at end of life and running out of storage capacity
- A new back office system will most likely use Industry Standard Servers (ISS)
- There is no disaster recovery plan or location other than taking home back up tapes – they should have a back-up AS400 in a different location to input the back-up tapes. Moving to a new system with ISS with VMWare with a real time back-up is best practice and should be in place prior to the relocation of the data center.
- The data center is temporarily relocating to the Public Services Administration Building (PSAB).
 - Data and phone facilities need to be managed
 - Number port needs to be managed – Centrex lines are not a modern form of dial tone and sometimes cannot be ported to modern facilities (ISDN-PRI)
- When the new Town Hall is complete the data center will move back
- The PSAB will then be a business continuity and DR site.

Mr. Brightman reviewed the Finance Department's remaining DSR-4 requests: The ITC is asking for an increase in technology replacement funding from \$25,000 to \$50,000. The total number of items on a replacement cycle are: 165 desktops, 40 laptops, 15 servers. The additional \$25,000 would put the Town on a 5 year replacement cycle for items that are currently beyond 5 years. The DSR-4 request for storage of records is the 5th year that the request is being made. The amount of the request is \$12,600. The record storage will not be needed after the Town Hall renovation is complete. The third DSR-4 is for a desktop support technician for \$57,531. This additional position would improve service levels. This technician would allow others in the ITC to help with issues other than desktop support, which will be especially important in the next few years. The fourth DSR-4 is for ISS servers for a disaster

recovery site in the amount of \$8,000. The last DSR-4 is for network equipment totaling \$125,000. Mr. Brightman concluded that the Town is comprised of people and data. The ITC is responsible for the data. Mr. Brightman is concerned that the data is secure through moves out of Town Hall, to the Public Services Administration Building, back to the Town Hall, and through hardware and software replacements.

Mr. Escalante invited the division managers to speak about their division. Ms. Poness stated that her primary concern is to keep the Town's dollars safe. Interest rates are declining. The Treasurer's Office also continues to monitor collection rates and to work with taxpayers who are having difficulty paying their bills. For instance, they are working with more taxpayers on water bills. Having to work with taxpayers is becoming more common.

Ms. Vaillancourt stated that the Accountant's Office has been challenged by a lack of adequate staffing. There is a learning curve with new employees. The Assistant Town Accountant is the most senior employee and she has less than three years with the Office. In addition, the software system that the Town uses is not user-friendly. Many of the procedures are very time-consuming.

Mr. Davis stated that this year is a revaluation year. There is very little change in property value in 2008. The Assessor's Office does not revalue individual properties. It looks at trends in areas and then assesses properties en masse. Mr. Rosenstock commented that the revaluations seem to have reassessed land value and brought them down to more appropriate values. Mr. Davis stated that there was an adjustment to land value because the former trend toward teardowns and paying a premium for land for teardown value is lessening.

Mr. MacDonald stated that one of IT's concerns is the renovation of Town Hall. The resources of IT are currently stretched, and requests for IT support continue to grow. The DSR-4 for a support technician would free up current staff to do network support not just desktop support. Mr. McDonald stated that IT supports all departments, so that they are responsible for support in all municipal buildings. They also provide support to the School Department for municipal applications. There was a discussion about disaster recovery. Mr. McDonald stated that there is no current disaster recovery. Back-up tapes are made daily. Mr. Escalante asked about online bill payment. Mr. Davison stated that on-line bill payment will occur by the end of the year. Mr. Rosenstock asked about the imaging system request that had been made in previous years. Mr. Davison stated that they will look to see if a new software system for the Town can include an imaging system. For the School Department, the imaging system would provide for finance and personnel document imaging. There was a question whether it could meet special education needs. Ms. Zappala stated that the demands on IT indicate that there are insufficient staff resources currently to address IT operating needs, and that future capital projects, from the Town's building projects to the upgrades for software and hardware will require further IT resources. Mr. Creem stated that adding staff to IT would free up management time to handle management issues rather than day-to-day IT support work.

