

**Needham Finance Committee
Minutes of Meeting of February 16, 2022**

The meeting of the Finance Committee was called to order by Chair Joshua Levy at approximately 7:00 pm in the Great Plain Room at Needham Town Hall. The meeting was a hybrid meeting, also made available through the Zoom video conference.

Present from the Finance Committee:

Joshua Levy, Chair; John Connelly, Vice Chair
Members: Barry Coffman, Carol Fachetti, James Healy, Tom Jacob, Rick Lunetta, Louise Miller, Richard Reilly

Others present:

David Davison, Assistant Town Manager/Finance Director
Kate Fitzpatrick, Town Manager
Amy Haelsen, Economic Development Manager
Charly Nanda, Chair of NCAC
Dan Gutekanst, Superintendent of Schools
Anne Gulati, Assistant Superintendent for Finance and Operations
Cecelia Simchak, Director of Finance and Admin/Public Services

Citizen Requests to Address the Finance Committee

No requests.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Connelly that the minutes of the meeting of February 9, 2022, be approved as distributed, subject to technical corrections. Mr. Coffman seconded the motion.

Discussion: Mr. Lunetta stated that he would vote in favor of the minutes, subject to the correction that was discussing the clinical support funding for the Police Department, the description added that the person would provide more access to medical records and information, in addition to medical facilities.

Vote: The motion was approved by a unanimous roll call vote of 8-0. (Mr. Jacob was not in attendance for the vote.)

FY 2023 Budget Discussion

Annual Town Meeting Warrant Article: Appropriate for Diversity, Equity and Inclusion (DEI) Program

Mr. Levy asked Mr. Healy, as liaison, to sum up the question about the DEI program funding. Mr. Healy stated that the Office of the Town Manager submitted a DSR5 request to fund the DEI program through a warrant article requesting \$100K for 2 years of expenses. Most of the cost relates to training of staff and departments. The stated that a procedural question has been raised

whether this cost should be in the operating budget to be weighed against other operating expenses.

MOVED: Ms. Miller renewed her motion from the last meeting: that the Finance Committee's FY23 draft budget add \$50,000 to the expense line in the Town Manager's budget, 11B, to cover the Diversity Equity and Inclusion program requested in the DSR5, rather than to fund the program through a warrant article. Mr. Connelly again seconded the motion.

Discussion. Mr. Reilly asked whether using half of the requested two-year amount for the first year of the program was reasonable or was arbitrary. Mr. Healy stated that he was told that they intended to use half of the amount each year. Ms. Fitzpatrick stated that funding half of the amount each year would be reasonable since the specifics are still unknown. The purpose is to use a consultant to provide foundational training in DEI issues. Later they will move into data collection and creation of an action plan. After that, they plan to take actions within the community. Mr. Levy asked if the plan was to request an additional two years of funding after the first request. Ms. Fitzpatrick stated that they were not sure, which is why they initially requested the funding through a warrant article. The plan was to pilot the program to start. If the cost is funded in the budget, they will come back to discuss it next year. Ms. Fachetti asked if this is just for the Town departments or whether the Schools will be part of this program. Ms. Fitzpatrick stated that there are already DEI programs in the Schools. There is other collaboration with the School Department on these issues, but this funding is intended to create a program on the Town side.

Mr. Levy stated that he supported Ms. Miller's motion to put the expense in the operating budget. Ms. Miller asked what metrics would be used to gauge the success of the program. She noted that she was invited to a presentation on the science of diversity and why some DEI programs fail. She asked how the Town will evaluate the program and determine whether or not it is successful. Ms. Fitzpatrick stated that she has learned about programs in other communities locally and nationally that have been perceived as successful to inform the plan. They will start by setting up a foundational structure to ensure that the impacts of the program will be felt within marginalized groups. Once there is a foundational structure, the next step is to identify pilot programs or groups. The groups could be the people who provide a certain service or those that work within a department. The next step would be to look at the data of who is enrolling in the programs or how others are interacting with that group, to see if there are gaps in who is able to access the services. After that evaluation, they would develop action steps to address issues and try to get a broader representation of people among those interested in the program or service. She stated that this does not entirely answer how they will determine how successful the program is, but that is how she plans to approach the planning. She stated that she will be able to report back on what they have found and what steps they have implemented. Mr. Healy stated that there was a DEI training program at his workplace that cost considerably less than \$50K. He suggested that they could compare the programs later to see if this expense was reasonable. Mr. Reilly stated that it may be would be helpful to get an interim report rather than wait until the end.

