

**Needham Finance Committee  
Minutes of Meeting of February 9, 2011**

The meeting of the Finance Committee was called to order by the Chair, Richard Zimbone, at approximately 7:03 pm in the Charles River Conference Room at the Public Services Administration Building (Temporary Town Hall.)

Present from the Finance Committee:

Richard Zimbone, Chair; Matthew Borrelli, Vice Chair

Members: John Connelly, Richard Creem, Richard Lunetta, Richard Reilly, Steven Rosenstock, Lisa Zappala

Also Present:

David Davison, Assistant Town Manager/Director of Finance

David Tobin, Town Counsel

Kate Fitzpatrick, Town Manager

Dan Gutekanst, Superintendent of Schools

Deb Gammernan, Interim Director, Technology and Innovation, School Department

Connie Barr, Chair, School Committee

Marianne Cooley, Vice Chair, School Committee

Michael Greis, School Committee Member

Bill Paulson, School Committee Member

**Citizen Requests**

No citizens requested to speak.

**Snow and Ice Removal Budget / Expenditure Authorization**

Mr. Davison reported that the snow and ice removal expenses have exceeded the amount authorized by the Finance Committee on January 26, 2011. The effect of the large number of storms has been compounded by the timing. There has been insufficient time between storms for snow banks to begin melting and receding, so the DPW needs to continue clearing and pushing snow back at intersections.

Mr. Zimbone asked Mr. Davison to relay what the Police Chief and DPW Director said at the previous night's meeting of the Board of Selectmen. Mr. Davison stated that they brought in grids made during the Great Blizzard of 1978, when there was insufficient space for two-way traffic so the Town designated certain streets as one-way only. The Police Chief and DPW Director stated that the Town might need to use a similar concept if there is much more snow without melting. They also discussed the problem of snow on roofs. They said they had brought in engineers to examine school roofs and the burden of snow on them.

MOVED: By Mr. Reilly, that the Finance Committee approve the Finance Director's request for the Town to expend up to \$1,150,000 for snow and ice removal in FY2011.

Mr. Borrelli seconded the motion. There was no further discussion. The motion was approved by a unanimous vote of 8-0.

### **Request for Reserve Fund Transfer: Legal**

Mr. Davison presented a request for \$100,000 to be transferred from the Reserve Fund to the Town Counsel budget to cover legal costs for the remainder of FY11. There is less than \$15,000 left in the budget, with 6 months of expenses left in the fiscal year. There are 2 major cases that have driven the legal costs higher than anticipated. (1) The High School litigation case. It has now settled, but if it had not, it would have required even more legal expenses. The Finance Committee had previously approved a Reserve Fund Transfer request of \$40,000 to the Public Facilities budget to cover costs related to finishing the work at the High School. (2) The ongoing matter regarding the Rosemary Pool. A citizen downstream from Rosemary Lake has challenged the Town's attempt to drain the lake to repair the pool, which the Town had done for over 30 years with the approval of the DEP. However, now the DEP is preventing the Town from draining the lake, and the Town has appealed. As part of a relief package, the State extended existing permits for two years, which gives the Town time to prepare an appeal. In addition to the litigation, there are routine legal costs, and matters in which the Town is a defendant, which cost about \$17,000-\$20,000 per month.

Mr. Zimbone stated that in a prior conversation with Mr. Davison, Mr. Zimbone asked whether Mr. Davison would be receptive to the idea of allowing a Reserve Fund Transfer of \$50,000 at this time, with the understanding there would be another request later, possibly in April. Mr. Davison had indicated that he could live with that. Mr. Zimbone stated that it would give the Committee more flexibility. If the legal costs don't run as high as \$100,000, the money cannot be transferred back to the Reserve Fund and shifted elsewhere this year. Mr. Rosenstock stated that either \$100,000 or \$50,000 makes sense, because the legal costs are high. Ms. Zappala stated she is fine with \$50,000 with the understanding that there will be another request.

