

Finance Committee  
Town of Needham  
1471 Highland Avenue  
Needham, MA 02492

February 18, 2016

Kate Fitzpatrick  
Town Manager  
Needham Town Hall  
1471 Highland Avenue  
Needham, MA 02492

Re: Finance Committee Fiscal Year 2017 Draft Budget Recommendation

Dear Kate:

I am pleased to present the Finance Committee's voted draft budget recommendation for fiscal year 2017 totaling is \$144,109,495. The Finance Committee carefully considered the budget submissions from department managers and your Town Manager's balanced budget, as well as the School Superintendent's proposed budget and the budget voted by the School Committee. The Finance Committee's FY 2017 draft budget is not final at this stage, as we are still gathering information in a few key areas.

The attached draft budget shows the specific Finance Committee recommendations for the FY 2017 Townwide expenses budget and the operating budgets for each department including the recommended bottom line allocation for the School Department budget. I will highlight below the differences between your proposed budget and the Finance Committee's recommendation. The Finance Committee believes that the enclosed budget is reasonable, prudent, and fiscally sound, and will allow the Town and the School Department to maintain the outstanding level of services currently being provided, and to add modest enhancements in some areas.

#### Townwide Expenses

After a detailed review of the costs that make up the Townwide Expenses, the Finance Committee's draft budget recommends a change only to the Reserve Fund line in the Townwide expenses portion of the FY 2017 recommended draft budget. The Finance Committee is still considering the appropriate level of the Group Health Insurance, Employee Benefits, Assessments & Administrative Costs line. While the Finance Committee is not recommending a change to this line in the draft budget, the Committee is still reviewing whether this amount will be appropriate as the final budget recommendation is developed.

**Group Health Insurance, Employee Benefits, Assessments & Administrative Costs:** Health insurance costs represent a significant portion of the Group Health Insurance, Employee Benefits, Assessments & Administrative Costs line, and continue to increase at an unsustainable rate. The Finance Committee applauds the efforts that Town administration is making to contain

growth in this area. The Finance Committee is still examining that line in this budget process, since its increase is dependent not only on increases in health insurance premiums and other costs, but also on the number of additional benefit-eligible positions that will be in our final budget recommendation to Town Meeting. It is important to note that the employees in both the Town departments and the School Departments are covered by the Employee Benefits line in the Townwide Expense budget. The Finance Committee is still considering some requests for additional staff positions which must be determined before the recommendation for this line can be determined.

**Reserve Fund:** The Finance Committee is recommending that the Reserve Fund be reduced to \$1,500,000. The Finance Committee determined that using some of the funds initially proposed for the Reserve Fund in other areas of the budget will allow the funds to be used productively, while still leaving sufficient money in the Reserve Fund to provide for extraordinary or unforeseen expenditures. Even in a year where there are substantial stresses on the Reserve Fund, such as the unprecedented winter storms last year coupled with unexpected additional special education expenses, the Reserve Fund has not been depleted. Therefore, the Finance Committee chose not to increase this budget line beyond \$1.5 million at this time. The final recommended allocation to the Reserve Fund is subject to change to some extent depending on how the Finance Committee resolves other outstanding budget issues.

### General Fund Operating Budget

#### Departments:

The Finance Committee's recommended draft budget is consistent with your balanced budget proposal with respect to the operating departments with the following exceptions:

Needham Public Schools  
Police Department  
Fire Department  
Department of Public Works  
Department of Public Facilities  
Needham Public Library

I will address the changes between your proposed budget and the Finance Committee's draft budget recommendation below. I will also point out some other budget areas that are still under consideration by the Finance Committee as it prepares its final FY 2017 budget recommendation.

### **Needham Public Schools Operating Budget**

The Finance Committee recommends a School Department budget of \$65,189,914 in FY 2017, which is \$131,200 more than your recommendation which matched the School Committee's voted budget. Our recommended budget fully funds the School Committee's recommended budget of \$65,058,714, including your recommended increase of \$340,700 to cover the costs of technology expenses that were previously in the cash capital budget, but have been determined to be operating expenses since they do not meet the Town's definition of capital. The Finance

Committee's budget also includes the reductions totaling \$220,865 from the original budget request that were identified by the School Superintendent and incorporated in your Town Manager's budget proposal. The Finance Committee voted to add \$131,200 to the School Department budget to fund the Pathways Program at the High School, a new therapeutic program that has been proposed as a highest priority unfunded need.

The Finance Committee believes that our recommended FY 2017 budget recommendation for the School Department will provide the funding needed to provide the highest quality educational program for all children and to continue to expand technology programs.

