

**Needham Finance Committee
Minutes of Meeting of January 23, 2012**

The meeting of the Finance Committee was called to order by the Chair, Matthew Borrelli, at approximately 7:04 pm in the Great Plain Room at the Town Hall.

Present from the Finance Committee:

Matthew Borrelli, Chair; Richard Reilly, Vice Chair

Members: John Connelly, Richard Creem, Gary McNeill (arrived 7:30 pm), Steven Rosenstock, Lisa Zappala, Richard Zimbone

Also Present:

Daniel P. Walsh, Building Inspector

Lee Newman, Planning Director

Patricia Barry, Director of Conservation

Lisa Standley, Chair, Conservation Commission

Bruce Eisenhut, Chair, Planning Board

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.

Departmental Spending Requests

Building Inspector

Mr. Rosenstock introduced the budget and circulated a handout showing fees collected in FY 2010, FY 2011 and the first half of FY 2012. He stated that the permit fees are based on square footage. The fees for building permits were \$719,332 in FY 2010, and \$955,193 in FY 2011, and \$607,310 so far in FY 2012. He stated that more square footage is being built each year. He noted that in past years there has been a DSR4 which was requested as a DSR5 for funding for accreditation. That is not needed this year, since Mr. Walsh has secured a grant to pay for it. Mr. Walsh stated that with the help of Mr. Davison, he got the funding through the Town's insurance company, MIIA, since the company will have less exposure. The grant covers the first part of the process which is assembling information showing that paperwork is done accurately. The cost of the second piece, which involves analysis, is not currently covered by this. Mr. Walsh stated that other communities are in the same position, and are having trouble fitting this work in.

Mr. Rosenstock stated that the FY 2013 budget, like the FY 2012 budget, has the weights and measures inspection work in the expense line, since the State now performs the service. There is

no longer a staff member doing the work. Mr. Rosenstock noted that there is a small change in the expense line, which increased from \$28,095 in FY 2012 to \$28,940 in FY 2013. Mr. Rosenstock stated that the regular salary line went up \$13,000, including all step increases, and excluding DSR4s. Mr. Reilly stated that two employees had increases over 6%. Mr. Davison stated that there was a 2% COLA that was approved for FY 2013, plus an additional 0.5% representing the annualized effect of a 1% adjustment that became effective January 1, 2012, in exchange for the conversion of employees to relate saver health plans. Mr. Walsh stated that the Department Assistant left, and someone was hired at a lower rate.

Mr. Walsh stated that there is a DSR4 for additional funds for substitute inspectors and overtime for staff in order to cover the additional work needed for sheet metal inspections. This is a new state mandate in effect that included no additional funding. They do charge a fee, and are trying to fit the work into the existing staff structure. Mr. Walsh stated that in order to lower costs, they are having the Administrative Specialist, rather than a Building Inspector, do the related paperwork. The staff is currently getting the work done on an overtime basis, and has been willing to do it, but that could change. He stated that there is currently also a very large need for plumbing inspectors for conversions from oil to natural gas. The gas company is intending to add new gas mains in town. Because of the warmer weather this winter, more conversion work is being done. The gas cannot be turned on until the inspector has finished, and people can't be left without heat overnight, so the inspectors are working late. The Department has had to bring in substitute help. Sometimes there are two building inspectors working in one day. Mr. Walsh explained that there has been some problem with tradesmen not finishing the work before calling the inspector in. The inspector ends up supervising the testing of the work, and they don't always pass.

Mr. Reilly asked if the additional overtime and substitute work is tied to a performance factor so that the Town can see if it is working. Mr. Walsh stated that they are just starting to track the number of scheduled inspections, rather than the permits issues, in order to show the amount of work being done. The information should be ready next year. Mr. Borrelli acknowledged that the department is overburdened. He asked if there is a re-inspection fee. Mr. Walsh stated that there is no re-inspection fee for Town projects. For other projects there will be a charge only in extreme cases, where there seems to be abuse of the system that is impacting others. The re-inspection fee is \$50. Mr. Rosenstock noted that in FY 2012 so far, there have been 790 building permits and 204 sheet metal permits issued. Thus, approximately 25% of building permits require the sheet metal inspections.