Mr. Rosenstock asked if the \$100,000 would go entirely to the two issues described. Mr. Davison stated that the money covers all legal issues, but that if one backs out the additional cost of those issues, the result is roughly equal to the amount of the FY12 budget request, or the FY11 budget plus \$36,500. Mr. Reilly stated that every year, the Town has been spending an additional \$35,000 - \$40,000 on legal expenses over the budgeted amount. Thus this request could be considered a net \$60,000 additional cost. Mr. Davison stated that other than those two issues, the Town is spending within the historic levels for legal costs. Mr. Borrelli asked if there is any cost control for experts and outside legal services. Mr. Tobin reported that legal services are exempt from the bidding laws but that he speaks with the lawyers and experts and tries to negotiate a fee that is equal to or lower than his own hourly rate, and tries to make sure the costs are reasonable.

**MOVED:** By Mr. Reilly, that the Finance Committee approve the Reserve Fund Transfer Request in the amount of \$50,000 to the Town Counsel budget for legal expenses. Mr. Borrelli seconded the motion. There was no further discussion. The motion was approved by a unanimous vote of 8-0.

## **Discuss, Vote Finance Committee Initial Draft Proposed Budget**

Mr. Zimbone circulated a copy of a proposed budget put together by the Finance Committee Chair, Vice Chair, and Past Chair. He stated that there were four changes from the Town Manager's proposed budget. (1) The Minuteman School assessment decreased by \$44, so that amount was added to the Reserve Fund. (2) \$4,000 was added to the School Department line for Aesop Software, to increase efficiency in managing coverage for absences and substitute teachers. (3) \$34,200 was added to the DPW budget to fund two budget requests: \$25,000 for street layout/monumentation and \$9,200 for the crowd control fence, which is the net of the \$11,400 cost of the fencing less the \$2,200 annual rental fees. (4) \$13,579 added to the Library budget to fund the performance budget request to open at 9 a.m. The total of the changes is +\$51,579 which was taken from the Reserve Fund. Mr. Zimbone is comfortable taking money from the Reserve Fund, because in the Town Manager's recommended budget, the snow and ice budget increased \$200,000, the Fire overtime budget increased \$100,000 and the Legal budget increased \$35,000. That accounts for \$335,000 that would have normally been funded through the Reserve Fund.

Mr. Rosenstock stated that he has an issue with the \$13,000 for the Library. It is only a matter of time with required 2 ½ % increases that the Town will fund the Library's operating costs. Mr. Rosenstock stated that it will be difficult in the future to increase the bigger number by 2 ½ %. Mr. Zimbone stated that he understood the argument, and that is why he did not also recommend funding the part-time librarian. Mr. Rosenstock added that there is no additional service to the Town for this additional money, because the Library would use a different funding source and still open early. He feels this is unnecessary since the Town Manager has already recommended shifting cash capital to meet the accreditation requirements. Ms. Zappala stated that the Library budget has increased only \$30,000 in two years. She understands that Mr. Rosenstock wants to limit the increase to 2 ½ %, but there is a limit to how fast the Town can move the programs with other funding sources into the operating budget. She feels if the Town can afford it, the Town should put this cost into the operating budget.

Mr. Connelly stated that although the amounts of money being discussed are small, he feels that saving on certain expenses could be added together and fund a teacher at the High School, which is his goal. He opposes spending \$25,000 on the street monument program. He did not feel the DPW made a convincing demonstration of the need. There was no evidence of a problem such as complaints from residents. The program seems to be more of a nicety than a necessity. He also felt that the request was too generic, and contained no specifics of how the money would be spent.

Mr. Connelly also expressed concern about the increases in the Planning and Development Department budget, and the measurement of performance showing the benefit the Town is deriving from their services. The department is spending a lot, and he is interested to see what the return is. He wants to watch this next year. He is not ready to vote against the increase, but next year he will need more information. Mr. Zimbone stated that the performance measures vary throughout the Town. As an example, while the Finance Department clearly shows

measures of what they are getting done, Planning and Economic Development does not clearly show their performance.

SPECIAL NOTE: Mr. Zimbone requested on behalf of the Finance Committee that the Town Administration improve the setting of performance standards and goals across all departments in future Department budget submittals.

