

Finance Committee
Town of Needham
500 Dedham Avenue
Needham, MA 02492

February 22, 2010

Ms. Kate Fitzpatrick
Town Manager
Needham Town Hall
500 Dedham Avenue
Needham, MA 02492

Re: Needham Finance Committee / Fiscal Year 2011 Draft Budget Recommendation

Dear Kate:

Enclosed is the Needham Finance Committee's draft balanced budget recommendation for fiscal year 2011, totaling \$109,679,481.

With a few exceptions as detailed below, the Finance Committee's draft budget recommendation mirrors the executive budget you submitted on January 26, and is essentially a "level service" budget. The funding recommended by our committee will maintain the current level of services provided by all municipal departments. For the School Department, we are recommending a total appropriation equal to the School Committee's voted budget request.

Given the current global recession, its impact on the state economy and the uncertainty of "local aid" over the next year, we believe that the Town has prudently managed its operations in order to maintain a "level service" budget for fiscal year 2011. We think this is a testament to your continued focus on "sustainability" and the willingness of the town's employees to agree to a zero cost of living increase for next fiscal year. We think the town's continued focus on managing energy costs both in terms of usage and price has resulted in a much lower energy cost picture than our ProForma analysis had conservatively showed. This combined with the conservative fiscal policies that the Finance Committee has encouraged and the Town Manager and Selectman have so diligently followed have given us a FY 2011 budget with few cuts and no real impact on service to our citizens. We would like to acknowledge the hard work that the schools have undertaken to focus their budget on priorities and manage through a very difficult time of "cuts" in grants and federal and state aid to school programs. We believe that the Superintendent and School Committee will need to continue their drive to achieve a "sustainable" cost structure and we encourage the on-going cooperation between the Town Manager and the School Superintendent towards that end.

We would like to particularly commend the progress that Mr. Laffey and his staff have made in the area of energy conservation. We have continued to see dramatic reductions in energy consumption over the past three years. These reductions along with the dip in global energy prices have helped the Town in its efforts to sustain its current level of services. Mr. Laffey and his staff have completed the majority of the items identified through the energy audits at three school properties. We would encourage a continued focus on this program. We considered the DSR-4 request for this department to add more managerial staff to give Mr. Laffey the band width to work on this important area. However, we did not add this new hire at this time due to the economy and the prudent measures you have taken to add no new hires unless they come with new revenue to support them.

The Finance Committee participated in your budget meetings in November, conducted its own budget hearings from December 16 through February 3, and attended your executive budget presentation on January 26. Using the information we gathered, we took the departmental spending requests and built a budget from them. The budget we arrived at, and voted on last Tuesday evening as our draft recommendation, was remarkably close to the executive budget. I am pleased that we arrived independently at more or less the same conclusions regarding how to approach fiscal year 2011.

Department Budgets

These mirror the executive budget, except where noted below, and total \$77,915,921. We have not added any additional headcount, and have generally only cut expenses in areas where we felt they could safely sustain those levels in order to bring the Reserve Fund back up to prudent levels and in line with the need for Reserve funds over the last two years.

We have reduced two department budgets to bring them in line with where we reasonably expect costs to be. We reduced the energy costs in two areas in the Department of Public Works totaling \$8,000 and also the Finance Committee by \$2,500 due to lower expected costs.

We have also reduced the Department of Public Facilities by \$127,000 in the expense area based upon lower expected energy costs. With the lower electricity usage that the town has continued to see and the lower rates for electricity, natural gas and oil we believe that the town can reasonably sustain this lower energy expense level in FY 2011. With the assistance of Mr. Laffey, Mr. Zimbone our Vice Chair, did a detailed analysis of historical energy usage by building and the expected pricing of energy for FY 2011. We believe that this analysis supports a lower budget. However, we also realize that if global pricing of energy moves against us in areas where we don't have fixed pricing, or if we have unexplained increases in usage, we will need this savings to remain in the Reserve Fund to cover those potential cost increases.

At the time of our meeting we had received an estimate of our allocation for our share of the Minuteman Regional High School costs. This estimate would lower the budget line item by \$66,472. Because historically this line item has changed from the time we receive

the estimate to our final allocation we will to hold off on reducing the line item until we have a final allocation. We hope to have a final number before mid-March when we vote a final budget recommendation for Town Meeting. We will address any reduction in that number at that time.

Town Wide Expenses

Town wide expenses total \$31,763,560. This reflects an increase in the Reserve Fund from the executive budget's proposal of \$1,113,863 back up to \$1,251,363. We would note that the Reserve Fund for FY 2010 is \$1,256,508. While this increase does not put the Reserve Fund at levels consistent with overall increases in department budgets we believe the increase is necessary to bring it back to levels that are more prudent and adequate for FY 2011.

