

Needham Finance Committee
Minutes of Meeting of March 3, 2021

The meeting of the Finance Committee was called to order by Chair Carol Fachetti at approximately 7:00 pm via Zoom Video conference:

Present from the Finance Committee:

Carol Fachetti, Chair ; Joshua Levy, Vice Chair

Members: Barry Coffman, John Connelly, James Healy, Tom Jacob, Richard Lunetta, Louise Miller, Richard Reilly

Others:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Citizen Requests to Address the Finance Committee

There were no requests to speak.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Connelly that the minutes of the meeting of February 17, 2021 be approved as distributed, subject to technical corrections. Mr. Reilly seconded the motion. The motion was approved by a unanimous roll call vote of 9-0.

2021 Town Meeting Warrant Articles: Discuss and/or Vote

Public Information Officer:

Ms. Fachetti stated that the merits of this position have been discussed. The Finance Committee had recommended that the position should be funded through a warrant article. Mr. Connelly agreed and stated that he is ready to vote.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of 2021 Town Meeting Warrant Article: Appropriate for Public Information Officer in the amount of \$196,326. Mr. Reilly seconded the motion. The motion was approved by a roll call vote of 8-0.

Law Enforcement Clinical Support:

Ms. Fachetti stated that this position has also been discussed. Mr. Connelly agreed and stated that he had no further questions.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of 2021 Town Meeting Warrant Article: Appropriate for Law Enforcement Clinical Support in the amount of \$45,000. Mr. Reilly seconded the motion. The motion was approved by a roll call vote of 8-0.

FY2022 Sewer Enterprise Fund Budget; and
FY2022 Water Enterprise Fund Budget

Mr. Connelly stated that these budgets were discussed during the Finance Committee's budget hearing. He stated that he had no further questions. Mr. Reilly asked whether salaries had been moved between the Water and Sewer Enterprise funds. Mr. Davison stated that some personnel costs are moved among divisions. He stated that the Sewer Enterprise Fund had some turnover so that salary costs decreased, and some people were moved from the sewer to the water division. He stated that since the Committee's budget hearings, there has been one change: the MWRA assessments have been released. The assessment for the sewer division is increasing because the sewer flow in Boston decreased last year, so the proportion of costs to be paid for by the suburbs is increasing. This is likely because of the fact that many more people from Needham are not travelling into work in Boston each day, and are working from their homes and using the sewer system more. He stated that these are operational costs that will not be reimbursable as a Covid-19-related expense.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of 2021 Town Meeting Warrant Article: Appropriate for FY2022 Sewer Enterprise Fund Budget in the amount of \$8,900,598. Mr. Lunetta seconded the motion. The motion was approved by a roll call vote of 8-0.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of 2021 Town Meeting Warrant Article: Appropriate for FY2022 Water Enterprise Fund Budget in the amount of \$5,750,754. Mr. Jacob seconded the motion.

Discussion: Mr. Levy asked about increase in the capital outlay in the Water Enterprise Fund. Mr. Davison stated that there are additional drain valves being replaced. He stated that the FY20 and FY21 had been lower than usual, and this amount is back to the usual level. He does not expect an increase in FY23

Vote: The motion was approved by a roll call vote of 8-0.

Athletic Facility Improvement Fund:

Ms. Fitzpatrick stated that, except in years where there are big capital projects, the General Fund revenue from Park and Recreation administrative fees is added to this fund. Mr. Coffman asked why larger amounts are not added when the planned expenses for this reserve are high. Ms. Fitzpatrick stated that the Town often does add more, but this year she has recommended that additional available funds be appropriated to the workers' compensation reserves.

MOVED: By Mr. Jacob that the Finance Committee recommend adoption of 2021 Town Meeting Warrant Article: Appropriate to the Athletic Facility Improvement Fund in the amount of \$30,815. Mr. Coffman seconded the motion. The motion was approved by a roll call vote of 8-0.

Workers Compensation Fund:

Mr. Davison stated that, as addressed during the discussion of the workers' compensation line in the budget hearings, this supplemental appropriation is needed to get the fund balance to \$1

million, comparable to the determined amount of liability in the existing cases that is not covered by stop loss insurance. This amount was determined by an uninterested 3rd party. Mr. Levy asked how much time is typical between supplemental appropriations. Mr. Davison stated that they have been about 3-4 years apart recently, but used to be farther apart. He stated that the annual appropriation for workers' compensation in Townwide expenses covers public safety employees injured on duty who are not covered by workers' compensation laws, so much of the annual appropriation went to that. The state law now allows towns to create a reserve for long-term expenses for injuries on duty, which the Town is seeking to do in a separate warrant article. Mr. Davison expects that if the reserve is approved, there will be less need for appropriations to this fund.