Mr. Connelly asked who acts as substitute inspectors. Mr. Walsh stated that they are mostly people who work in the trades and work other jobs during the day. The inspection work is second to their usual work. Mr. Walsh stated that usually they come in if called, but they have several people on the call list. Mr. Walsh stated that the inspections are done by whoever is available at the necessary time, so different people may inspect one project. Mr. Rosenstock stated that \$18,892 is budgeted for temporary pay, and asked about the pay of the substitute inspectors. Mr. Walsh stated that they come in for a day or sometimes half a day, and they are paid the equivalent hourly pay of a Step 1 for the grade and classification, which is \$25.90 per hour for a building inspector and \$23.14 per hour for a plumbing inspector.

Mr. Rosenstock stated that there is a DSR4 requesting funding for two-way radios for vehicles. He stated that there are four cars in the Department, and only two are equipped with two-way radios, which are needed for emergency use. Mr. Walsh stated that MEMA requires certain infrastructure in order to provide funding. According to MEMA, cell phones cannot be the only form of communication. He cited the example of the recent tornados in western Massachusetts a cell phone tower went down, shutting down some communication. Mr. Walsh stated that the department is trying to be ready for any situation. Mr. Coleman added that cell phone networks also become overloaded in an emergency.

Community Development

Ms. Zappala presented the budget and stated that the expense line is flat for FY 2013. Most of the department's costs are salary and wages. She stated that it is important to focus on the incremental increases that are beyond normal. She asked Ms. Newman to describe the changes and the load of work with hearings and other functions. Ms. Newman stated that there had been a full time Administrative Specialist split between the Board of Appeals and Conservation who went out on disability and did not return. They reevaluated the position and split the position into two part time positions on a temporary basis. They hired a wetlands specialist and a junior planner. It ended up that the administrator in the office could handle the administrative work. They now have a person spending 20 hours in Conservation, and they are able to use \$3,600 of wetlands funds. Ms. Newman stated that under the current situation, it is costing \$1,000 more than if the Administrative Specialist had stayed (including the \$3,600 wetlands funds.) She added that there are now two professional people with related undergraduate degrees. Mr. Zimbone asked if the wetlands money was one-time money. Ms. Newman stated that she thinks it will be available one more year. She stated that there is also \$10,000 used to supplement the Conservation Director's salary, and she expects that will also continue through FY 2013. Mr. Rosenstock stated that last year, there was a person hired beyond the budgeted pay scale, and that this year, one benefitted position has been converted to two benefitted positions. He asked about the process and whether the Town Manager was involved in these decisions, since this causes increases in Townwide expenses. Ms. Newman stated that the person who left had been a benefitted person. She stated that the person brought in to Conservation had been courted by other towns. The Director was getting ready to go out on maternity leave, and they wanted someone who knew what they were doing. Mr. Coleman stated that the job was split as part of the reorganization. They found there was more efficiency when the work was being done by three different people. He stated that there was a conversation with the Town Manager. Ms. Newman commented that the department has stayed within the budget. Mr. Rosenstock noted that this was because of the wetlands funds, which will be ending after FY 2013. He asked what they would do for FY 2014. Ms. Newman stated that they had always planned to come off the wetlands funds in FY 2014. Mr. Coleman stated that they had originally planned to stop relying on wetlands funds in FY 2013, but there was a hiccup. Mr. Reilly asked if there was a plan for funding after that. Mr. Coleman stated that they will bring it into the general fund budget.

Ms. Zappala stated that the actual expenses for FY 2011 were almost \$11,000, and the current budget is \$11,858. She stated that the FY 2013 expense budget is the same as FY 2012, but that some money was shifted from communications to travel and mileage. Ms. Newman stated that they did shift some expenses. She also stated that they have additional money in the Professional

and Technical line, which may or may not be needed in FY 2013, since it is there for extraordinary needs. Ms. Zappala stated that they have not come close to spending that line in the last two budget years, and asked why they do not bring the request down. Ms. Newman stated that the permitting work load is increasing and there is more work mailing packets out. Mr. Rosenstock asked if they could electronically distribute the packets. Ms. Stanley stated that it is difficult to scan some of the larger planning documents.

