

**Needham Finance Committee  
Minutes of Meeting of January 28, 2009**

The meeting of the Finance Committee was called to order by the Chair, David Escalante, at 7:00 pm in the Selectmen's Meeting Room at Town Hall.

Present from the	David Escalante, Chair	Richard Reilly
Finance Committee:	Lisa Zappala, Vice Chair	Steven Rosenstock
	Scott Brightman	Michael Taggart
	Richard Creem	Richard Zimbone

Also Present: David Davison, Assistant Town Manager – Finance Director

There were no public comments.

**Legal Department Operating Budget Review:** Present for the budget discussion was Mr. Tobin, Town Counsel. There is a new lawsuit pending against the Town filed by Mr. Fanger. There is one zoning case pending as well as one permitting issue with regard to the Town's water supply. The Legal Department's operating budget includes fees for outside counsel. In FY 2010, two union contracts will be negotiated. For FY 2009, Mr. Tobin will be making a request for a Reserve Fund transfer of \$10,000 for the settlement of the Broadmeadow School construction litigation. Other pending matters include a 40B development proposal on Webster Street that is now going to be heard in the Appeals Court. The Town Counsel draws 1/12<sup>th</sup> of the salary line item each month, and additional amounts are billed against Purchase of Service and Expenses as they are incurred. Mr. Tobin is comfortable that he will only need the \$10,000 Reserve Fund transfer this year. In FY 2006 and FY 2007, the Reserve Fund transfer request was much higher because those years were years with more litigation.

**Personnel Board Operating Budget Review:** Present for the discussion were Mr. Coleman, Assistant Town Manager / Operations Director, and Ms. Dennis, Personnel Director. The Personnel Board was created pursuant to Massachusetts General Laws Chapter 41, section 108 A and C, and continued under the current Town Charter. The Personnel Board oversees the Town's human resource system as administered by the Town Manager. The Board consists of five members appointed by the Moderator. Section 20(b) of the Town Charter lists specific duties of the Personnel Board under the Town Manager form of government.

The Personnel Board's spending request is level funded, with \$500 having been reallocated from the FY09 base salaries line to professional and technical services. The salaries line item includes funding for one part-time position – the Board's recording secretary salary (\$1,100), at a current hourly rate of \$17.2235 per hour. This is more in keeping with recent salaries line expenditures. The recording secretary position covers Board meetings and grievance hearings. The need for a recording secretary is clear: the Board deals with complicated legal issues, most especially employee grievances, for which accurate record keeping is essential. If this position were abolished, the Town's efforts to

resolve employee grievances in-house, in an economical fashion (that is, short of arbitration), would be severely compromised.

The Department expenditure detail includes the Board's annual request for funding of its quinquennial (that is, five year) classification/compensation review program of the townside's classification groups. Adherence to a strict schedule of classification and compensation studies serves to discourage interim requests for reclassification or upgrade, actions which, by their nature, would disrupt the overall classification plan. Each year, the Board produces a comprehensive study from the funded amount, often with substantial in-house assistance from the Personnel Department (*e.g.*, salary surveys). The additional \$500, transferred from the salaries line, is needed in order to cover the anticipated cost of the FY 2010 study. The Personnel Board has been informed by Olney Associates, the Town's contractor (the Olney point system is used to classify positions), that they can no longer provide this service at the rate they have been paid - \$10,000 per study. In recent years, the Personnel Department has had to take on more and more of the data gathering aspect of these studies (salary surveys of comparable communities) just to fit within the operating budget appropriation. The problem with this, in addition to workload, is that data gathered without the imprimatur of an outside consultant can be viewed as self-serving and, ultimately, less credible. The classification and compensation study schedule, as of November 2008, was as follows:

- AFSCME [custodians & trades] – study completed and under negotiation.
- Managers—completed and implemented.
- NIPDEA [DPW collective bargaining unit]—study completed and being negotiated.
- Professional & technical positions – next study.
- Clerical positions – next study.

The AFSCME union is in the decertification process. This union is looking for its own association or could become affiliated with another union. This is the same process that occurred with the Department of Public Works employees.

There was a discussion of the Town's use of Olney Associates and the possibility of using a different contractor that may be cheaper. Mr. Coleman stated that the Town had looked at a different point system provided by Stone Consultant. Stone Consultant was pricier.

**Health Department Operating Budget Review:** Present for the budget review were Ms. Berns, Health Department Director, Ms. Carmichael, Public Health Nurse, and Mr. Coleman. The Board of Health is a 3-member elected board. The Board of Health's Annual Report describes the Department and the Department's accomplishments for the year. The salary increase for FY 2010 is minimal. The expenses and purchase of services request is up 9%. This includes an additional \$660 for a blackberry for Ms. Berns and \$3,600 for testing of artificial turf fields. Ms. Berns reviewed some of the highlights from the Department's Annual Report.

The Health Department expects that there may be some reductions in the grant funding that it receives because of cuts to the Homeland Security grants. Ms. Berns explained that a blackberry is necessary for her to get real time notice of infectious disease cases, for instance. There was a discussion of the type of phone plan that the Town uses.

