

**Needham Finance Committee  
Minutes of Meeting of January 24, 2011**

The meeting of the Finance Committee was called to order by the Chair, Richard Zimbone, at approximately 7:03 pm in the Conference Room at the Newman School.

Present from the Finance Committee:

Richard Zimbone, Chair; Matthew Borrelli, Vice Chair

Members: John Connelly (arrived 7:07 pm), Richard Creem, Richard Lunetta, Richard Reilly, Steven Rosenstock, Lisa Zappala

Also Present:

Daniel P. Walsh, Building Inspector

Lee Newman, Planning Director

Patricia Barry, Conservation Director

Janet Carter-Bernardo, Conservation Commission Member

David Davison, Assistant Town Manager/Director of Finance

Evelyn M. Pones, Town Collector/Treasurer

Chip Davis, Administrative Assessor

Michelle Vaillancourt, Town Accountant

Roger MacDonald, Director of Management Information Systems

**Citizen Requests**

No citizens requested to speak.

**Approval of Minutes**

There were no comments or corrections for the minutes of January 10, 2011 that had been previously distributed.

MOVED: By Mr. Rosenstock that the minutes of January 10, 2011, be approved as submitted. Mr. Reilly seconded the motion. The motion was approved by a vote of 6-0-1, with Mr. Zimbone abstaining. (Mr. Connelly had not yet arrived.)

**Review Operating and Capital Budget Request: Building Inspector**

Mr. Rosenstock presented the Building Inspector budget request. The DSR-2 requests for FY12 were consistent with prior years' budgets. The headcount remains consistent. While the number of permits issued has decreased, the number of inspections remains high. There are two DSR-4 requests: the first for an increase in hours for the Sealer of Weights and Measures, and the second to hire an additional local building inspector. The request for additional hours for the Sealer was made in the FY10 request and not funded, then requested and moved to top priority for FY11. For FY12, the request is being made again, at top priority. The request for an additional inspector would likely be a priority for residents. The position is needed to help with the new requirements for sheet metal inspections. Mr. Walsh stated that the number of

inspections has been increasing. 400 additional permits were granted comparing the current fiscal year to last year at this time, which means an additional \$150,000 of revenue. The department used to issue about 4,000 permits per year, which dropped off recently to 3,000 per year. The department operated well at 3,000 per year, and was able to meet demand. At 4,000 permits per year, they can still respond, but cannot be as prompt and must spend less time with people. Now the department is seeing increased demand. The requested increase is needed to meet that demand. Changes in technology have also presented a challenge. The requested increase in expenses will be used to update code books and attend seminars. The change in law requiring separate sheet metal inspections takes effect in February. Under the new requirements, someone with an appropriate license will need to pull a permit for metal work, and the Town must do the inspection. While the Building Inspection department has the ability and infrastructure to handle these permits, they need to determine how they will handle the additional work. Mr. Walsh stated that the sheet metal is already inspected as part of the building inspection process, but not as a separate process.

Mr. Reilly asked whether the Sealer of weights and measures was finding big issues or inaccuracies. Mr. Walsh stated that while he is not finding big issues, the inspector is finding there is not enough time to do all the work needed. At this point, they do not know what work is not being done, because they are able only to respond to calls requesting the Sealer to come out. There is no time to determine what else should be done. In response to a question from Mr. Rosenstock, Mr. Walsh stated that scanners, such as those at grocery store check-out, are checked annually but there is not time to check the price on the shelf against the price charged.

In response to a question from Mr. Lunetta, Mr. Walsh stated that the department has consisted of 9.38 FTEs for approximately 10 years. Mr. Borrelli asked whether the new sheet metal permits will cause additional burden. Mr. Walsh said yes, because there is an additional process that must be addressed for each permit. Often a separate trip will be required, though the inspection itself may not take much time. They will try to be efficient. Mr. Rosenstock asked whether places of assembly such as schools and restaurants were being inspected. Mr. Walsh stated that they are inspected only when they call in. Generally they call in when they need an inspection to meet other requirements. In response to a question from Mr. Borrelli, Mr. Walsh stated that the zoning change in the Town center may also cause additional inspection work.

### **Review Operating and Capital Budget Request: Community Development**

Mr. Borrelli presented the Community Development budget. In FY10, the Town created the Planning and Community Development Department. The department has two separate budgets, both overseen by a new Director of Planning and Community Development. Planning and Economic Development are under one budget. Conservation and Zoning Board of Appeals budgets were merged into this one budget "Community Development." Ms. Newman stated that with the departments together, there is one administrative assistant, which is expected to be more efficient as that person can handle communications and coordinating issues that come in. Mr. Rosenstock asked about the headcount. Ms. Newman stated that the Conservation Director has increased from part-time to full-time and there is a new administrative assistant that is 0.5 FTE in the Community Development budget. Mr. Zimbone asked Ms. Newman to describe the increase in the salary line. Ms. Newman stated that part of it is due to the Conservation Director's change

from half to full time. Also, the department lost one staff person, and in order to hire someone with sufficient talent, they needed to match a higher salary.