The capital request for trail improvements was discussed at the Park and Recreation hearing.

Planning and Economic Development

Ms. Zappala introduced the budget and stated that salary and wages are up 2.5%. Expenses are up slightly for an overall department increase of 2.6%. There were no significant changes, though some expenses were shifted. The budget is pretty consistent with the previous year. She stated the main issue is the consolidation of the two departments. Ms. Newman stated that they had looked at consolidated the budgets. Administratively, it would be easier to work with one budget, but there have been concerns over retaining control over expenses. Mr. Eisenhut stated that the Planning Board is statutorily created and has an independent function, so there is some tension with Economic Development that has an advisory role. Mr. Borrelli asked about the consolidation of Conservation and Community Development. Ms. Newman stated that they are both appointed boards, so there is less concern.

Ms. Zappala asked Ms. Newman to address current constraints on fee income, and the level of activity. Ms. Newman stated that fees are expected to increase because the Town is anticipating large projects much as the North Hill redevelopment, as well as some new development in the New England Business Center. She stated that the budget probably underestimates fee income from permitting. She stated that they have received a grant from HUD which was expected to be \$60,000. However, the HUD budget was cut, so that amount will decrease by \$25,000. She added that the staffing level is good.

Ms. Zappala stated that the standards for measuring performance are progressing and asked Ms. Newman to state the targets. Ms. Newman stated that they are looking at the components of the zoning in the New England Business Center and have taken steps to allow for more development. One of the goals is to get more proposals for the area, which they anticipate will happen. Ms. Newman stated that another goal is the vision for the Downtown area. One three-story building project has been permitted so far. There is also an anticipated project where Needham Cooperative will expand and renovate the parking lot. Mr. Reilly asked why they are not achieving the goal of issuing the permit within 5 days of the final Board decision. Ms. Newman stated that draft decisions often have modifications. She also stated that once the Board decision is made, there are sometimes delays obtaining all the necessary signatures on the document before it can be filed with the Town Clerk. Mr. Eisenhut stated that one very complicated case last year may have distorted some numbers.

Mr. Borrelli asked when the permitting fees were determined. Ms. Newman stated that the fees were reviewed two years ago, by looking at the fees of other communities they consider comparable. They review the fees every 2 years, so they expect to do it again soon. Mr. Borrelli

asked if they would be involved in liquor license permits if they are allowed. Ms. Newman stated that they will not be involved in the licensing, but the Planning Board has discussed whether to make a zoning change because liquor stores would now fall under the general retail classification and would be allowed in all commercial locations. They have discussed whether to narrow the zoning.

Mr. Rosenstock asked about the \$67,000 in Conservation funds that is not being used. Ms. Newman stated that they are now saving it. There had been a nonprofit that was using some of the funds, but it is gone, so they are banking the funds.

Finance Department

Mr. Creem presented the budget. He stated that there are six divisions in the Department: the Finance Director, Accounting, Assessing, Collector/Treasurer, Information Technology Center (ITC) and Parking Clerk. He noted that the Department is extremely well-run, particularly since they have limited resources and work in an increasingly complex regulatory environment. Mr. Creem described the functions of each division.

Mr. Creem stated that the Department has an overall request of \$2,221,615 which is an increase of \$556,754, approximately 2.6% over FY 2012. The requested aggregate salary increase is \$51,684 or 3.7% although the PRD1 shows that salaries are up 2.9%, as it does not account for the 1% increase in base salary, effective January 1, 2012 for ITWA employees for accepting the rate saver plans. The FTE count remained unchanged, though there was a decrease from 21 to 20 full time employees and a corresponding increase from 2 to 4 part-time employees. The two additional part time jobs had previously been consolidated to create one benefitted position, which did not work out well because of the different skill sets needed. The FY 2013 regular salary line includes contractual step and longevity increases for ITWA staff and for non-represented employees, but does not include increases for managers.

