Finance Committee
Town of Needham
1471 Highland Avenue
Needham, MA 02492

February 21, 2014

Ms. Kate Fitzpatrick
Town Manager
Needham Town Hall
1471 Highland Avenue
Needham, MA 02492

Re: Finance Committee Fiscal Year 2015 Draft Budget Recommendation

Dear Ms. Fitzpatrick:

On behalf of the Finance Committee, I am pleased to submit our draft balanced budget recommendation for the fiscal year 2015, which totals $127,693,897. The Finance Committee's recommended draft budget is consistent with your recommended budget with respect to most of the operating departments, with the following exceptions:

Needham Public Schools
Fire Department
Minuteman Regional High School
Department of Public Facilities
Health Department
Needham Public Library

The details of our recommendations for each of these departments are shown in the attached spreadsheet and described below. The enclosed budget should allow the Town to maintain the outstanding level of services being currently provided in the Town and Schools, and provide for some limited enhancements.

Needham Public Schools

The Finance Committee is recommending a School Department budget of $56,643,838 in FY 2015, which is an increase of $59,000 over your recommendation. It is, however, over $200,000 less than the Superintendent's initial operating budget proposal. The Finance Committee's recommendation represents a 4.9% increase over the School Department's FY 2014 budget, in order to keep up with growing enrollment, increasing state and federal mandates, and expanding technology needs.

The School Department and School Committee have also proposed a supplementary budget to provide additional funding for significant program changes in FY 2015. It is our understanding that the School Committee will ask the Board of Selectmen to allow a question on the April ballot requesting a Proposition 2 ½ override to fund the new School initiatives. Finance Committee liaisons have worked closely with the School Administration and School Committee leadership for more than two months to craft a workable School Department budget for FY 2015 and to discuss a spending plan for future years. The Finance Committee carefully reviewed the School Committee's voted FY 2015 operating budget along with the proposed supplemental budget to ensure that the costs were reasonable, prudent, and affordable. The Schools' operating budget request has been reduced significantly, and the supplementary request has also been trimmed from over $2.1 million to approximately $1.5 million.

The Finance Committee has sought to ensure that the needs of the Schools are balanced with the needs of the Town and the mandate for a balanced budget. As the projected increases in revenue for FY 2015 are moderate, the Town and the School budgets have been tightened to accomplish as much as possible with limited resources. The Finance Committee understands that some departments may need to request a Reserve Fund transfer if there are unanticipated overages.

Departmental Budgets

As mentioned above, the following discussion identifies the specific changes to your recommended budget.

Fire Department: The Finance Committee voted to decrease the overtime budget for the Fire Department by an additional $40,000. The Finance Committee recognizes that the Town is seeking to fully fund the potential need in this area. The FY 2014 operating budget funded 25% of the full overtime funding request for Units A and C. For FY 2015, the Finance Committee's budget recommendation would fund 38% of that overtime. This step makes progress toward fully funding the overtime for Units A and C while balancing the overtime request with other funding needs.

Minuteman Regional School Assessment: Our proposed budget reduces this line item by $25,497, consistent with the revised estimate received after submission of your proposed budget.

Department of Public Facilities: The Finance Committee has decreased the Public Facilities budget by $50,000 due to expected energy savings. While the methodology used for projecting energy costs is appropriate, the Finance Committee expects that the Public Facilities Department's successful implementation of energy-saving measures will produce significant savings. Therefore, we adjusted the energy budget to account for those savings.

Health Department: The Finance Committee removed $51,758 from the Health Department salary budget, representing funding for the Senior Substance Abuse Program Director's salary. The Finance Committee has chosen not to fund this position in the FY 2015 operating budget at this time because there is an outstanding grant application to fund that salary. The Finance Committee recognizes that this position fills an important need in the community and should be continued. However, since there is a potential alternative funding source, the Committee has opted not to commit operating budget funds at this time. The Finance Committee has decided to increase the allocation to the Reserve Fund by $51,758 so that there will be sufficient funding for the salary of the Senior Substance Abuse Program Director if the grant is not secured. If the grant is secured, then those funds will be available for other needs during FY 2015.

Needham Public Library: The Finance Committee has decreased the Library budget by $21,233, which represents the salary of the part-time Children's Programming Librarian. Since the Library's FY 2015 base request will satisfy the minimum funding requirement for the certification necessary to qualify for annual state aid, the Committee has decided not to transition the Children's Programming Librarian into the operating budget this year. This position is currently funded through the Library's state aid account, which has sufficient funds to cover this need in FY 2015. While the Committee supports moving this position into the operating budget at some point for long-term sustainability, it would not be prudent at this time.

Cash Capital: While we have not yet finalized our vote of the details of cash capital, we are encouraged by the Town Manager's budget of $2,467,260 for Tier 1 cash capital items and $448,703 for Tier 2, which will allow the Town to continue its capital maintenance plan. We are hopeful that there will likely be sufficient funding for much of the Tier 1 cash capital list that you have identified. Because of a timing issue last year, the Department of Revenue certified free cash earlier than usual in FY 2014, and we have a firmer understanding at this time of cash that can be appropriated. Some free cash which had been expected to be available in FY 2013 was delayed and appropriated at the November 2013 Special Town Meeting for FY2014 cash capital and other one-time needs. Part of the certified free cash was also reserved to be appropriated at the May 2014 Annual Town Meeting to fund financial warrant articles as well as a portion of the FY 2015 operating budget and the FY 2015 cash capital items currently under consideration.

Town Wide Expenses

The Finance Committee has carefully considered the various Town Wide expenses, and largely agrees with your recommended budget. However, the Committee voted to increase the Reserve Fund allocation to $1,464,490. As you know, the Reserve Fund sets aside money to be used for extraordinary or unforeseen expenses. In an effort to protect against budgetary overages, the Finance Committee's recommended increase will restore the $77,730 or almost 78% of the amount that was cut from the original request. We believe this additional capacity is needed since the FY 2015 budget is relatively lean. Additionally, the Finance Committee has increased the Reserve Fund allocation by $51,758, as discussed above, to have funds available for the Health Department's Senior Substance Abuse Program Director in the event that the grant funding discussed above is not available.

We expect to vote our final FY 2015 budget to recommend to Town Meeting in early March. If you have any questions or would like to meet to discuss any aspect of the Finance Committee's recommendations, please feel free to contact me.

The Finance Committee wishes to thank you, the Finance Director, the Director of Operations, the Department Managers, the School Superintendent, the School Director of Financial Operations, the Board of Selectmen, the School Committee, and the School Central Administration for their invaluable assistance and cooperation throughout the FY 2015 budgetary process.
Sincerely,

Richard Lunetta
Chair
Needham Finance Committee

cc:
Board of Selectmen
Assistant Town Manager/Director of Finance
Assistant Town Manager/Director of Operations
Finance Committee
School Committee
School Superintendent
School Department Director of Financial Operations