Library Operating Budget and Capital Requests Review: Present for the budget review were Anne McFate, Library Director, and Sally Powers, Library Trustee. Mr. Taggart presented the Library Trustees' budget request. The Library is requesting a base budget of \$1,311,466 for FY10, a 4 percent increase over the appropriated FY09 Budget. Since the new Library building opened in March 2006 the demands on the Library's staff have increased significantly. Circulation has increased 6.3 percent in FY08, after increasing 20.1 percent in FY07, and increasing 35 percent in the months of April, May and June 2006. It is now at a

record high and is expected to break the 500,000 mark in FY09. Requests for materials increased another 12.8 percent in FY08 after increasing 90.2 percent in FY07.

The base budget request includes a total contractual salary increase of .59 percent for the Library's 14 full time employees as well as slight increases for 40 part time employees and overtime. Also included in the base request is a 7 percent increase in Expenses, which are detailed in the binder. The Library's assessment from the Minuteman Library Network increased by a larger-than-expected margin in FY09, and has been adjusted accordingly, but is not expected to increase by as high a percentage for FY10 as most of Minuteman's member communities are under tight budget constraints. All other increases are assumed at 6.3 percent based on the CPI, although there has been some shifting in line items. For example, supplies for processing books and other library materials have been shifted from "Office Supplies" to "Other Supplies and Equipment."

The Library has the same seven DSR-4 requests as last year, none of which were funded. However, the full time Children's Librarian, 20 hours of circulation desk help, 9:00 am Opening funding, transfer pick list page hours, and Museum Pass reservation software were paid for out of the Library's State Aid Account. The Library receives an annual payment of around \$30,000 in State Aid, for which it is eligible by meeting requirements of the State Library Board (opening 63 hours per week, receiving a budget 2.5 percent higher than the average of the preceding three years, and spending 13 percent of its budget on library materials). Cuts to the Library budget would jeopardize the Library's ability to meet these requirements and therefore jeopardize the annual \$30,000 state aid payment. Also, while the State Aid Account has a balance of just under \$200,000, nearly all of it is encumbered and continued use of the State Aid Account to fund the DSR-4 requests, which it is currently funding, will deplete the account in a few years.

In addition, as the *Boston Globe* reported on Sunday January 4, 2009, the troubled economy has increased demand on public libraries throughout the state. People with less disposable income are less likely to spend their money at a bookstore when they can simply borrow a book from a public library. On New Year's Eve, during the snowstorm, the Needham Library was reportedly teeming with residents to the point that its hours were extended. While the actual impact of the economy over the next year remains to be seen and will be difficult to quantify, it remains an added variable in the Library's budget going forward.

Ms. McFate stated that the Library budget speaks for itself. Mr. Escalante stated that it appears that the Library will run out of accumulated funds in its State Aid account in the next two years. This could possibly mean that the Library could not continue with some of its services. Ms. Zappala stated that the Library provides a certain level of services through funding from the Operating Budget, the State Aid fund, and grants. If the State Aid funds are no longer available, this would mean cuts to services currently being provided. Mr. Escalante asked about the increase to the Library's expenses budget for the Minuteman library network. Ms. McFate stated that the assessment to the Town increased more than expected. There was a discussion about the CPI used by the Library Trustees in calculating increases to their budget. There was a brief discussion about the increased use of libraries in difficult economic times.

Town Manager/Board of Selectmen Operating Budget and Capital Requests Review:

Present for the discussion were Kate Fitzpatrick, Town Manager, Christopher Coleman, Assistant Town Manager, Elizabeth Dennis, Human Resources Director. Ms. Fitzpatrick stated that the Board of Selectmen and Town Manager have undertaken several major initiatives.

They are working on the Town Hall renovation and the Community Preservation Act allocation for the renovation, they have formed a Senior Center Exploratory Committee, they are undertaking needed studies for the repairs to the Newman School, and they are evaluating the Town's major operations departments. Mr. Coleman stated that the Human Resources Director will enable him to focus on some of the initiatives. Mr. Coleman stated that Ms. Dennis has civil service experience, which has been to the Town's advantage. Ms. Dennis stated that she underwent a baptism by fire when she became the Human Resources Director. She stated that one project she will work on is updating Town policies relating to recent changes in employment regulations. There was a discussion regarding the salary increase in the Town Manager's budget over the past five years. The Town Manager's budget increases include raises for employees from the performance pay pool. There have also been increases to the number of employees in the Department.