Mr. Reilly addressed the DPW's monument program. He stated that the monuments need to be in place, or surveying costs are significantly higher. It is not a nicety. Individual residents are impacted. Mr. Connelly was concerned that there were no complaints from residents. Mr. Borrelli stated that he supports funding the additional budget items that impact people. He knows of people who paid very high survey costs while refinancing mortgages. Mr. Zimbone agree that the DPW budgeting process was not the best, and certain expense requests did not include appropriate information and documentation. Mr. Zimbone indicated that he has discussed this issue with the Town Manager.

Mr. Creem asked for more information pertaining to the School Department request for \$4,000 for software and whether that is a nicety. Mr. Borrelli stated that the software provides more efficiency for getting substitutes into the classrooms, and gets lesson plans to the substitutes. Ms. Zappala stated that Dr. Gutekanst indicated the software would pay for itself in time savings of how they schedule the substitutes.

Mr. Creem spoke about Library spending. The Library pool is being spent down, and it is a positive step to wean the Library from its reliance on those funds. He is not sure if this is the right time to do that, but does not feel as strongly as Mr. Rosenstock. In response to a question from Mr. Rosenstock, Mr. Lunetta stated that the State gave \$38,000 to the Library in FY09, \$28,000 in FY10, and \$29,000 in FY11. The Town expects \$29,000 from the State in FY12. Mr. Rosenstock stated that the library spent \$9,000 in FY10 on parking. Mr. Lunetta wondered if the Finance Committee should have mid-year submissions from various departments to see where money is being spent. Mr. Rosenstock stated that would not show what work is getting done.

Mr. Lunetta commented that he sees the \$51,000 difference between the budget the Finance Committee is discussing and the Town Manager's budget to be small enough to constitute a rounding error. The issues being discussed are perimeter issues not at the heart of the budget. Mr. Zimbone stated that the Chief Executives of the Town and the Schools, specifically the Town Manager and the School Superintendent, work with their departments to build their budgets using a bottoms-up approach. The Finance Committee reviews the budget through liaison meetings, department meetings and budget hearings. Some departments present their budgets well, some do not. Without reliable performance measures it is difficult to see if money is being spent well. The Finance Committee needs to work with the Town and the Schools to get the best methodologies to yield the best data. Mr. Lunetta stated that he found his liaison meetings very useful and learned that people are working hard and doing good work. But he would like the Finance Committee involved earlier in the process so that it is thinking about the entire \$112 million budget and not \$51,000. Mr. Rosenstock stated that the Town tries to get as much service for the money, and to hear what people want, and meet that. He feels that the

Town Manager's budget recommendation is part of a proven process and the budget is well-reviewed by the time it is given to the Finance Committee. Mr. Creem agreed, stating that before the Town Manager form of government, the Finance Committee used to build the budget, but now the budget process has shifted to the Town Manager. Notwithstanding, the Finance Committee is free to change it or do what it wants. The role of the Finance Committee is due diligence; Town Meeting looks to the Finance Committee to verify that the budget can be relied upon. The Committee should review the budget, but also ask the tough questions and ask for policy review if needed.

Mr. Reilly stated that the process starts when the budget guidelines are given out. Maybe most of the Finance Committee's review is too far along in the process. Mr. Rosenstock stated that examples of that are the decisions to eliminate two firefighter positions and to increase the overtime budget, or the decision to fund the RTS by revenue that is not really revenue, depleting the retained earnings of the fund.

MOVED: By Mr. Rosenstock that the Finance Committee's draft budget recommendation include the same Library budget as the Town Manager's recommended budget, and exclude the proposed \$13,579 for additional services, and that the Reserve Fund be adjusted accordingly. Mr. Connelly seconded the motion.

Discussion: Mr. Rosenstock stated he does not see the logic of spending additional money to get no additional service just because the money does not come from an outside source. Mr. Creem raised the broader issue of whether the Reserve Fund should be reduced for this expense. He was surprised at the amount of pushback against the proposal to transfer money from the reserve fund to the snow and ice budget at the November Special Town Meeting. He wanted to make sure that the Finance Committee can support the request for increased snow and ice in FY12. Mr. Zimbone stated that the history shows that there is no recent year where snow and ice removal is less than \$400,000.