The addition of the Senior Specialist position for FY 2009 was explained. It is a 19 hours per week non-benefited position. Administrative Assistant hours were changed into hours for a Senior Specialist, supplemented by an Alcohol and Substance Abuse Program

grant of \$40,000 over the course of two years, and funding of \$5,000 in FY 2009 and \$5,000 in FY 2010 from the Tolman Trust Fund. Mr. Escalante stated that the Finance Committee looks for creative funding by Departments, but questioned what happens when the creative funding dries up.

The traveling meals program is funded through a revolving fund rather than the Department's operating budget.

There was a discussion of the request for \$3,600 for fields testing. Ms. Berns stated that the Board of Health wants to be proactive in testing of the artificial turf fields. The Board does not believe that the fields are unsafe; they just want to do some monitoring. The intention of the Board is to create a baseline for the presence of certain chemicals. Mr. Rosenstock stated that the request for fields testing is a request for additional funding to the Department and should have been requested in a DSR-4 rather than included in the DSR-2.

**Finance Committee Operating Budget Review:** There is a request for an additional \$400 in the Expenses and Purchase of Service line for a scanner for the Executive Secretary.

**Townwide Expenses Budget Review:** Present for the review was Ms. Poness, Town Treasurer. Retirement Assessments are divided into Chapter 34, non-contributory pensions, and Chapter 32, contributory. There is an increase of \$120,000 requested for FY 2010. The Chapter 34 assessment is down from \$119,000 in the FY 2009 budget to \$89,000 in the FY 2010 budget because the Town will have 4 retirees and survivor spouses under Chapter 34 in FY 2010 versus 6 in FY 2009. The request for an additional \$140,000 is for Chapter 32 retirees. The Town is hoping to be fully funded by 2021. There was a discussion of the interest rate that could reasonably be expected on the investment of the funds and the effect of the interest assumption on actuarial target amounts to be contributed by the Town. Any impact of an actuarial revaluation will be felt in FY 2012.

The employee benefits and employer assessments line includes the following:

- Health insurance for active, benefit-eligible town and school side employees
- Deferred compensation payments
- Medicare tax
- Social security tax
- Unemployment assessments
- Workers compensation and public safety injured-on-duty payments
- Employee assistance services
- Professional services
- Incidental expenses.

The FY 2010 budget includes an additional \$251,276 over the FY 2009 amount from the High Rock override. Counting High Rock, the line budget request has been increased by 7.4% over the FY 2009 base. Excluding the High Rock override, the increase is 4.3%. The Town Manager has assumed an 8% increase in health insurance premiums and a contingency of 10 additional subscribers. The enrollment chart on page 1-7 of the budget book continues to show a decline in combined Town and school active employee enrollments; however, retiree enrollments continue to rise on an annual basis. The contingency of 10 subscribers is a departure from previous years, when the contingency was 20. The Town Manager reduced this contingency because the Town has not seen a gain of this magnitude in some time. The Town Manager is comfortable with this even

though in past economic downturns there has been a noticeable migration into the Town's health insurance program. The 8% increase in premiums is based on Mr. Davison's research using Kaiser Foundation data and associated calendar year 2010 projections. Other data, such as that compiled by Kiplinger's, project a higher percentage increase for premiums in calendar year 2010—on the order of 14%. Actual premiums will not be known until February or March. Overall, the health insurance line is up 6.1%.

The Town's appropriation to Medicare has increased over the years along with salary growth (assumed to be 4% per year with COLAs and step increases) and turnover (all employees hired after 1986 must participate in Medicare). The same holds true for those employees (less than 20 hour per week employees) who are not in the Town's contributory retirement system. The Town Administrator believes that these lines can be level funded for FY 2010, as actual costs of these programs has recently not kept pace with the 4% overall salary growth.

The Town is self-insured for unemployment for both Town and school employees. Benefits are paid by the Commonwealth and the Town is billed for its share of the cost. This line has been increased to reflect the 4% annual growth in salaries.

The Town provides Workers' Compensation for all Town- and school-side employees (injured-on-duty coverage in the case of public safety employees). As is the case with unemployment, the Town is self-insured. The Town has accepted the provisions of M.G.L. Chapter 13c, which allows the town to roll forward unexpended appropriations for the purpose of funding a reserve for large claims – thus such unexpended funds do not close out to Free Cash. As of January 2007, the balance of this account was more than \$779,000; more recently, as of July 1, 2008, this balance had declined to \$476,120. The town's auditor would like to see this fund built back up to around \$750,000. The Town's insurance provides for stop-loss coverage in the event of a catastrophic claim, *i.e.*, one in excess of \$350,000. Ideally, as salaries and medical costs go up, the appropriation for workers compensation should increase in order to keep pace. In view of this consideration as well as the declining balance of the fund, the appropriation for Workers' Compensation has been proposed to increase by \$15,000 for FY 2010. In light of the overall revenue expected for FY 2010, the Town Manager will be recommending that the increase of \$15,000 in contributions to the fund be deferred until FY 2011. As was the case with unemployment insurance, Mr. Davison some time ago looked into the cost of placing this coverage with a private carrier. Because Workers' Compensation is calculated on the basis of payroll and risk, the annual premium, given the high-risk police/fire component, would be far in excess of this line item.

