

**Needham Finance Committee
Minutes of Meeting of February 18, 2015**

The meeting of the Finance Committee was called to order by the Chair, John Connelly, at approximately 7:45 pm in the Great Plain Room at the Town Hall.

Present from the Finance Committee:

John Connelly, Chair; Louise Miller, Vice Chair

Members: Richard Creem (arrived 8:25 pm), Richard Lunetta, Lisa Zappala, Rick Zimbone

Others present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Citizen Requests

No citizens requested to address the Committee.

FY2016 Finance Committee Draft Budget

Mr. Connelly stated that the Town Manager had written a memorandum to the Committee regarding the Administrative Assistant position requested for the Health and Humans Services Department. Ms. Fitzpatrick stated that she was addressing the question raised last meeting about how the current administrative assistant currently working primarily in Youth Services spends her time. She noted that in the FY 2009 budget, additional hours were added to the Youth Services administrative position in order to provide support to Veterans' Services and the Council on Aging. She stated that there is sufficient work in Youth for a full time administrative assistant, particularly since the department lost the substance abuse prevention grant. She stated that the position will help with Youth programming. She stated that the Council on Aging has not provided any funding for the position, so there will be no credit toward the new position. Ms. Zappala asked how many administrative assistants were in the whole HHS department and whether the Youth employee could be moved to the COA. Ms. Fitzpatrick stated that currently Health and Youth each have an administrative assistant. She stated that the Youth position could not be moved to the COA, because that would be a loss of 34.5 hours of work in the Youth Services department. Mr. Connelly stated that he was struggling with whether Youth and Health each need a full-time administrative assistant, but not whether one is needed for COA. Ms. Fitzpatrick stated that the Health department has 8 people and has to issue permits and do inspections, and that she does not think they could function without someone managing the office. She stated that Youth Services is a very busy office, and that the administrative assistant does fairly high level work. Ms. Miller asked who is doing the administrative work at the COA now. Ms. Fitzpatrick stated that volunteers help as well as some staff. She stated that the Board of Selectmen wants to extend the hours and programming at the Center at the Heights. She stated that administrative help has been lacking at the COA for years. They need help with payroll and managing bills, especially in the bigger building. Adding an administrative assistant will free up other staff to do their programming and social work.

Mr. Connelly asked about the plan going forward with the merger of Health and Human Services. Ms. Fitzpatrick stated that the consolidation allows flexibility among the department

lines. She stated that there is no HHS director, and that Christopher Coleman does that function, but the groups are acting separately. She stated that there is no current plan to join them all together. She stated that they would need to bring in a director to do that.

Health Insurance

Mr. Connelly stated that there is a \$480,000 increase in expected health insurance costs. Mr. Davison agreed that that is the case if the same number of people enroll as the budget is based on. He stated that several things are fluid, such as behavioral changes due to the 12.5% premium increase. He stated that the number of participants could change. He stated that the budget includes a contingency of 20 plans, and an increase to account for the increased headcount in the School and Town proposed budgets. He stated that about he believes that the issue amounts to about \$260K-\$280 that could be addressed at the November Special Town Meeting when he has seen some actual revenue numbers. He stated that Mr. Reilly had asked him what he would have done if the premium increase had been known during the budget making process. He stated that he would have moved \$280K from the Reserve Fund, and then appropriated additional revenue to the Reserve Fund. Mr. Connelly stated that Mr. Reilly recommends reducing the \$480K deficit by: \$100K for personnel reasons, \$110K changes in behavior, and \$60K from fuel expense reductions, leaving a remaining shortfall of \$210K. Mr. Connelly explained that Mr. Reilly presented the following possible solutions: (1) wait and address the issue at the November Special Town Meeting; (2) leave the budget as is and provide a Reserve Fund transfer during the year if needed; (3) move the funds from the Reserve Fund now; (4) reduce the School budget the full amount of the deficit; or (5) take from proportionally from the School and Town departmental budgets: 2/3 or \$140 from Schools, and 1/3 or \$70K from the departments.

Ms. Miller pointed out that that Library still has money in the state aid account. She stated that she would like to move positions into the operating budget, but suggested moving only one position this year. She commented that she would have no issue with moving money from the Reserve Fund. She stated that it would not be wise not to fund a budget area that needs it. Ms. Zappala stated that she would rather take money from the Reserve Fund now and add back money that becomes available later. She stated that some of the health insurance problem may go away, but she would not want to count on that. She stated that it is not easy to “undo” the budgets at this time. She stated that the Committee could take away some of the DSR4 requests. Ms. Miller stated that the DPW could fund the protective equipment from other savings.