Mr. Levy stated that if this expense is intended every year, then it should be in the operating budget. Mr. Healy stated that since he had been told that they are considering eventually having a DEI officer, it seems that ultimately this cost is intended to be in the operating budget. Mr. Lunetta stated that he could support it being funded either way, as long as there are some metrics

to measure success of the pilot program. Mr. Coffman stated that he leaned toward funding it through a warrant article since the amount needed, or how they intend to proceed, is not yet clear. He stated that the Town has had success funding pilot programs through warrant articles. Mr. Healy stated that he disagreed, though was not adamant. He feels programs funded through a warrant article often have their own dedicated constituents, and do not have to compete against other budgetary items. Mr. Coffman stated that there would later be a request to move it into the operating budget. Mr. Healy stated that by that point, the program could be well established and it is essentially too late. Mr. Coffman stated that whether it would be included in the budget would depend on its merits. Mr. Lunetta asked whether having access to only \$50K in the first year might hamper the program in any way. Ms. Fitzpatrick stated that, with the volume of work needed to start the program off, it should be enough to get a reasonable start. Ms. Miller noted that having the funds in the operating budget means that they will have a deadline to use the funds within the fiscal year.

VOTE: The motion was approved by a roll call vote of 6-3, with Mr. Lunetta, Mr. Jacob and Mr. Coffman dissenting.

School Department

Dr. Gutekanst distributed a packet to address some of the Finance Committee's questions regarding the requested staffing increases. Mr. Levy stated that the budget request includes funding for 25.82 additional staff positions, many of which are currently being funded through one-time sources, and many of which are tangentially related to COVID. He asked how many of those positions are expected to continue. Dr. Gutekanst acknowledged that this is a huge request and that the Town often defers requests because of what the Schools are asking for. He stated that the budget request addresses four main areas of need: special education (SPED), student intervention and support (specifically due to the pandemic), class size, and some for program improvement. He stated that four of the five elementary schools have a dedicated SPED program. He stated that the School Department has made targeted investments in SPED programs to support the students and keep them in the district. The goal is to make the programs right for the kids that are there. He pointed out that there are no new requests for out-of-district tuitions since they have been able to meet the needs of students. He stated that over the past few years, the number of students needing to use out of district services have reduced from 86 to 72. He stated that several of the requested positions will provide classroom support for SPED students. He stated that often the alternative is to have hearings for placement or have parents make a unilateral placement and sue the school for funding. He stated that the additional positions are not necessarily due to increased enrollment, but due to increasing needs.

Dr. Gutekanst stated that the funding for additional staff for intervention would provide funds to continue several positions that are on federal grants. Many of those will end, but they feel they do need to keep a couple of them for math and reading intervention. The actual positions may stay in the same school or be moved to a different school. They will be targeted to where the need is greatest. He noted that often when there is a need for an additional position at one school, they will shift a person from another school. He stated that they do not add positions if there is another option. He noted that where there is an additional need for a classroom teacher, there may be an incremental need for a special area teacher (such as art or music). He added that they also need to provide certain services such as English Language Learning to students at private schools in Town, so the budget includes the equivalent of 2-3 SPED educators in working in the private schools. Dr. Gutekanst stated that there are also program improvements that would

provide new services, including administrative support for the math intervention and also for the performing arts program which has grown significantly without increased staff. They also want to provide a teacher and instructional coach for the world language program. Additionally, they are looking for additional administrative help at the High School and clerical help for the transitions during the Emery Grover construction project. He stated that they have worked hard in recent years to support students and keep them from going out of district. He noted that providing SPED is expensive since they have to support the students through age 22. He stated that a number of factors drive the need for SPED staffing increases, but that overall there is a cost savings compared to sending students out of district. Mr. Reilly asked if they had quantified the savings. Ms. Gulati stated that the request for out-of-district tuitions is level funded rather than increasing and that they expect that the cost will actually decrease since there is one student expected to come back to the district, but there is also the cost of an additional SPED teacher and half of a teaching assistant. Dr. Gutekanst pointed out the reduction in the out-of-district SPED enrollment, and noted that the tuitions can cost from \$30K to over \$300K. Mr. Connelly stated that no one is disputing the cost, but the Committee is looking for where the savings were reflected in the budget. Dr. Gutekanst stated that the savings are actually cost avoidance, and the savings are reflected in the fact that this is the first budget in many years without an increase in out-of-district tuitions. He stated that they are hoping the additional math and literacy intervention, along with the summer Bridges program that they will be running with Park and Recreation, will help stave off some additional needs during the year. That program will be funded half by the School Department and half through community support.