MOVED: By Mr. Lunetta that the Finance Committee recommend adoption of 2021 Town Meeting Warrant Article: Appropriate to the Workers Compensation Fund in the amount of \$337,000. Mr. Reilly seconded the motion. The motion was approved by a roll call vote of 8-0.

Stormwater Stabilization Fund:

Mr. Davison stated that this article would create a stabilization fund to reserve stormwater abatement fees adopted by the Select Board to be used for capital expenditures for stormwater infrastructure projects. He stated that this was planned for last year, but deferred to keep Town Meeting brief. He stated that he will be seeking guidance from the Select Board whether they plan to pursue it this year. He suggested that it would be best not to vote the article at this time. He stated that the General Fund will have ongoing expenses in the form of an annual contribution to stormwater capital projects, but the sewer and water division capital costs will be supported by fees. Ideally, fees would cover the expenses, but because the amount is so high, it is likely to be a mixture in order to keep fees reasonable. The billing would be done through water and sewer bills. He stated that the Water and Sewer Rate Commission is discussing one fee for residential and an indexed fee for commercial properties based on the amount of impervious surface area. The residential fees would be a flat fee based on the average amount of impervious area. Mr. Levy asked if tax exempt properties would have to pay this fee. Mr. Davison stated that the properties will be subject to the fees if they are applied through water and sewer bills rather than property taxes. Mr. Reilly asked the timing of the change. Mr. Davison stated that it will depend on whether the Select Board plans to move forward at this time. He stated that the Town would be capable of starting with the July 1 billing. Ms. Fachetti stated that this article should not yet be voted.

MGL c 41 s 111F Special Injury Leave Indemnity Fund

Mr. Connelly asked how this was different from the workers' compensation fund, and what would be the benefit of having this fund. Mr. Davison stated that this will allow for funds not expended to be set aside in a reserve and be used for injuries that cross over fiscal years. Also, in FY23, he will be able to break out the workers' compensation funding from the injured on duty funding for greater transparency. Mr. Lunetta asked the cost of the average police or fire injury on duty. Mr. Davison stated that he would need to follow up with that information.

Mr. Reilly asked if there is an economic impact of this article, or if it is just effectively moving funds. Mr. Davison stated that it is moving money, but it improves the ability to manage the experience for injured employees. Mr. Healy asked if money could be moved out of these funds

if they became too large. Mr. Davison stated that has not happened in a long time. He stated that funds can be rolled into free cash, but the liability for workers compensation encompasses the current appropriation.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of 2021 Town Meeting Warrant Article: Acceptance of Provisions of M.G.L. Chapter 41, Section 111F Special Injury Leave Indemnity Fund. Mr. Reilly seconded the motion. The motion was approved by a roll call vote of 8-0.

Amend General By-Law - Town Clerk/Numbering

Ms. Fitzpatrick stated that over the last five years, amendments have been adopted with incorrect letters or numbers or other similar issues that the Town Clerk cannot correct without this authorization. This article was pulled out last year due to time constraints. Mr. Lunetta suggested that there is no financial impact to the article.

MOVED: By Mr. Lunetta that the Finance Committee take no position with respect to 2021 Town Meeting Warrant Article: Amend General By-Law – Authorize Town Clerk to Ensure Consistency in Numbering, because there is no discernable financial impact. Mr. Jacob seconded the motion. The motion was approved by a roll call vote of 8-0.

Set Annual Revolving Fund Spending Limits

Mr. Davison stated that state law requires that the spending limits be set at the annual Town Meeting. He stated that these are the same revolving funds and the same spending limits as FY21. Ms. Fachetti asked if the amounts are sufficient. Mr. Davison stated that no department has requested a higher limit. He stated that there was some concern that more would be needed to pay for immunization clinics, but there is no charge to the Town for vaccines.

MOVED: By Mr. Jacob that the Finance Committee recommend adoption of 2021 Town Meeting Warrant Article: Set Annual Revolving Fund Spending Limits as stated in the warrant. Mr. Coffman seconded the motion. The motion was approved by a roll call vote of 8-0.

FY 2022 Operating Budget Recommendation

Mr. Reilly asked if any issues remain open. He stated that the Planning Consulting amount was in question, but that is in an article. He stated that there was discussion whether to include these costs in the budget. Mr. Healy stated that there were two explanations for the use of the state aid funds that would be freed up: to provide funds needed immediately, or to have money to meet the goals and objectives of the department. He stated that he feels that the Committee should know what the fund would be spent on before recommending funding other items in the operating budget. Mr. Reilly agreed. Mr. Davison stated that the earlier suggestion to possibly increase the Planning and Community Development budget for the cost of studies would be problematic. He stated that the request should be made through a DSR-4 in the FY2023 budget process. He stated that the Planning Department is preparing a written explanation of those expenses for the Finance Committee to consider for the warrant article this year.