There was a discussion of the Governor's plan regarding the State health insurance program. Ms. Fitzpatrick stated that she does not think that the plan will be enacted. Ms. Fitzpatrick stated that West Suburban, the Town's health insurance consortium provides a less expensive alternative for the Town and that the Town could show that it is a comparable plan to the State plan.

The amount being requested for appropriation to OPEB is an actuarial schedule. The Town is obligated to fund its unfunded liability.

The debt service amount comprises the 3% within the tax levy and debt exclusions. The Town Manager was asked about funding of the Senior Center. She stated that debt service for the Senior Center is unlikely until FY 2013. Ms. Fitzpatrick also pointed out that borrowing costs have been lower than the amount used in debt service projections.

The most recent bond issue was at approximately 4%. The debt service projections assume between 6% and 6.5%.

The Casualty, Liability and Self-Insurance budget includes administrative expenses, insurance deductibles, small claims, uninsured losses, and other related claims. The Town has been insured with MIIA since FY 2002. The insurance premium has only increased by 2%. The remainder of the increase in this line relates to expanded coverage, such as the High School and High Rock School coming on line. There was a discussion regarding risk concentration and reinsurance.

The classification, performance and settlements line item is a catch-all for what are collectively referred to as “unsettled salary issues”— wage/salary adjustments such as performance-based increases for management employees in accordance with personnel policies; the funding of collective bargaining agreements approved by Town Meeting; and changes to the classification/compensation plan. This line item is also the source of funding for any COLA for non-represented employees. Under the Town Manager form of government, this is no longer a Town Meeting function but a decision made by the Board of Selectmen in June upon the recommendation of the Town Manager and the Personnel Board. Appropriations to this line item are highly variable from year to year. As of November 2008, \$138,617 of the appropriated amount of \$265,000 has been transferred by the Town Manager to several departments in order to fund performance increases for non-represented employees. The Town Manager is requesting \$512,300 for FY 2010. This amount takes into consideration the anticipated cost of living adjustment for non-represented employees and unsettled collective bargaining agreements.

**Reserve Fund Transfer Request:** Present for the discussion was Mr. Laffey, Public Facilities, Operations Division Manager. Mr. Creem moved that the Finance Committee approve the Reserve Fund Transfer request for \$184,248 to the Public Facilities Department Expenses and Purchase of Service, line 28B of the FY 2009 General Fund Operating Budget. Ms. Zappala seconded the motion. Discussion: Mr. Escalante asked about the ability of the Department to operate if there is no transfer to the budget before May. Mr. Laffey stated that there were expenditures that the Department has had to incur that were not planned for when the FY 2009 budget was appropriated. The additional costs related to the temporary HVAC system at the Newman School of \$64,175. Other costs not factored into the operating budget include the Indoor Air Quality Testing and items relating to a possible oil tank leak. Mr. Zimbone asked about the salaries line and whether Mr. Laffey expected to be under budget for salaries. Mr. Laffey stated that there are a number of vacancies in the Department, but that he cannot say that there will be monies remaining in the salaries line because the cost of overtime may be higher than planned. Mr. Escalante asked why Mr. Laffey did not anticipate a budget deficit in October before the Special Town Meeting when the Finance Committee asked about a possible Reserve Fund Transfer for the Public Facilities Department. Mr. Laffey stated that he did not know the total amount for the temporary HVAC system in October. Mr. Escalante stated that the School Department was asked to pre-purchase approximately \$500,000 of out-of-district tuition so that there could be funds to cover the cost of the temporary HVAC system at Newman. Mr. Escalante stated that the School Department is now projecting that it will have no salary savings for FY 2009 and may therefore want to use the funds to balance its budget. Mr. Escalante stated that he needs more time to think about how to handle this Reserve

Fund Transfer request. Mr. Creem's motion was approved by a vote of 7-0-1 (Mr. Escalante abstained).

**Accept Minutes of Prior Meetings:** Mr. Zimbone moved that the Finance Committee accept the minutes of January 7, 2009 as amended by the Executive Secretary. Mr. Creem seconded the motion. The motion was approved by a vote of 6-0-2 (Mr. Rosenstock and Mr. Reilly abstained).

Mr. Zimbone moved that the minutes of January 12, 2009 be accepted subject to technical corrections being made by the Executive Secretary. Ms. Zappala seconded the motion. The motion was approved by a vote of 6-0-2 (Mr. Escalante and Mr. Taggart abstained).

Mr. Brightman moved to adjourn the meeting at approximately 11:00 pm, seconded by Mr. Rosenstock. The meeting was adjourned by unanimous vote: 8-0.

Respectfully submitted,

Louise Miller  
Executive Secretary