Mr. Lunetta asked how they expected to fill over 25 additional positions given the number of current vacancies. He suggested that it may be reasonable to put the funds for the 25 positions into the Reserve Fund to be transferred if actually needed. Dr. Gutekanst stated that the number of vacancies is extraordinary, but they do plan to fill them. They have currently relied upon teaching assistants to stand in where they can. He stated that that the Department will be able to onboard 100 or 125 people if needed, and fully expects to fill the positions. They are needed. He stated that they cannot operate effectively if they need to rely on Reserve fund transfers. Ms. Miller stated that the Committee needs only 48 hours to post a meeting to be able to transfer funds. Ms. Gulati noted that they expect that next year will begin differently since there will likely be in a different situation with respect to COVID testing and vaccinations, and that there won't be the same number of absences. She stated that they cannot put the planned programs in place without the staffing. She noted that they have expanded their hiring methods to seek out nontraditional candidates such as college interns and retirees. Dr. Gutekanst stated that they have had some trouble in the past hiring teaching assistants, but have been having more luck recently.

Ms. Miller stated that the information provided by Ms. Gulati showed that the School Department carried \$2.9 million forward from FY21. She stated that amount seems high, and that she would like the Committee to consider what the appropriate amount is, and what to do with it. Ms. Gulati stated that the FY21 amount of carry-forward was the amount that they needed in case the additional COVID-related costs continued. However, it has turned out the COVID-related federal funding continued into FY22. She does not expect to carry \$2.9 forward into next year. Mr. Connelly noted that they anticipate carrying over \$1.7 million for FY23 needs, and will also have salary savings, so that they may actually be carrying over \$2.9 million. She noted that the estimates for the year end are still highly preliminary. Mr. Levy stated that the memo shows that of the \$2.9 million carry over, \$891K was used for temporary positions. Ms. Miller noted that as the year closes out, there should be a discussion about the use of excess

funds. One of the potential uses of excess funds could be to put them aside to use toward the costs of upcoming School capital projects. She stated that the other Committee members have not expressed agreement but she feels that there could be a place to hold funds for later use. She thinks that there will likely be more excess funds this year and next year than in the past. Dr. Gutekanst stated that they will know much more later in the year, and that the School Committee will have a conversation with the Finance Committee and the Town about it.

Mr. Reilly noted that if they did carry over about \$1.8 million that amounts to a little over 2% of the budget, indicating that they spent 98%. He stated if you assumed for simplicity that the budget increase is 2%, whether that would in effect mean the total is a 4% increase. Mr. Gulati stated that that is not entirely accurate, since the funds carried over represent funds over and above the operating budget such as circuit breaker and grant funding. Mr. Reilly stated that circuit breaker funds were already accounted for in the development of the budget. Ms. Gulati stated that last year they chose not to spend any circuit breaker funds because they knew that they could carry them over. These funds were not savings from within the budget.

Mr. Healy asked what the information provided is intended to show about the High School performing arts program. Dr. Gutekanst stated that the goal was to show that in years past, there were 20 staff in performing arts, and they put on 25 events each year. Now there are 37 staff putting on over 100 events. They have requested 0.5 FTE to help with the work. He stated that the shows used to be student run, but now there is a Director of Performing Arts who oversees everything. Mr. Healy stated that he supports that.

Mr. Levy stated that his preference is that as much of the budget funds should be spent as possible. With inflation, money that is turned back is worth less. Ms. Gulati stated that the unknowns during the pandemic have made planning very difficult. She stated that during FY21, grant funding kept coming, but they were never sure when or how much would come in. She stated that they did not know what to expect in FY22, and had to budget without that information. Ms. Miller stated that there is no criticism intended, but that she feels that there is a need to plan how to use the excess funds.