Mr. Creem stated that the Finance Committee would like to see finalization of reserve policies this year

Mr. Taggart stated that the Town Manager/Board of Selectmen's budgeted salary line item represents a 63% increase over FY05 actuals. Ms. Fitzpatrick stated that the comparison of salary line items from year to year should either be actual or budget, not actual to budget. Ms. Fitzpatrick further stated that FY05 was a particularly lean year. Since FY05, the Finance Committee has approved increased headcount for the Town Manager/Board of Selectmen Department, which accounts for the increase in salaries.

Mr. Rosenstock asked for an update on the work of the Economic Development Coordinator. Ms. Fitzpatrick stated that it would take 7-10 years to see results. Ms. Fitzpatrick stated that the Council of Economic Advisors are meeting more than once per month because there is so much economic development taking place.

In response to a question from Mr. Rosenstock, Ms. Fitzpatrick stated that she will try to meet the School Superintendent's budget request in her Executive Budget. There may need to be some Townwide and General Government expense adjustments.

Snow and Ice Removal Budget Update: Present for the discussion were Kate Fitzpatrick, Town Manager, Rick Merson, Department of Public Works Director, and Dave Davison, Assistant Town Manager - Finance Director. Mr. Merson provided documents with details on the costs of snow and ice removal up to but not including the last storm. Mr. Merson explained how plowing occurs in Needham. The DPW waits until there are 2 inches of snow on the ground before plowing. Once the plowing starts, it continues until the storm is over. It takes 4 hours at the end of a storm for a full wrap-up. There are 6 spreader routes. The DPW plows approximately 130 miles of road. 60-70 miles of road are identified as primary; the remainder are secondary. If there is black ice on the road, then all streets must be treated. Weather conditions dictate what needs to be done. Mr. Rosenstock noted that storms seem to be costing \$12,000 per inch this year, where they used to cost \$10,000 per inch, with weekend storms costing \$18,000 per inch.

There was a discussion clarifying that it is the Town's responsibility to plow for the MBTA property. There was a discussion regarding use of salt, sand, and magnesium chloride. Ms. Fitzpatrick stated that the Town already uses magnesium chloride, but is evaluating pre-treatment of roads. The Town does not have a black pavement policy. In response to questions from Mr. Zimbone, Ms. Fitzpatrick stated that the policy is not written; other Towns, such as Weston have a written black pavement policy. Ms. Fitzpatrick also stated that it would

cost much more for snow and ice removal if the Town had a black pavement policy. Mr. Zimbone noted that the citizen survey indicated that Needham citizens seemed to be looking for more snow and ice removal. The policy may need to be reviewed.

In response to questions from Mr. Escalante, Mr. Merson stated that the difference in snow removal among different towns relates to expectations. For instance, Newton has 300 miles of road, for which it uses 28 spreaders. In response to questions from Mr. Zimbone, Mr. Merson stated that there is no competition for contractors who do snow removal for the Town. They are contracted for the season.

There was a discussion of post-storm snow and ice removal. Mr. Merson stated that, depending upon conditions, the DPW needs to put down chemicals a few days after a storm.

Mr. Rosenstock asked how the DPW determines when it should do the final pass-through at the end of a storm. Mr. Merson stated that once the towers are visible, then the storm has lifted and the DPW can do its final clean-up.

Mr. Creem moved that the Finance Committee authorize Snow and Ice Removal overdraft expenditures up to a total amount for Snow and Ice Removal of \$600,000. Mr. Rosenstock seconded the motion. Discussion: none. The motion was approved by unanimous vote: 7-0.

Acceptance of Minutes of Prior Meetings: Mr. Rosenstock moved that the minutes of the Finance Committee meeting of December 10, 2008 be approved as most recently submitted by the executive secretary. Lisa Zappala seconded the motion. Discussion: none. The minutes were approved by unanimous vote: 7-0.

Mr. Zimbone moved to adjourn the meeting at approximately 10:25 pm, seconded by Mr. Rosenstock. The meeting was adjourned by unanimous vote: 7-0.

Respectfully submitted,

Louise Miller
Executive Secretary