Mr. Zimbone stated he is not concerned about reducing the level of the Reserve Fund in the FY12 budget. The money could have been pulled out of the energy budget or elsewhere. Ms. Zappala stated that there was a need to increase the snow and ice budget last year, and the Committee chose not to do it, but to sort it out in FY12. This is only shifting money. The Town cannot keep funding the operating budget with the Reserve Fund. Mr. Creem stated that the Finance Committee's proposed draft budget funds three items from the performance budget, which is being achieved through a larger cut from the Reserve Fund than recommended by the Town Manager. He asked the Committee to consider whether it is comfortable second-guessing the Town Manager.

VOTE: Mr. Rosenstock's motion was disapproved by a vote of 2 (in favor) – 6 (against.)

MOVED: By Mr. Connelly that the Finance Committee's draft budget recommendation reduce the proposed increase of \$34,200 to the Public Works budget by \$25,000, thereby excluding the Street Layout project, and that the recommended level of the Reserve Fund be adjusted accordingly. The Finance Committee recommended Public Works budget would be \$9,200 higher than the Town

Manager's recommended budget. Mr. Creem seconded the motion for purposes of discussion.

Discussion: Mr. Connelly stated that he had previously cited the reasons that he does not support the street layout/monumentation program. Mr. Rosenstock stated that he would like to fund the program, but would like to watch it, and see the status in next year's budget discussion. Mr. Zimbone stated that when he toured the DPW facilities around town, Mr. Del Gaizo pointed out certain granite markers and spoke of their importance.

VOTE: Mr. Connelly's motion was disapproved by a vote of 1 (in favor) – 7 (against.)

Mr. Zimbone asked Mr. Connelly why he was interested in funding an additional teacher. Mr. Connelly responded that he felt the need was well-presented and will not go away. The number of students at the High School is not expected to decrease for years to come.

MOVED: By Mr. Creem that the Finance Committee recommend to the Town Manager the draft budget submitted and reviewed by the Committee, with such commentary and such technical corrections as the Chair and the Executive Secretary deem necessary, and to authorize the Chair or the Executive Secretary to deliver the budget and such commentary to the Town Manager.

Mr. Zimbone noted that this is a draft budget. The deadline for the Committee's final recommended budget is March 15.

VOTE: The motion was approved by a unanimous vote of 8-0.

### **Discuss Town Manager's Primary and Secondary Cash Capital Recommendations**

Mr. Zimbone turned to the Town Manager's capital recommendations starting on p. 2-1 of the Capital Improvement Plan. Mr. Davison stated that if \$300,000 is allocated to the School Department from the operating budget in order to reduce reliance on one-time funds, then there would be a reduction in School cash capital. In that case, the Town Manager recommends that the Town fund her designated Tier 1 capital items, plus the Snow and Ice Equipment for \$165,000 and the Athletic Facility Improvements (Walker Gordon Facility) for \$137,500. To balance the capital budget, the School capital reduction would be \$302,500.

Mr. Zimbone asked the Committee for comments on the Tier 1 capital items, and on moving the \$302,500. Mr. Reilly asked what would happen if the State funding is granted for the Senior Transport Van for Community Services. Mr. Davison stated there are different scenarios. If the funding is granted before Town Meeting, the requested amount will be freed up for appropriation elsewhere at Town Meeting. If the Town gets notice that the funding will be granted after Town Meeting makes an appropriation for the van, then the grant will be used to buy the van and the funds will be encumbered and transferred to a new appropriation.

Mr. Borrelli asked why the Walker Gordon field improvements are not subject to CPA funding. Ms. Fitzpatrick stated that a provision in the law does not allow it. Mr. Borrelli asked about the

musical equipment and whether the Town receives donations of musical instruments. Ms. Fitzpatrick stated that FY14 is the final year of the musical instrument replacement plan. Mr. Greis added that there are some donations, and that the replacement plan is finishing up, but that even when the replacement plan has ended, that they don't want to let the situation slip too far as it did in the past.