Annual Town Meeting Warrant Article: Appropriate for Needham Council for Arts and Culture (NCAC) Grants and Programs

Ms. Nanda stated that she is the Chair of NCAC. They receive an annual allocation from the state budget for grants, public art projects, and events. She stated that the most recent state allocation was \$7,800, but it changes every year. It is based on a formula that includes the Town population and equalized property values, so that more funds are provided to lower income areas. She stated that they have been doing outreach and are getting more requests, and this year have been able to fund about 20 of 36 requests. The goal of the proposed warrant article is to match the state funds. She stated that they are excited about the possibility of being funded in the operating budget. They are an autonomous group, and have funded about 300 grants over the years. She stated that they survey residents in the summer, and then set their own priorities. She stated that people seem to want festivals. The Committee feels that such events are important to bring people together. In response to a question from Ms. Miller, she confirmed that they would use the same criteria for providing grants with these funds as they use with the state funds. Ms. Miller asked what kinds of cultural events they were planning. Ms. Nanda stated that the state allows them to use 20% of the funding for their own spending but they do not do that. She stated that they would increase the level of funds granted, such as granting more funds for the Needham

Housing Authority music festival which covers 3 days, but they have not been able to fully cover even one day. They do not have a current plan but what they will do will depend on the interests of people surveyed. They are potentially planning a Town music festival in 2024. They used ARPA funds they were given to fund a public mural project. It will be a DEI-themed mural and they plan to work with NUARI on it. She stated that they are all of NCAC are volunteers, but they also work with the Town's Economic Development Manager. Mr. Levy suggested that the funding for the blue tree might fit within this area of expenses. Ms. Fitzpatrick stated that the blue tree lighting, and the winter lights and winter arts festival all used to be supported by the NCAC and were run by the Town with help from the Needham Business Association, but they are not doing it any more. The intention is that the Town can use the funds to pay for things like tents and custodians so that the Cultural Council funds don't have to be used for that. She stated that they are separate things. Mr. Healy stated that he is comfortable with the grant funding that they will be distributing with clear guidelines, but he has some unease with the funds that would be used for the council's own programs without such structure. Ms. Nanda stated that they would fundraise to pay for their own projects such as the painting of electrical boxes.

MOVED: By Ms. Miller that the Finance Committee add \$8,300 to the draft FY23 operating budget to fund The Needham Arts and Cultural Council instead of the proposed warrant article. Mr. Connelly seconded the motion. The motion was approved by a roll call vote of 9-0.

Annual Town Meeting Warrant Article: Appropriate for National Pollutant Discharge Elimination System (NPDES) Permit Compliance

Mr. Davison stated that the question was raised whether the NPDES funds were needed across fiscal years. He has learned that the work can be done within the fiscal year. He added that there is no question that the expense is recurring, so he has no issue if the Finance Committee wants to incorporate these expenses into the Town operating budget. He stated that all stormwater and NPDES costs are in the Sewer Enterprise Fund budget, which will not be voted at this meeting, though it would be helpful to know the sense of the Committee. Ms. Miller stated that the NPDES expenses should be added to the Sewer budget. She asked about the status of the proposed stormwater fund. Mr. Davison stated the intention of the fund would be to support the costs of capital investments in stormwater. It will take several years of fees to be able to support the capital costs. The process has been delayed by the pandemic, but they plan to move forward in fall of 2022 because there is not sufficient time to hold public hearing before the May Annual Town Meeting. That fund will be separate from the NPDES operating costs which will recur and will grow over time, and are used for expenses such as catch basin cleaning and maintenance, required testing, or consultants for things that require certain specific expertise.

MOVED: By Ms. Miller that the Finance Committee recommend that the funds requested for NPDES expenses in the proposed warrant article be included in the FY 2023 Sewer Enterprise Fund operating budget. Mr. Connelly seconded the motion. The motion was approved by a roll call vote of 9-0.

Vote FY 2023 Draft Budget

Mr. Levy stated that there are still decisions to be made on the School Department, the Reserve Fund, and whether to move the funding for the blue tree lighting into to new NCAC line. Ms. Fitzpatrick explained that her office, and not NCAC, organizes the blue tree lighting and that

moving the funds to that line would not change anything but would make it more difficult to spend the funds. She stated that they would continue to collaborate with NCAC in the same way. Mr. Levy stated that his understanding was that the funds were in the Town Manger's budget because there was not another place to put them. Ms. Fitzpatrick stated that her department actually organizes and runs the Blue Tree lighting, the winter lights and winter arts festival.