Cash Capital

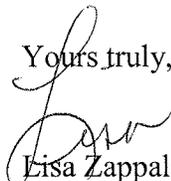
While we have not yet finalized our vote of the details of cash capital, we are encouraged by the Town Manager's budget of \$1,500,564, which is higher than last year and will allow the town to continue its capital maintenance plan. We also support the Town Manager's decision to increase the School Department's budget by \$221,000 in order to have them use \$221,000 of "one-time" federal stimulus funds to cover the school's cash capital needs and lessen the reliance that the schools' operating budget has on these one-time funds. Based on current revenue estimates, we are recommending a total of \$1,500,564 be allocated to cash capital at the May annual Town Meeting.

Additional Revenue

Should additional revenue become available prior to March 15, the Finance Committee would consider applying it to the following projects, which are not prioritized:

Augmenting the Reserve Fund, adding to cash capital, additional funding of the assistant town accountant for a full year or any necessary temporary support for that position, totaling \$29,000, additional funding to eliminate the need to cut a high school teacher in the amount of \$55,000 and \$20,000 for additional legal costs requested by Town Counsel to lessen the historical reliance on the Reserve Fund to pay for legal costs.

Please let me know if you or the Board of Selectmen would like to meet to discuss the Finance Committee budget recommendation prior to our voting a budget for the warrant, which will likely take place on March 10. We want to thank you, the Finance Director, the department managers, the Superintendent, the School Department staff, and the School Committee liaisons to the Finance Committee for their work in putting together the fiscal year 2011 budget.

Yours truly,

Lisa Zappala
Chair
Needham Finance Committee

Cc: Board of Selectmen
Assistant Town Manager/Director of Finance
Assistant Town Manager/Director of Operations
Finance Committee
School Committee
School Superintendent
School Department Finance Director

Town of Needham
General Fund
FY 2011 Draft Budget Recommendation - Submitted by the Finance Committee

Line	Description	FY 2010		FY 2011		%	FY 2011
		Current Budget	FTE*	DRAFT Finance Committee Recommendation	FTE*		
Townwide Expenses							
1	Non-Contributory Retirement Payments	\$ 89,000		\$ 59,400			
2	Contributory Retirement System	\$ 4,271,094		\$ 4,552,978			
3	Group Health Insurance	\$ 8,867,300		\$ 9,799,125			
4	Retiree Insurance & Insurance Liability Fund	\$ 3,446,556		\$ 3,626,375			
5	Unemployment Compensation	\$ 92,000		\$ 140,000			
6	Debt Service	\$ 9,943,937		\$ 11,379,319			
7	Workers Compensation	\$ 385,000		\$ 400,000			
8	Casualty Liability & Self Insurance Program	\$ 525,000		\$ 525,000			
9	Classification Performance & Settlements	\$ 16,811		\$ 30,000			
10	Reserve Fund	\$ 1,256,508		\$ 1,251,363			
	Total	\$ 28,893,206		\$ 31,763,560			
Townwide Expense Total		\$ 28,893,206		\$ 31,763,560		9.9%	
Board of Selectmen & Town Manager							
11A	Salary & Wages	\$ 630,398	8.0	\$ 639,739	8.0		
11B	Expenses	\$ 166,450		\$ 161,450			
	Total	\$ 796,848		\$ 801,189			
Town Clerk & Board of Registrars							
12A	Salary & Wages	\$ 263,081	4.6	\$ 282,308	4.6		
12B	Expenses	\$ 33,980		\$ 39,270			
	Total	\$ 297,061		\$ 321,578			
Town Counsel							
13A	Salary & Wages	\$ 68,664		\$ 68,664			
13B	Expenses	\$ 193,500		\$ 193,500			
	Total	\$ 262,164		\$ 262,164			
Personnel Board							
14A	Salary & Wages	\$ 1,128		\$ 600			
14B	Expenses	\$ 10,500		\$ 11,000			
	Total	\$ 11,628		\$ 11,600			
Finance Department							
15A	Salary & Wages	\$ 1,371,597	21.7	\$ 1,342,043	21.7		
15B	Expenses	\$ 715,252		\$ 723,417			
15C	Capital	\$ 37,500		\$ 37,500			
	Total	\$ 2,124,349		\$ 2,102,960			
Finance Committee							
16A	Salary & Wages	\$ 29,993	0.5	\$ 27,493	0.5		
16B	Expenses	\$ 1,300		\$ 1,125			
	Total	\$ 31,293		\$ 28,618			
General Government Total		\$ 3,523,343	34.8	\$ 3,528,109	34.8	0.1%	
Planning							
17A	Salary & Wages	\$ 207,833	3.0	\$ 215,547	3.0		
17B	Expenses	\$ 17,760		\$ 16,460			
	Total	\$ 225,593		\$ 232,007			
Community Development							
18A	Salary & Wages	\$ 97,829	1.9	\$ 99,338	1.9		
18B	Expenses	\$ 12,243		\$ 11,858			
	Total	\$ 110,072		\$ 111,196			
19	Reserved	\$ -		\$ -			
Land Use and Development Total		\$ 335,665	4.9	\$ 343,203	4.9	2.2%	
Police Department							
20A	Salary & Wages	\$ 4,771,895	58.0	\$ 4,884,190	58.0		
20B	Expenses	\$ 277,820		\$ 248,339			
20C	Capital	\$ 118,900		\$ 146,888			
	Total	\$ 5,168,615		\$ 5,279,417			
Fire Department							
21A	Salary & Wages	\$ 5,714,803	74.0	\$ 5,812,408	74.0		
21B	Expenses	\$ 290,415		\$ 259,238			
21C	Capital	\$ 15,789		\$ -			
	Total	\$ 6,021,007		\$ 6,071,646			