The ITC overtime costs have been reduced in the past several years from \$20,000 to \$10,000 in FY 2010, level funded in FY 2011 because of the uncertainties due to the move to the PSAB, then decreased to \$6,000 in FY 2012 and to \$5,000 in FY 2013. This is due to the change of a staff member in ITC who was paid hourly and is now salaried. The move toward virtualization further supports this decrease. Overtime is level funded for Assessing, reduced in the Collector/Treasurer's office, and increasing in Accounting in the FY 2013 request.

Mr. Creem stated that the Department's expenses are increasing 0.7% in the FY 13 budget request. Various lines are increasing and others are decreasing since certain expenses have been reallocated this year. There is an \$8,000 or 40% reduction in repairs and maintenance partially due to virtualization. There is also a \$7,800 or 6% reduction in the communications line due to outsourcing of some mailings. There is a 5% increase in Rentals and Leasing, in addition to a 14.6% increase that was added to that line in FY 12 for annual software licenses. This is offset to some extent by the decrease in repairs and maintenance.

Mr. Creem noted that the Finance Director's office has a tremendous workload with no clerical support staff. He stated that ideally that would be something to consider changing. He stated

that one of the performance measures, the Town's AAA credit rating, allows Needham to perform well in comparison to counterparts.

Mr. Creem described the operational functions of each of the Finance Department's divisions. He noted that FY 13 is not a triennial valuation year for the Assessor's office. He stated that the Assessing division has the ability to audit commercial personal property accounts due to the recent Municipal Relief Act. In addition, the Town has accepted legislation allowing the Town to waive smaller commercial accounts where time and expense of collections are not worth the effort. Mr. Creem stated that the Treasurer/Collector has been challenged by the economy, because collection is more difficult, and the Town cannot, by law, waive any taxes, though the Town can help create a payment plan. In addition, interest rates are low, and the Town needs to collateralize deposits, so that the rates are a bit lower. The division is working on accepting credit card payments. The parking clerk is working on a review of parking fees and fines. The ITC division has submitted no request for staff, though the number of software licenses is soaring. Increasing virtualization should save time since there will be less need to go out to service different terminals, though the staff must now know all the software in Town, and interface with the various vendors. The ITC also staff assists other departments with training.

Mr. Creem stated that the Finance Department has an operating capital request of \$37,500 for purchasing replacement computers. Approximately 20-30 PCs are replaced each year. He noted that the Town-side replacement cycle is more flexible than the School replacement schedule. Mr. Davison stated that to be considered capital, such equipment must cost more than \$25,000 and have a life of greater than five years. He stated that while there will certainly buy enough computers to meet the monetary qualification, computers should be considered operating equipment. He noted that the request in the Capital Plan for switches and servers covers equipment for the Town and School and Water and Sewer buildings. Mr. Zimbone asked the criteria used to determine when to replace computers. Mr. MacDonald stated they are replaced when they are running slow and not running applications well, which is usually in 5-7 years, though sometimes later. They try to extend the life of some computers with extra RAM, though that does not always work. Mr. McNeill stated that the liaisons had discussed cloud infrastructure and the possibility of leasing computers. Mr. MacDonald stated that currently there are no great examples of using the cloud successfully for a municipality. He added that the Town would not necessarily save money, because it would have to pay for space in the cloud. Also, using cloud-based technology would not mean a reduction in the need for staff. He stated that he is looking at cloud possibilities, but it will be some time before switching would make sense. Mr. MacDonald stated that leasing computers would be a different approach to how things are done, because it would move the costs into the operating budget. It would also mean that computers are switched out more often, so the Town would be getting less use out of each piece of hardware. Mr. Borrelli asked if ITC has talked about technology with the Schools and if there are possible efficiencies. Mr. Davison stated that there are regular interactions. Mr. MacDonald stated that they have not had specific discussions since they use different technology, have more users and have certain state mandates to follow. It is a very different setting.