Mr. Connelly stated that he would vote in favor of the School Department's request, and appreciated the information provided. However, he is concerned because the rate of increase in the number of FTEs in this department is not sustainable. He also stated that they should show the savings that they are able to achieve with the expanded programming. Mr. Reilly expressed concern about the inconsistency of the need for additional space and the requests for additional staffing. It is not clear if they will have the space for the added staff. Mr. Coffman stated that they will have more room if the School Master Plan is implemented. Ms. Miller noted that the additional staff will affect more lines in the budget than just the School Department, and that the capital projects will affect the Debt Service line. She stated that the School Department budget is becoming a progressively larger portion of the budget. Mr. Connelly stated that there are always excellent reasons to justify the additional funds but the question is whether it is sustainable to continue to support it all. Mr. Healy noted that it is hard to say no when there is money. Mr. Coffman noted that the enrollment numbers are not increasing. Mr. Connelly stated that the Town would need in-migration for enrollment growth, and that is not happening. Mr. Levy stated that the total request for the School Department including the additional position that was in the School Committee recommendation was \$87,277,798. Mr. Davison confirmed that the Health Insurance line at \$17,255,396 included the funding for the benefits for those positions.

MOVED: By Mr. Healy that the Finance Committee's FY 2023 draft budget School Department line be funded in the amount of \$87,277,798. Ms. Miller seconded the motion. The motion was approved by a roll call vote of 9-0.

Mr. Levy stated that he would recommend that the Memorial Park and the Historical Commission budget show just one line, and no labels for salary or expenses. He stated that the bottom line of the Finance Committee's recommended budget, adding the \$8,300 for the new NCAC line, is \$205,118,959. [Note it was later determined that this amount did not include the \$50K expense added to line 11B. The corrected amount is \$205,168,959.]

MOVED: By Mr. Healy that the Finance Committee recommend a draft budget for fiscal year 2023 in the amount of \$205,168,959 [as corrected], in accordance with the prior discussions, subject to technical correction. Mr. Lunetta seconded the motion. The motion was approved by a roll call vote of 9-0.

Reserve Fund Transfer – Town Clerk's Office/Special Election

Mr. Davison stated that this request is to transfer funds in the amount of \$17,720 to the Town Clerk's budget to cover the costs of an unexpected special election in December 2021 to fill the seat of a member of the Select Board that resigned. In response to a question by Mr. Connelly, Mr. Davison stated that the rental cost was \$850 for use of the building at the Needham Golf Club.

MOVED: By Mr. Healy that the approve of the request for a transfer from the FY 2022 Reserve Fund to the Town Clerk’s budget in the amount of \$17, 720. Mr. Jacob seconded the motion. The motion was approved by a roll call vote of 9-0.

Snow and Ice Update

Mr. Davison provided an update on spending for the Snow and Ice program. He stated that he current estimate is a total annual expenditure of \$924,641, which would overdraw the account in the amount of \$495,791. That amount includes amounts paid, amounts committed or pending for the recent storm, and estimated needs for future snow and ice events. It also includes an estimate for the expense of additional salt. The Town Manager has authorized an overdraft allowance of \$495,791 above the FY22 appropriation of \$428,850.

Updates:

The Committee discussed scheduling. The next meeting will be March 2 as part of a joint meeting on the update to the School Master Plan. Mr. Davison stated that there will not be any new information about debt planning until late March before the vote to narrow down the Master Plan options being considered.

Adjournment

MOVED: By Mr. Healy that the Finance Committee meeting be adjourned, there being no further business. Mr. Coffman seconded the motion. The motion was approved by a vote of 9-0 at approximately 9:00 p.m.

Documents: Town of Needham, Office of the Town Manager, Proposed Annual Budget, FY 2023; 2022 Annual Town Meeting Warrant (2/4/22 draft); Town of Needham Capital Improvement Plan FY2023 – FY2027; Draft FY 2023 operating budget spreadsheets (FY21 Expended; FY22 Budget; FY23 Requests); Memo from Anne Gulati, Asst. Superintendent for Finance and Operations to School Committee and Finance Committee Budget Liaisons, Feb. 15, 2022, Re: FY23 Department Budget Request; Request for Reserve Fund Transfer

Respectfully submitted,

Louise Mizgerd
Staff Analyst

Approved March 9, 2022