Mr. Lunetta asked how many employees fled the health insurance plans last time there was an increase of this size. Mr. Davison stated that approximately 12 left. He stated that is about the average differential. He stated that the difference won't be more than \$110K. Mr. Lunetta stated that he agreed that the money should come from the Reserve Fund. Mr. Zimbone stated that he was not enthusiastic about taking money from the Reserve Fund. He stated that he thinks the Minuteman assessment will decrease. He stated that the budget assumes that a consultant will be hired using funds from solar power generation, but he would propose being more aggressive with the solar revenue assumption. He stated that if there is any issue with any budget, a department can ask for a transfer from the Reserve Fund. Mr. Davison stated that if the solar credits are issued to the Town as a check, the funds will become revenue that must be appropriated by Town Meeting before they can be spent, so could not just be applied to the budget. Mr. Zimbone noted that this problem would also apply to the solar consultant. Mr. Davison agreed, and stated that more will be known later about how the credits will be applied. Mr. Zimbone stated that he is

not comfortable taking a couple of hundred thousand dollars from the Reserve Fund. He stated that he would reduce Minuteman or Library. Ms. Zappala stated that she does not want to gamble that the health insurance problem will go away, and wants to fund some of it, even if not the entire \$210K. Mr. Zimbone stated that he did not have an issue with taking funds from the School Department budget. Ms. Miller objected and said that the Finance Committee should consider level service for all departments. Ms. Zappala stated that the revenue numbers are conservative, and she does not want to take from the departments if can take from the Reserve Fund.

Mr. Connelly asked how specifically to address the \$210K shortfall. Ms. Miller stated that the DPW memorandum from Ms. Lustig stated that the contracts have started coming in 6% lower than this year. She stated that they had assumed a 2.5% increase. She stated that she would like a list of the streets worked on, the money spent and the mileage done.

Ms. Fitzpatrick stated that the Minuteman preliminary assessment was \$654,134. The Committee decided that \$46K could be moved from that line. Ms. Fitzpatrick stated that the smaller DSR4 from the Library is \$15,922. The Committee decided that position could be funded with state aid and not affect services. Mr. Connelly stated that leaves approximately \$148K needed. He suggested taking \$100K from the Reserve Fund. Mr. Davison stated that the FY15 Reserve Fund is \$1,515,267 and that \$25K had been added at the November Special Town Meeting. Mr. Connelly stated that \$48K more is needed from elsewhere in the budget. Mr. Zimbone stated that the Town Manager proposed \$165K additional in the School Department budget for SPED tuitions. He proposed taking \$50K-\$75K from the School budget. Ms. Miller stated that they will cut a teacher. Ms. Zappala suggested considering the DPW or Public Facilities budgets. Mr. Zimbone stated that after the FY 15 budget was settled, the School Department hired more teachers than proposed, which increases health insurance costs. Mr. Lunetta stated that with a \$6.1 million budget, the Schools should be able to find \$148K. He stated that other departments are lean. Ms. Zappala asked if the Police could do without the DSR4 request for Detail Contingency. Mr. Davison stated that the fuel expenses have already been removed.

Mr. Connelly stated that there is a need to share the problem. The Schools have to share some of the burden. Mr. Connelly stated that taking \$48K from them would only affect add-ons. Ms. Miller stated that the voters authorized a \$1 million override last year to increase the School budget, and it would be contrary to that if the Finance Committee were to take away from the budget. Mr. Connelly stated that the School department is 2/3 of the operating budget, and should share 2/3, or \$140K, of the problem. Mr. Lunetta asked how much turn-back came from the Schools last year. Mr. Zimbone stated that it was approximately \$200K. Mr. Lunetta agreed that some money should come from the Schools. Ms. Miller stated that she believes the Schools will have no money at the end of this year. Mr. Lunetta stated that there is very little to consider in the other departments; most of the increases are contractual. He stated that a good portion of this expense is from the Schools. Ms. Miller stated that most of the School increases are in SPED.

Ms. Miller asked if the Schools have gotten a determination from DESE regarding whether Needham is responsible for new students living at the Walker School. Mr. Zimbone stated that there was a decision to split the cost of one student, and a couple other cases are pending. Mr. Connelly stated that in light of other reductions, \$48K from the Schools is not inappropriate. Mr.

Creem stated that he agreed. Mr. Davison suggested taking all from the Reserve Fund and adding it back later. Ms. Fitzpatrick stated that moving money to the Schools later does not help much, because after September, since they need the money for the fall.

Mr. Connelly stated that there is a \$270K problem. He suggested the following reductions: \$60,591 from fuel costs, \$45,866 from Minuteman, \$15,922 from Library, \$47,621 from Schools, and \$100,000 from the Reserve Fund.

MOVED: By Ms. Zappala that the Finance Committee make the following reductions to lines in the Town Manager's proposed budget: \$60,591 from fuel costs, \$45,866 from Minuteman, \$15,922 from Library, \$47,621 from Schools, and \$100,000 from the Reserve Fund, subject to technical corrections. There was no further discussion. The motion was approved by a vote of 6-0.