Building Inspector

22A	Salary & Wages	\$ 444,020	7.3	\$ 445,919	7.3	
22B	Expenses	\$ 15,682		\$ 15,682		
	Total	\$ 459,702		\$ 461,601		

Public Safety Total		\$ 11,649,324	139.3	\$ 11,812,664	139.3	1.4%
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Minuteman Assessment

23	Assessment	\$ 435,733		\$ 435,733		
	TOTAL	\$ 435,733		\$ 435,733		

Needham Public Schools

24	Needham Public School Budget	\$ 45,382,885	620.4	\$ 46,059,078	620.4	
	TOTAL	\$ 45,382,885		\$ 46,059,078		

Public Schools Total		\$ 45,818,618	620.4	\$ 46,494,811	620.4	1.5%
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Department of Public Works

25A	Salary & Wages	\$ 3,258,049	56.3	\$ 3,393,323	56.3	
25B	Expenses	\$ 1,387,250		\$ 1,308,056		
25C	Capital	\$ 5,500		\$ 5,500		
25D	Snow and Ice	\$ 200,000		\$ 200,000		
	Total	\$ 4,850,799		\$ 4,906,879		

Municipal Parking Program

26	Municipal Parking Program	\$ 282,900		\$ 282,900		
	Total	\$ 282,900		\$ 282,900		

Municipal Lighting Program

27	Municipal Lighting Program	\$ 285,300		\$ 253,300		
	Total	\$ 285,300		\$ 253,300		

Public Works Total		\$ 5,418,999	56.3	\$ 5,443,079	56.3	0.4%
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Department of Public Facilities

28A	Salary & Wages	\$ 2,875,501	56.7	\$ 2,870,212	53.8	
28B	Expenses	\$ 5,002,276		\$ 4,509,505		
28C	Capital	\$ -		\$ -		
	Total	\$ 7,877,777		\$ 7,379,717		

Public Facilities Total		\$ 7,877,777	56.7	\$ 7,379,717	53.8	-6.3%
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Health Department

29A	Salary & Wages	\$ 377,408	5.9	\$ 383,012	5.9	
29B	Expenses	\$ 74,355		\$ 76,829		
	Total	\$ 451,763		\$ 459,841		

Diversified Community Social Services

30A	Salary & Wages	\$ 525,393	8.3	\$ 487,240	8.3	
30B	Expenses	\$ 39,670		\$ 77,160		
	Total	\$ 565,063		\$ 564,400		

Commission on Disabilities

31A	Salary & Wages	\$ -		\$ -		
31B	Expenses	\$ 550		\$ 550		
	Total	\$ 550		\$ 550		

Historical Commission

32A	Salary & Wages	\$ -		\$ -		
32B	Expenses	\$ 1,050		\$ 1,050		
	Total	\$ 1,050		\$ 1,050		

Needham Public Library

33A	Salary & Wages	\$ 1,075,014	22.6	\$ 1,072,844	22.6	
33B	Expenses	\$ 263,012		\$ 260,843		
	Total	\$ 1,338,026		\$ 1,333,687		

Park & Recreation Department

34A	Salary & Wages	\$ 441,142	4.0	\$ 443,185	4.0	
34B	Expenses	\$ 110,875		\$ 110,875		
	Total	\$ 552,017		\$ 554,060		

Memorial Park

35A	Salary & Wages	\$ -		\$ -		
35B	Expenses	\$ 750		\$ 750		
	Total	\$ 750		\$ 750		

Community Services Total		\$ 2,909,219	40.8	\$ 2,914,338	40.8	0.2%
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Department Budgets		\$ 77,532,945	953.2	\$ 77,915,921	950.3	0.5%
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Total Operating Budget		\$ 106,426,151		\$ 109,679,481		3.1%
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