### **Review Operating and Capital Budget Request: Planning and Economic Development**

Mr. Borrelli presented the Planning and Economic Development budget. This division is also part of the Planning and Community Development Department created in FY10. As part of the reorganization of the department, the position of Economic Development Coordinator was reclassified to a management position, Economic Development Director, to provide assistance to the Council of Economic Advisors. The communications expenses for this budget increased due to an upcoming increase in postage costs, and an increase in the number of notices being sent. Otherwise, the expenses were consistent with the FY11 budget.

Ms. Zappala asked about the salary increases. Ms. Newman stated that there is the additional salary for the 0.5 FTE administrative assistant, and in addition the department hired a new person for the Director of Economic Development. The person was very highly qualified and, and this increase reflects the salary commitment made to her. Mr. Connelly expressed concern that there is a salary increase of 8% and that this salary commitment was made without the funding to back it up. Ms. Zappala stated that she had spoken with the Town Manager, and that the Town was not able to hire a qualified person within the range of what was budgeted. Mr. Creem stated that he has seen many instances of people being hired above the minimum step of the hiring range. Mr. Zimbone asked about the budget request of a 7.85% merit increase for the administrative assistant. Ms. Newman stated that this is for Ms. Clee, who is trained as a planner and now doing that professional work rather than administrative work. She was pursued by another community, and the Town wanted to retain her. Mr. Zimbone stated that it appears to be a change of job description rather than a merit increase. Ms. Newman stated that it is currently being treated as a merit increase, though they expect to reexamine the job description. She added that the department has historically been unable to retain planners because of the administrative work that was required of them, but she expects that will change because of the departmental reorganization. Mr. Zimbone expressed concern about being reactive to about job requirements rather than proactive. Ms. Lunetta stated that it is common to change job requirements and salaries when there is an incumbent with skills beyond the job level that threatens to leave. Mr. Zimbone asked whether the Town would have been looking for someone at that higher level of skill if the person had left. Ms. Zappala stated that an employer has to weigh the loss of productivity and institutional knowledge when someone is replaced with someone new. Ms. Newman confirmed that if that person had left she would have been seeking a planner, not an administrative person.

### **Review Operating and Capital Budget Request: Finance Department**

Mr. Creem presented on overview of the Finance Department's functions and the budget, and discussed the Director's, Assessor's, and Parking Clerk's budget areas. Much of the work of the department is driven by state and federal requirements. The base budget request is 2.4% above the request for FY11. The salary line increased by 3.3%, which includes step and longevity increases, plus the salary of assistant accountant for the full year. Last year, for budgetary reasons, this position was funded for only part of the year. The FTE count is unchanged. The

ITC overtime budget was cut back significantly in FY10, then level-funded in FY11 due to uncertainties associated with the move to the PSAB, although overtime has been decreasing. Overtime for ITC has again been decreased, from \$10,000 in FY11 to \$6,000 for FY12. The overtime funding requests for accounting, assessing, and treasurer/collector have remained level for FY12. Overall department expenses are up just 0.9%. There is a 34.8% (\$12,000) decrease in repairs and maintenance due in part to the ITC's emphasis of virtualization over hardware. Travel and mileage is decreasing 32.2%, and Other Purchased Services is down 30.9%. The rental and lease line is increased by 14.6% (\$31,295) to cover software licenses. This amount is offset somewhat by the decrease in repairs. The communications line has increased by 24% to reflect changes in actual expenditures and a postal rate increase.

Mr. Creem discussed operational considerations. The Director of Finance does not have sufficient clerical support. The Town is outperforming other AAA communities in terms of interest rate. FY12 is a triennial valuation year. Abatement activity is not expected to increase, as it is believed that most of it has already occurred.

Mr. Borrelli presented the ITC, Accounting, and Treasurer's areas of the budget. The treasurer/collector is optimizing earnings. The rate of return is above the benchmark. Collections are down slightly, but they continue to achieve 98% by year end. The department is looking into a credit card payment system to make payments easier. They are also considering alternatives to the current method for RTS sticker distribution. The salary and wage line is increased due to a change in staff. Communications is increasing due to the expected postage increase.

The accounting division has faced the continuing challenge of personnel turnover. Currently, the longest tenure is 2 years. The FY12 request includes a full year of salary for an assistant accountant. The Town held off funding this position for the first half of FY11. Expenses were down 7.4% from FY11. They have also submitted a DSR-4 request for a part-time department specialist.

The ITC division has shown efficiencies, so that, unlike prior years, it has not submitted a DSR-4 request for additional staff. They are considering off-site information storage to prevent data loss. There is an increase in the rental line item, but repairs, communications and travel are all decreasing. Mr. Creem stated that the Town should take a lesson from the fact that ITC no longer needs the recurring DSR-4 request. It is important to be deliberative and careful before adding staff. As technology is changing rapidly, the Town's related needs are changing.

Mr. MacDonald stated that the Town is in the preliminary stages of moving into virtualization, which will make it easier to push out software upgrades, as it is not longer necessary to visit each computer. It will allow communications to continue even when one building goes down. They are looking into the best method of back-up and data loss prevention. Mr. Reilly asked about security and how it has been upgraded. Mr. MacDonald stated that back-up is now electronic disk to disk, then to tape, when it used to be stored on multiple tapes. The final tape is stored at the police station. They also store tapes at the school administration building. They are looking into storing the tapes at a secure facility.