Mr. Levy stated that the draft voted budget moved the costs for the Public Information Officer, the Law Enforcement Clinical Support and requested Library subscription costs into the Reserve Fund line. He proposed that the final budget recommendation should remove the costs from the bottom line. He stated that could reduce collected taxes. Mr. Healy questioned whether the Finance Committee would be overstepping its authority to reduce the budget and thus effectively be lowering the amount of taxes that the Town would have otherwise collected. Mr. Levy stated that there are issues of policy and mechanism. The Committee should have a say in policy. As to the mechanism, he stated that the tax rates are not set on the operating budget alone and that the amount of taxes to be collected is not determined until after the fall Special Town Meeting. Mr. Davison confirmed that the tax rate is based on more than the budget and not set until everything is settled in the fall.

Mr. Jacob stated that each year the Town determined available funding by increasing the property tax base by the allowed 2.5%, but pointed out that the full amount does not have to be appropriated. Mr. Healy stated that the Town used to increase it the full amount to make sure things were not difficult in future years. The question now is whether it is better to have funds set aside in the Reserve Fund or not appropriated. Mr. Reilly supported the latter. He stated that funds that make it into the budget tend to stay there. Mr. Coffman stated that the Committee could decide to take the money out of the budget and to have the tax rate decreased to reflect that. Mr. Connelly stated that the discussion would need to take place in the fall. Mr. Healy stated that the Committee should make a note to consider this issue in the fall. Mr. Healy stated that Free Cash has been high lately, so the Finance Committee should consider whether the Town is taxing too much. Mr. Coffman stated that Free Cash funds most of the financial warrant articles other than the budget. Mr. Reilly stated that Free Cash is generated by both revenue that is greater than budgeted expenses and expenditures that are below the budgeted amounts. He stated that it would be helpful to know actual numbers of each, but he assumed that it is more in the latter category. Mr. Davison stated that it is about 50% of each. He noted that taxes cannot be greater than the amount appropriated, and the levy must be the same as the amount appropriated, so there is surplus revenue if the state provides more aid than assumed. Local receipts have the greatest volatility, so have the greatest likelihood of adding to Free Cash. Mr. Healy suggested that the Committee should build the budget from the bottom up. Mr. Davison stated that it is possible to create a zero-based budget, but it would require a significant amount of time for the Finance Committee liaisons to work with each department on every item in every line in the budget.

Mr. Jacob stated that a significant driver of taxes is overrides for capital projects. He asked whether Free Cash could help alleviate some of that tax burden. Mr. Coffman stated that generally, the Town will use cash to avoid borrowing but not to pay for debt service. Mr. Healy stated that some of Free Cash is considered recurring. He stated that the Town should avoid large swings in tax revenue. Mr. Jacob stated the large school projects are coming. Mr. Davison stated that he will prepare an updated facility financing plan which will show the potential additional burden for taxpayers. He will be getting feedback from the PPBC to help shape the modeling. Mr. Healy noted that it will be important to look beyond the PPBC for prioritizing projects.

MOVED: By Mr. Jacob that the Finance Committee recommend the following as the FY 2022 general fund operating budget: eliminating the following from the Town Manger's recommended budget: (1) \$98,163 from the Select Board/Town Manager's Office budget for the Public Information Officer; (2) \$45,000 from the

Police Department's budget for the Law Enforcement Clinician; and (3) \$46,000 from the Library budget for the OverDrive and Worldcat subscriptions; for a bottom line of \$195,800,817. Mr. Reilly seconded the motion. The motion was approved by a roll call vote of 9-0.

Updates

The Committee discussed scheduling.

Adjournment

MOVED: By Mr. Healy that the Finance Committee meeting be adjourned, there being no further business. Mr. Lunetta seconded the motion. The motion was approved by a unanimous roll call vote of 9-0 at approximately 8:18 p.m.

Documents: Town of Needham – Proposed Annual Budget – Office of the Town Manager Fiscal Year 2022; Town of Needham Capital Improvement Plan FY 2022 – FY 2026 (December 2020); Town of Needham 2021 Annual Town Meeting Warrant (2-19-2021 draft); Town of Needham May 2021 Special Town Meeting Warrant (2-19-2021 draft).

Respectfully submitted,

Louise Mizgerd
Staff Analyst