

**Needham Finance Committee
Minutes of Meeting of February 19, 2014**

The meeting of the Finance Committee was called to order by the Chair, Richard Lunetta, at approximately 7:05 pm at the Town Hall.

Present from the Finance Committee:

Richard Lunetta, Chair; John Connelly, Vice Chair

Members: James Flinton, Louise Miller, Lisa Zappala, Richard Zimbone

Also present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Dan Gutekanst, Superintendent of Schools

Ann Gulati, Director of Finance and Operations, School Department

Citizen Requests

There were no requests to address the Committee.

Snow and Ice Removal – Overdraft Authorization

Mr. Davison stated that \$956K of snow and ice related expenses have been committed through February 15, including work by contractors that will be paid next week. He estimates that the weather activity from February 16-18 will cost another \$80K. He stated that he is requesting spending authorization for the Snow and Ice budget line to be increased to \$1.1 million. The eventual request to transfer funds from the Reserve Fund will include only actual expenses, and the total will not exceed the authorized budget. Mr. Zimbone stated that the request includes only \$63K of future possible expenses. He suggested that since it is only an authorization to expend that it might be better to be higher. Mr. Davison stated that he would not argue against that, but that he wanted to request an amount that would make the Committee comfortable. Ms. Zappala suggested that the authorization include an additional \$100K, for a total authorization of \$1.2 million.

Mr. Connelly asked why the information from the DPW regarding storm costs is different from the information from the Finance Department. Mr. Davison stated that the DPW tries to estimate the costs of each storm, while the Finance Department tracks all the money that is spent from this budget line. He stated that when there is a purchase of supplies like salt, he tracks the full costs paid while the DPW allocates some to each storm. He stated that the DPW also uses average pay rates for time.

Ms. Miller asked if there were any other anticipated draws on the Reserve Fund this year. Mr. Davison stated that legal costs are always a wild card, but that the costs are on track within the budget, and there are no extraordinarily costly issues known to him at this time. He stated that he knows of no problems with Fire or Police overtime. He stated that he has not noticed any abnormal spending in any of the departments. He stated that if a special election is called, there could be unusual expenses for the Town Clerk.

MOVED: By Mr. Zimbone that the Finance Committee increase the FY 2014 spending authorization for the Snow and Ice budget line to \$1,200,000. Mr. Connelly seconded the motion. The motion was approved by a vote of 6-0.

FY 2015 Operating Budget

Mr. Lunetta stated the he had a discussion with the Chair of the School Committee regarding the School's supplementary budget. He told Mr. Barnes that of the 4 positions that the Finance Committee had discussed moving into the operating budget, he was planning to recommend only three be moved. The World Language Administrator would be left in the supplement for consistency, since that position is a necessary part of the new programs being proposed at the elementary level. Mr. Lunetta stated that also for consistency, he would propose shifting the \$44K for the crossing guards back into the Supplement. Mr. Zimbone stated that the \$44K has been proposed to be removed from the Supplement, but that there was no proposed funding source. Ms. Miller stated that if the override passes, it will be important to move the funding for the crossing guards into the Police budget so that it does not end up in the School Department budget. Dr. Gutekanst stated that if the override passes, there should also be an adjustment to move the funding for benefits of the new positions into the Town's benefits budget. Mr. Lunetta stated that the proposed draft budget includes \$56,643,838 for the School Department, which includes \$59K for part-time high school positions that had been in the supplement. The \$11 K for the World Language Administrator is expected to remain in the supplement.

Mr. Lunetta addressed the proposed draft budget for the Departments. He stated that the proposed draft budget included no changes to the follow budgets: Board of Selectmen/Town Manager, Town Clerk, Town Counsel, Personnel Board, Finance Department, Finance Committee, Planning and Economic Development, Community Development, and Police Department. There is a \$40,000 reduction in overtime for the Fire Department compared to the Town Manager's budget. Ms. Zappala stated that based on an analysis from Ms. Fitzpatrick, this would reduce the funding level of the overtime from 75% in the Town Manager's recommended budget to 38%, which is an increase from last year's funding level of 25%.

Mr. Lunetta stated that the Building Department budget was unchanged. He stated that there was a decrease in the DPW budget of \$22,270 for balancing. Ms. Zappala asked which line within DPW the cut would come from. There was discussion whether the garage or highway budget should be reduced. Mr. Lunetta stated that the amount was intended to balance the budget. Ms. Miller stated that she would prefer if the funds were removed from the Reserve Fund, since there is adequate funding there. Ms. Zappala and Mr. Zimbone stated that they had no objection to that change. Mr. Lunetta supported the change. No changes were suggested for the Municipal Parking or Street Lighting budgets.

Mr. Lunetta stated that \$50K was removed from the Public Facilities budget as discussed previously in order to account for expected energy savings. He stated that the Health Department budget was decreased by \$51,758 because the department has applied for grant funding for the Substance Abuse Director position. He stated that the Library budget was reduced \$21,233 because the requested position will be funded with state aid. He stated that the Reserve Fund was increased by \$100K to restore it to the level of the funding request, less \$22,270 needed to balance the budget without disturbing the DPW budget. The Reserve Fund also includes an additional \$51,758 to cover the position in the Health Department in case the

grant is not funded. NO changes were suggested for Human Services, Health Department, Historical Commission, Park and Recreation, or Memorial Park.