Mr. Connelly stated that the Committee needed to decide whether to fund the Council on Aging DSR4 request for an Administrative Assistant. Ms. Zappala asked what would be done with the money, since the reductions have been made for the health insurance. She stated that it can be argued that with the position funded, the Town will make better use of the space by adding programming. She stated that the COA is in a different building from Health and Youth Services, and are not getting much administrative support, mostly just some billing help, but no help for manning the desk or other functions. The position could be part-time but that would not save much. Mr. Zimbone asked if the position might start half way through the year, to reduce the cost for one year. Ms. Zappala stated that would not save much and she would prefer to start with a part-time person and see if full-time work is needed. Mr. Lunetta stated that the COA has evaluated the need and found that a full-time person is needed. He stated that the salary seemed high. Ms. Fitzpatrick stated that it is part of the union contract. Mr. Connelly stated that one could argue both sides. He stated that the building has been built and should be properly staffed. He noted that he wished there were more information about deliverables. He stated that it does not make sense to start half time. Ms. Miller stated that the position should be funded. She stated that the COA is by itself in the building. She added that would like to see more synergy of the other HHS departments in Town Hall. Ms. Fitzpatrick noted that hiring part-timers and then transitioning to full time often does not work well. Ms. Zappala stated that COA should work with Park and Rec, and Schools to make sure they are not over-offering programs. She stated that there should not be over-programming just to justify the space. Ms. Fitzpatrick stated that will be a focus this year.

MOVED: By Mr. Connelly that Finance Committee's budget provide funding for the Council on Aging's DSR4 request for an Administrative Assistant. Ms. Zappala seconded the motion.

Discussion: Mr. Creem stated that he will not vote against this, but thinks it is not appropriate to add services given what is known about the FY15 and FY16 budgets.

VOTE: The motion was approved by a vote of 5-1, with Mr. Creem dissenting.

Mr. Connelly went through the proposed budget line by line:

BOS/Town Manager \$890,303

Town Clerk	\$357,934
Legal Department	\$329,422
Personnel Board	\$15,000
Finance Dept.	\$2,553,301
Finance Committee	\$35,225
Planning & Econ Dev	\$317,361
Community Dev	\$171,913
Police Dept.	\$6,139,571
Fire Dept.	\$7,211,819
Building Department	\$606,494
Minuteman	\$654,134
Needham Public Schools	\$61,347,808
DPW	\$5,431,792
Municipal Parking	\$97,730
Municipal Lighting	\$254,951
Dept. Public Facilities	\$8,604,923
Health & Human Services	\$1,431,702
Comm'n on Disabilities	\$2,050
Historical Commission	\$1,050
Library	\$1,570,103
Park and Recreation	\$607,953
Memorial Park	\$750

Retirement Assessments	\$6,185,312
Employee Benefits and Employer Assessments	\$12,123,909
Retiree Insurance and Insurance Liability Fund	\$5,336,302
Debt Service	\$11,224,301
Casualty, Liability, Property and Self Insurance	\$560,000
Classification, Performance, and Settlements	\$175,000
Reserve Fund	\$1,565,267

He stated that the bottom line after adjustments remains the same as the Town Manager's bottom line, \$135,799,837.

MOTION: By Mr. Zimbone to recommend the proposed budget as outlined by Mr. Connelly. Ms. Zappala seconded the motion.

Discussion: Mr. Creem stated that he would reluctantly vote in favor of the budget in light of his previous comments. He stated that he may renew his concerns when it comes time to vote the final budget.

VOTE: The motion was approved by a vote of 6-0.

Finance Committee Updates

Mr. Zimbone asked Mr. Davison about the governor's budget. Mr. Davison stated that he still expects level funding for the main sources of local aid.

Mr. Connelly thanked Ms. Fitzpatrick and Mr. Davison for their hard work and responsiveness to questions. He also thanked the Committee for good work and thoughtful discussion and their approaching the process with their own beliefs and open minds.

Adjourn

MOVED: By Ms. Zappala that the Finance Committee meeting be adjourned, there being no further business. Ms. Miller seconded the motion. The motion was approved by a vote of 6-0 at approximately 9:07 p.m.

Documents: Town of Needham Capital Improvement Plan FY2016 – FY2020; FY2016 Proposed Annual Budget, Office of the Town Manager, dated January 27, 2015; Email from Kate Fitzpatrick, Town Manager, to Finance Committee re: Administrative Assistant dated February 18, 2015; Document titled "Health Insurance Premium Issue," Email from Carys Lustig, DPW, to Finance Committee re: Information for Finance Committee, dated February 18, 2015; Finance Committee Budget Development Worksheet.

Respectfully submitted,

Louise Mizgerd
Executive Secretary/Staff Analyst