### **Discuss School Department Capital Requests**

Mr. Zimbone welcomed the members of the School Department and School Committee. He asked them to discuss the request for Portable Device Pilot Program for \$86,900, and to address the goal of the program, and why is it a priority. Dr. Gutekanst stated that because technology changes so fast, it does not make sense to stick with a 5-year plan or 7-year replacement cycle. The program needs to be flexible to respond more quickly to changing needs. There is enough money in the capital plan to support this program. It is part of a 1:1 initiative that seeks to have each student have their own device. It will help engage student learning, enrich learning in a technology environment and encourage partnerships with parents to think strategically how to get the technology. The plan needs to be efficient and sustainable. Needham likes to move forward, but needs to be cautious and allow flexibility. He presented a handout describing the revised request. Mr. Greis stated that since it was prohibitively expensive to achieve a 1:1 laptop goal, this option looks at a new class of technology. The Schools cannot determine the best approach without testing a model, as this proposal seeks to do.

Mr. Zimbone stated that the Finance Committee will present the cash capital plan to Town Meeting, and ask the Members to vote for or against it. The Committee member that presents it needs to do an analysis of why to recommend each part. Last fall, there was a problem with the Pollard parking article because of insufficient planning and discussion, and he does not want to head down the same road with this technology request. There are many open questions about the plan, such as what parents will pay. Ms. Cooley explained that there are implications for the Town Capital Plan and for parents. This is a 1:1 device pilot. They have pushed a request for whiteboards out of the budget to allow this pilot. She agreed that the School Department needs to make sure that there is sufficient information to explain that. Dr. Gutekanst stated that these funds will come from one-time money. He agrees things could have been done differently with the Pollard parking matter, but that this is a different issue. He stated that this request has been in the capital plan for 2 years, but that the Town does need to make sure that it is well vetted.

Mr. Creem asked the status of the installation of the whiteboards that have already been purchased. Ms. Gammerman handed out a chart and stated that the installations are 78% complete overall. In the buildings where installation was part of a construction project, they are 100% complete. In response to a question from Mr. Creem, Ms. Gammerman stated that the whiteboards are on a 10-year replacement schedule, although the School Department has not owned any that long. Dr. Gutekanst stated that there is alternative equipment that serves the same purpose and is more affordable.

In response to a question from Mr. Lunetta, Ms. Gammerman stated that the pilot would cover one cluster of 100-105 eight grade students and some teachers. The choice of the device has not been finalized, though they are considering the iPad tablet. It needs to meet the educational

needs, and have a good battery life, and have reasonable maintenance costs. Dr. Gutekanst stated that to measure the program's effectiveness, they will establish a baseline of reading, writing, and research skills and see if skills are improving with use of the devices. They will also see if the device can help with special education programs. Mr. Rosenstock asked about pilot programs in other towns. Ms. Gammerman stated that there are pilots in other towns with tablets and with laptops and there is mixed data.

Mr. Connelly stated that there needs to be more information about costs of setting up the equipment, and training teachers to implement the new technology. Ms. Gammerman stated that the program would cost a total of \$87,000, which includes \$65,000 for devices (at \$600 each), \$14,000 for wireless infrastructure and the remaining for carts to charge and protect the devices. She stated that they plan to start in the spring and work with the curriculum through the summer and throughout the pilot. Mr. Connelly asked about the transition of the students from the pilot program to the High School, whether the students will have outgrown the technology there. Dr. Gutekanst stated that the whiteboards would not be made obsolete, but the High School has desktop computers in labs. Eventually, the plan is for students to have their own devices. Mr. Greis stated that the High School was planned with an eye toward a wireless infrastructure going forward.