Mr. Zimbone asked what the School supplementary request would be with the changes discussed above. Dr. Gutekanst stated that the new number would be \$1,540,910 including the crossing guards and the World Language Administrator. Ms. Fitzpatrick stated that the benefits for additional employees did not account for newly issued rate increases for FY 2015, so that the number may increase. Mr. Zimbone stated that the supplement assumes 100% of new people using insurance, and questioned whether that would leave a sufficient cushion. Ms. Fitzpatrick stated that this is the way it has been done for 5 years—there is an assumption of 10.8 people taking benefits, and a weighted average is applied for penetration of family vs. individual coverage. Ms. Gulati stated that there are also the marginal benefits of TA’s with increasing hours plus the COLAs.

Mr. Lunetta stated that the budget has a bottom line of \$127,693,897. The result of the discussion was the following allocations:

BOS/Town Manager	\$821,318
Town Clerk	\$357,440
Town Counsel	\$327,584
Personnel Board	\$15,000
Finance Department	\$2,481,282
Finance Committee	\$33,687
Planning & Econ Dev	\$277,997
Community Developmt	\$145,214
Police Dept	\$6,013,261
Fire Dept	\$7,073,775
Building Department	\$582,350
Minuteman Regional	\$893,211
Needham Public Schools	\$56,643,838
DPW	\$5,138,236
Municipal Parking	\$71,445
Municipal Lighting	\$221,153
Dept Public Facilities	\$8,067,148
Public Health	\$525,457
Human Services	\$721,681
Commn on Disabilities	\$550
Historical Commn	\$1,050
Needham Public Library	\$1,475,200
Park and Recreation	\$596,654
Memorial Park	\$750
TOTAL Depts	\$92,485,281

Retirement Assessmts	\$5,656,200
Employee Benefits and Employer Assessments	\$10,898,844
Retiree Insurance and Insurance Liability Fund	\$4,940,198

Debt Service	\$11,587,884
Casualty, Liability, Property and Self Insurance	\$542,000
Classification, Performance, and Settlements	\$119,000
Reserve Fund	\$1,464,490
Total Townwide	\$35,208,616
Total budget	\$127,693,897

MOVED: By Mr. Connelly that the Finance Committee approve the initial draft budget for submission to the Town Manager, as discussed, in the amount of \$127,693,897, subject to technical corrections. Ms. Zappala seconded the motion. The motion was approved by a vote of 6-0.

RTS budget

Ms. Miller stated that she wanted to discuss the funding methodology and whether the RTS should continue to be an enterprise fund, or whether it should be part of the General Fund operating budget. She stated that there were two reasons for her concern: (1) as an enterprise fund, its budget does not compete with other budgets for funding, yet the subsidy from the General Fund increases if needed to cover deficits; and (2) when the subsidy and anticipated revenue result in a surplus, the money goes into retained earnings, reserved for use only in the RTS, rather than being available for other uses. She stated that also there has been no discussion whether the \$1.4 million request is the right amount.

Mr. Zimbone stated that he does not know the legal definition of an enterprise fund, but it follows a business model with income statements showing revenues and expenses. He stated that revenues come from things like bag fees, the paper throw, recycling income. He stated that from an expense point of view, this model is needed since the Town has underspent at the RTS. He agreed that the Committee should spend more time reviewing the revenue and expenses of the enterprise funds in more detail. He stated that the budget of each one is an individual warrant article, so the Committee can spend as much time as needed. Ms. Miller stated that when the enterprise funds were first set up, part of the idea is that they would be self-sustaining. She questioned why the Town was pumping money into the RTS each year, and whether there should be a change of philosophy about the enterprise funds. Mr. Zimbone stated that the RTS Ad Hoc Super Committee looked into this and found that if retained earnings were high enough, the RTS could look to subsidize trash bag fees or reduce the General Fund contribution. Ms. Fitzpatrick stated that there have been conversations about whether the RTS should be self-sustaining. The sticker fees have been moved around a great deal because there was a time when retained earnings were too high. Ms. Zappala stated that there used to be more revenue from the wheelabrator and recycling, and now there is more trash which costs to dispose of. There was discussion whether to make the RT self-sustaining or whether it should be a cost of the town. Ms. Miller stated that the Town has not considered increasing revenue. Instead the Town is planning to absorb the \$600K from the sticker fee that is being eliminated. Mr. Zimbone stated that when the warrant is available, the Committee should take another look at these issues. Ms.

Miller agreed. Mr. Zimbone stated that if Ms. Miller had specific questions, it would be helpful if she could formulate a set of information requests. Ms. Miller stated that she would do that.

Finance Committee Updates

The Committee agreed not to meet on February 26, and to begin discussing the Annual Town Meeting warrant on March 5.

Adjourn

MOVED: By Ms. Miller that the Finance Committee meeting be adjourned, there being no further business. Ms. Zappala seconded the motion. The motion was approved by a vote of 6-0, at approximately 7:44 p.m.

Documents: Town of Needham Proposed Annual Budget, Office of the Town Manager, January 28, 2014; Memorandum from Finance Director to Town Manager re: Snow and Ice Overdraft Expenditure Approval, February 19, 2014; Town of Needham, Public Works Department, Snow and Ice Storms for FY14.

Respectfully submitted,

Louise Mizgerd,
Executive Secretary/Staff Analyst

Approved March 5, 2014