Mr. Rosenstock noted that while the department overall looks good, there are some areas with more significant changes. He asked about the salary increases. Mr. Davison stated that there are 53 pay periods instead of 52. Mr. Davison stated that when there are increases in one area of the budget, the department tries to find other areas to reduce to balance it out. They also seek to identify the cost drivers of increases. They made a reduction of \$1,800, which they had hoped to use to send someone to a seminar with the inspector general about purchasing. Mr. Rosenstock asked about the 20% reduction in the cost of the administrative specialist. Mr. Davison stated that there was a change in staff, and the new person was hired at a different rate. Two part-time positions had been combined into a full-time position, but that did not work out because of the different skills. One person was reallocated.

Mr. Reilly asked about the revenues relating to the new law allowing the taxing of personal property. Mr. Davis replied that there is some increase each year, but it will differ. They found one situation that brought in \$200,000 but he does not expect that to happen again. Mr. Zimbone pointed out that general fund earnings had dropped off in recent years and asked about the future outlook. Ms. Ponesse said that she does not expect returns to improve, as rates are not increasing. She focuses on keeping the Town's money safe. Mr. Zimbone asked how the lowered returns affect operations. Ms. Ponesse replied that the interest is part of local receipts, and is coming in under the targeted amounts.

Mr. Creem stated that the Finance Department request includes two DSR-4s. There is a request for a part-time Departmental Specialist. Ms. Vaillancourt stated this is for half of the prior position that was split between divisions. The person would help expedite the accounting work, and free up the Town Accountant to do the work on a monthly basis that is needed for the audit. The department could be more proactive rather than reactive. Mr. Creem stated that with new person, the department would be able to be prepared more quickly after the end of the fiscal year for the annual audit. Mr. Lunetta asked how the audit affects the certification of free cash. Ms. Vaillancourt stated that the audit is not required before free cash is certified, but it requires much of the same information. Mr. Davison stated that the amount of free cash was certified today, at \$3,380,000. The pro-forma had assumed \$3.3 million. Mr. Reilly asked whether there were expenses associated with the new position such as setting up a new work station. Mr. Davison stated that it would cost approximately \$2,500.

Mr. Creem stated that the second DSR-4 is for Copy and Mail Support Services. It would fund an additional part-time department assistant in the new Town Hall for centralized and more efficient copying, as well as receiving, sorting and distributing mail and deliveries. Mr. Davison stated that there is currently one part-time person, but this would provide a second part-time person with no benefits for all day coverage. The DSR-4 shows no priority because this request is for the whole Town Hall, and the other DSR-4 request is specifically for the Finance Department. Mr. Connelly commented that the Finance Department's budget request stands out as being well-prepared. The performance factors are clear, and make it easier to justify the DSR-4s.

Mr. Creem stated that the Finance Department's two recommended capital requests were described on p. 1-9 of the capital improvement plan. The first request is for \$30,000 for Network Servers and Switches, a perennial request. It is recommended in the primary cash capital

category. Mr. Rosenstock asked how this request differs from the \$37,500 in the operating budget for technical upgrades. Mr. MacDonald stated that while this DSR-4 would replace servers and switches, the \$37,500 in the operating budget is to replace desktop and laptops computers and printers as part of the replacement schedule. Approximately 60-70 desktops have been replaced this year. About 20% of the inventory is replaced each year. Mr. Lunetta asked how they smoothed out the replacement schedule when there is a new building and many new computers purchased at the same time. Mr. MacDonald stated that they consider each computer and determine how it is used to determine when it needs replacement.

Mr. Creem stated that the second capital item is for a Document Record Management System, for \$90,000 in the primary cash capital category. It provides for a system to store documents in a way that can be more easily edited, indexed and sorted. It allows older documents to be more easily scanned and stored electronically. Mr. Reilly commented that the system makes sense going forward, but that there must be incremental costs associated with scanning historical documents. Mr. MacDonald stated that they would use low cost personnel to scan. Mr. Davison added that some scanning could be done during slower work periods. Mr. Rosenstock asked about the new updated accounting system. Mr. Davison stated that it would be in the capital plan next year. Mr. MacDonald stated they are deciding whether to buy a new system or to outsource, or work out a hybrid.

### **Finance Committee Updates**

Mr. Creem stated that he attended the MMA annual conference. He stated that the workshops affirmed that Needham is a well-run town, and that the best practices discussed are already in place.

### **Adjourn**

MOVED: By Mr. Rosenstock, that the meeting be adjourned, there being no further business. Mr. Lunetta seconded the motion. The motion was approved by a vote of 7-0, at approximately 9:22 p.m.

Documents: Departmental Spending Requests, Fiscal Year 2012, Town of Needham; Capital Improvement Plan FY2012-FY2016, dated January 4, 2011

Respectfully submitted,

Louise Mizgerd  
Executive Secretary

*Approved February 7, 2011*