Mr. Zimbone stated that it is important to consider the full magnitude of cost. If one assumes that it costs \$90,000 to equip one cluster with devices, and \$250,000 for an entire grade, that would mean \$1 million to equip four grades at the high school. Mr. Zimbone asked whether there will need to be additional investment at the High School to make this program work. Ms. Gammerman said that they need to study the issue, but estimates it would cost \$100,000 to provide wireless access in each classroom at the High School. Mr. Reilly asked what happens if the program is successful. Ms. Gammerman stated that they will look how to implement the plan in the High School. The plan is that students would eventually provide their own devices. Dr. Gutekanst stated that the reason to do the pilot in the eighth grade is that the cluster set-up provides a controlled environment with a limited number of teachers. Mr. Reilly asked if there is a way to prevent kids from playing with the technology instead of doing schoolwork. Ms. Gammerman stated that this is part of the policy of student responsibility and accountability. Mr. Borrelli asked whether it might be a setback for students coming out of the pilot into the High School. Dr. Gutekanst stated that could happen with the students having six different teachers with different expectations.

Mr. Borrelli asked why this School Department is trying to move quickly with the program now. Ms. Gammerman stated that previously the devices were not ready. Now there are many options. Mr. Borrelli asked whether they have consulted with parents and if there is community support. He feels that the iPad is a first generation machine, which carries risk, and that this is a lot of money without even selecting a device yet. Dr. Gutekanst agreed that public discussion is needed, but stated that Apple computers are proven in educational environments and he expects they will likely go with an Apple product. This issue has been in discussion for two years, and has been included in parent surveys. Dr. Gutekanst stated that he has seen good interactions with technology at the High School and believes this is an important program to try. He stated that another idea would be to make the program smaller to start, with one cart of devices. Then they could go forward with the full program in FY13. He has not brought that idea before the School

Committee. Mr. Lunetta agreed that would be a way to work out the bugs to start. He supports the innovation, but does not want the project to fall apart because they undertook too much to start.

Mr. Reilly asked why it seems they can't learn from programs in other towns. Dr. Gutekanst stated that they could learn some from other towns, but that they need to establish a plan that works with our programs. Needham emphasizes social and emotional learning. Mr. Reilly stated that in his experience in business, the more customized a program is, the higher the cost, and the lower the likelihood of success. Mr. Paulson stated that if they start with a smaller number of devices, they can build enthusiasm for the program. The tablet costs less than a laptop. A smaller program will show what could be achieved with 1:1 technology. Mr. Rosenstock suggested trying the program in one subject across an entire cluster to test it, buying 25 instead of 100 devices. Dr. Gutekanst stated that might be an option, and would cost approximately \$40,000 for devices and infrastructure, leaving the other \$49,000 for other technology. He would need to discuss this with the School Committee. Ms. Zappala expressed concern that the Schools have not communicated the objective and how to roll the whole plan out financially. The plan needs to be implemented more slowly and equitably. The Town does not currently have the money to fund it, so the parents will have to pay either individually or through an override. Ms. Zappala stated that her preference is to do a smaller pilot that will be less expensive to determine effectiveness. She was concerned that an \$87,000 iPad program would seem luxurious to people. Ms. Barr stated that the idea is forward-thinking and would ultimately provide less expensive replacement costs. She believes parents would understand this.

Mr. Zimbone stated that it seems that the Finance Committee is not buying into the program, and that they could be viewed as a microcosm of the people in Town. The School Department needs more sales and marketing of this plan: they need to communicate all the pluses and minuses of the program, how costs will be shared going forward, and whether there is a way to do it for less money as \$87,000 is a lot to risk if the pilot is not a success.

Mr. Zimbone thanked the members of the School Committee and the Administration for coming to the meeting and discussing this aspect of the capital plan.

### **Finance Committee Updates**

There were no updates.

### **Adjourn**

MOVED: By Mr. Reilly, that the meeting be adjourned, there being no further business. Mr. Rosenstock seconded the motion. The motion was approved by a vote of 8-0, at approximately 10:15 p.m.

Documents: Proposed Annual Budget FY 2012, Office of the Town Manager, January 31, 2011; Capital Improvement Plan FY2012-FY2016, Office of the Town Manager, January 4, 2011; Worksheet of Finance Committee Proposed Initial Draft Budget (February 9, 2011);

Revised FY'12 Technology Capital Request, dated February 1, 2011; "Interactive Whiteboard Implementation" chart

Respectfully submitted,

Louise Mizgerd  
Executive Secretary

*Approved March 2, 2011*