Mr. Rosenstock asked whether there has been any progress toward upgrading the accounting system. Mr. Davison stated that he is finalizing an RFP for financial software and expects to

have it out within 2 weeks. He stated that the School Department has offered to use some one-time funds that cannot be used for staff to pay for it. There will be a 2-3 month evaluation period and after that 18 months for implementation. Mr. Rosenstock asked if they are looking for in-house servers or a cloud-based system. Mr. Davison stated that they are leaving it open ended. They would like to have the providers determine the solution based on the Town's needs. They will look at how a new system would interface with the revenue, utilities, motor vehicle excise, and miscellaneous receivables. It is also important how it would interact with accounting, and with old data. There was an estimate of \$990,000 a few years ago. The School Committee has reserved a certain amount of money. They offered the funds since their end users find the current system difficult to use for their needs.

Mr. Borrelli asked how the implementation of Microsoft Office 2007 and 2010 is going. Mr. MacDonald stated that it is part of the transition to Citrix. When the transition is made, they will get Office 2010. Mr. Reilly asked whether there has been anything unusual in the areas of abatements or real estate valuations. He also asked if there has been any change with the new ability to audit commercial personal property. Mr. Davis stated that auditing of personal property has been hit or miss. The Town sends a form for businesses to fill out and return. They review the submissions and if something looks unusual ask for more information, and if the business wants to amend. In one case two years ago, they found over \$129 million of unreported property that brought \$600,000 to the Town. Mr. Davis stated that the Town received about \$3 million in property taxes last year. He added that some companies don't understand new growth. If they buy a new upgraded computer, the new personal property value is not the difference in value of the old and new computers, but the entire cost of the new equipment. He stated that there is approximately \$400,000 - \$600,000 in new growth of personal property per year. The Town will also see some high end technological equipment coming in as the New England Business Center develops. There will be increases in both real estate and personal property tax revenue. Mr. Davis stated that in an assessment year, residential abatement requests usually double. Right now, they are on pace to be the same as last year. They have not seen a rash of commercial property filings either. Mr. Creem asked about valuation in general. Mr. Davis stated that the valuations have been pretty steady in the past few years. Sale prices have generally gone up, though some have gone down.

Finance Committee Updates

Mr. Creem discussed some of the workshops at the MMA Annual Meeting. He stated that the Lieutenant Governor stated that the base rate for undesignated local aid is level-funded at \$875 million, and they will recommend an additional \$65 million if the revenue exists. Mr. Davison stated that he feels comfortable with the Town budget numbers that the Town Manager plans to present to the Board of Selectmen. He stated that the state aid being proposed by the Governor is still higher than his estimated number. If the numbers were the same, he would be concerned. He stated that there is expected to be approximately \$9 million in local aid for the Town.

Mr. Creem stated that in one workshop, Jay Gonzales, Secretary of the Executive Office of Administration and Finance, indicated that there has been modest growth in state revenue but that the rising fixed costs still exceed the increased revenue.

Mr. Borrelli stated that the Finance Committee Chair, Vice Chair and Immediate Past Chair will meet to propose policies and goals for the Committee. Mr. Rosenstock stated that last year Mr. Creem, Ms. Zappala and Mr. Davison worked on creating a policy for the Reserve Fund. Mr. Rosenstock stated that there should be a Finance Committee-recommended Reserve Fund policy for the Town.

Adjourn

MOVED: By Mr. Zimbone that the meeting be adjourned, there being no further business. Mr. Reilly seconded the motion. The motion was approved by a vote of 8-0, at approximately 9:30 p.m.

Town of Needham Departmental Spending Requests, Fiscal Year 2013, dated December 14, 2011; Town of Needham Capital Improvement Plan, FY 2013 – FY 2017, dated January 3, 2012.

Respectfully submitted,

Louise Mizgerd
Executive Secretary/Staff Analyst

Approved February 15, 2012