### **Minuteman School Assessment**

The Finance Committee's voted budget included the same amount for the Minuteman School Assessment as your recommended budget, \$763,830, based on the preliminary assessment. The assessment has been updated since the Finance Committee voted its initial draft budget, so I expect that this budget line will be decreased in the Finance Committee's FY 2017 final budget recommendation to Town Meeting.

### **Town Departmental Operating Budgets**

In order to achieve a balanced budget for FY 2017 and to provide for increased services where there is a demonstrated need, the Finance Committee is recommending the following adjustments to Town departmental operation budgets.

**Note Regarding Fuel Costs:** During the final months of 2015, after the department managers had prepared their FY 2017 budget requests, the costs of gasoline, diesel fuel, and heating oil continued to decline more than originally anticipated. As a result, The Finance Committee found that the fuel cost assumptions used in the budget submissions were inflated. The Finance Committee is recommending a reduction in the expenses of those departments that have sizable fuel budgets. Those amounts are addressed below.

**Police Department:** The Finance Committee reduced the recommendation for gasoline expenses for the Police Department by \$8,120.

**Fire Department:** The Finance Committee voted to decrease the expense budget for diesel fuel for the Fire Department by \$6,766. In addition, the Finance Committee voted to reduce the Fire Department's recommended budget by \$18,720 which was proposed for part-time inspection work in the Fire Prevention Division. The part-time inspection work would result in the creation of a database of building floorplans and inventory of on-site dangerous and flammable materials. While the Finance Committee agrees that this is important work, we determined that it would be accomplished more expediently by funding the work as one comprehensive project. We propose that this project could be funded through a warrant article at the Special Town Meeting. Once the project is complete, the ongoing database maintenance work could be handled within the department.

**Department of Public Works:** The Finance Committee's draft budget includes a reduction of \$23,625 in fuel costs for the Department of Public Works for the reasons cited above.

**Department of Public Facilities:** The Finance Committee recommends a decrease of \$15,625 for fuel costs, primarily for heating oil, from the expense budget of the Department of Public Facilities. In addition to the reduction in fuel costs, the Finance Committee's budget follows the Town Manager's proposal to transition regulated energy expenses, including electricity and natural gas, into a single budget line in Townwide expenses, as discussed above. This change reallocated over \$2.7 million out of this the budget. The Finance Committee increased the Public Facilities expense budget by \$25,000 to cover the cost of the first part of the water fountain replacement program. The program was requested in the capital budget, but is more appropriate for inclusion in the operating budget. The Finance Committee's FY 2017 draft budget does not include \$94,515 that was recommended in the Town Manager's proposed budget to fund an additional Public Facilities Project Manager position in FY 2017. The Finance Committee is still considering whether the underlying facts support the need for additional staff in FY 2017, and will make a recommendation on whether it supports the new position in its final budget recommendation to Town Meeting.

**Health and Human Services:** The Finance Committee's draft budget recommendation for the Health and Human Services Department is consistent with your recommended budget. However, the Finance Committee is still considering whether to fund the requested Environmental Health Agent position. In light of increasing regulatory responsibilities, the Committee plans to further explore whether a new position is justified, and to what extent there could be offsetting savings by reducing the need for part-time inspection work.

**Needham Public Library:** The Finance Committee voted to increase the salary line of the Library budget by \$3,776. The Finance Committee agreed with your recommendation to fund an increase in circulation desk hours. In addition, the Finance Committee's budget recommends funding the opening of the Library on Sundays during the month of June, when schools are still in session. These expenses have been funded in recent years from the Library's state aid account, and have become integral to the Library's services. The Finance Committee supports transitioning key library functions into the operating budget when appropriate.

### Conclusion

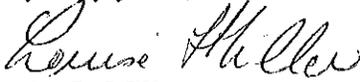
The Finance Committee plans to vote a final budget to recommend to Town Meeting in early March. If you have any questions or would like to discuss any aspect of the Finance Committee's recommendations, please contact me.

On behalf of the Finance Committee, I thank you, the Assistant Town Manager/Director of Finance, the Assistant Town Manager/Director of Operations, the Department Managers, the School Superintendent, the School Director of Financial Operations, the Board of Selectmen, the School Committee, and the School Central Administration for your hard work, candor, and

Kate Fitzpatrick  
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invaluable support throughout the process of developing our FY 2017 operating budget recommendations.

Very truly yours,



Louise L. Miller  
Chair  
Needham Finance Committee

Enclosure

cc: Board of Selectmen *(with enclosure)*  
Assistant Town Manager/Director of Finance *(with enclosure)*  
Assistant Town Manager/Director of Operations *(with enclosure)*  
Finance Committee *(with enclosure)*  
School Committee *(with enclosure)*  
School Superintendent *(with enclosure)*  
School Department Director of Financial Operations *(with enclosure)*