

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

February 16, 2017

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

Re: Finance Committee Fiscal Year 2018 Draft Budget Recommendation

Dear Kate:

I am pleased to present the Finance Committee's voted draft budget recommendation for fiscal year 2018 totaling \$152,704,148. The Finance Committee carefully considered the budget submissions from department managers and your Town Manager's balanced budget, as well as the School Superintendent's proposed budget and the budget voted by the School Committee. The Finance Committee is still considering some additional factors, so the final recommendation may vary. We will submit the final FY 2018 recommended budget next month as required by Town By-Law.

The attached draft budget shows the specific Finance Committee recommendations for the FY 2018 Townwide Expenses budget and the operating budgets for each department including the recommended bottom line allocation for the School Department budget. We will explain below the differences between your proposed budget and the Finance Committee's recommendation. Please note that some of our recommended changes reflect a decision to seek additional information rather than a decision that the requested item is not warranted. The Finance Committee believes that the enclosed budget is reasonable, prudent, and fiscally sound, and will allow the Town and the School Department to maintain the outstanding level of services currently being provided to residents, and will also provide funding for some modest enhancements. The Finance Committee's recommendation takes into account and prepares for significant increases in capital and operating expenses in the next few years.

General Fund Operating Budget

Departments:

The Finance Committee's recommended draft budget is consistent with your balanced budget proposal with respect to the operating departments with the following exceptions:

Department of Public Facilities
Department of Public Works

Health and Human Services
Park and Recreation Department

Town Departmental Operating Budgets:

In order to achieve a balanced budget for FY 2018 and to provide for increased services where there is a demonstrated need, the Finance Committee is recommending the following adjustments to Town departmental operation budgets.

Department of Public Facilities: The Finance Committee's FY 2018 draft budget decreased the Public Facilities budget by \$82,395, representing the salary and expenses associated with the proposed new position of Contract Administrator. The Finance Committee concluded that it would be more appropriate to defer funding of this new position until a new Director of Facilities is appointed and has an opportunity to provide input and assess how best to utilize this position within the Department's structure. The Finance Committee's recommendation moved the funds for the Contract Administrator, including salary, related expenses, and benefits, into the Reserve Fund. Once the new Director weighs in with respect to the new position or some variation of the position, he or she may petition the Finance Committee for a transfer of funds.

Department of Public Works: The Finance Committee's draft budget includes an increase of \$28,220 in the Public Works expense line. This additional funding covers recurring costs for the Supplemental School Grounds program, an improved maintenance program for school fields that are subject to significant use. The Finance Committee was persuaded that this program would significantly improve the condition and usability of the fields.

Health and Human Services: The Finance Committee's draft budget recommendation for the Health and Human Services Department is \$29,970 lower than your recommended budget. The Finance Committee voted against funding two requests: a Vendor Training program to expand a compliance program for cigarettes into compliance checks for other intoxicating substances for \$9,970, and a Data Collection program to conduct surveys for \$20,000. The Finance Committee has requested additional information to support both expenditures. The Committee will reevaluate these two programs prior to the final budget submittal if additional information is received.

Park and Recreation Department: The Finance Committee voted to decrease the salary line of the Park and Recreation Department's requested budget by \$75,807, representing 2/3 of the request for seasonal wages for pool staff. The Finance Committee chose not to fund a proposed program to hire the life guards and pool staff to perform other projects during the summer of 2017 when the pool will be closed. The Finance Committee was not convinced that the program was needed to be able to assure recruitment of quality pool staff when the planned new facility opens in 2018. The Finance Committee noted that if there are special projects that need to be funded, then there should be specific requests for that work.

Needham Public Schools: The Finance Committee recommends a budget of \$68,350,083 for the School Department in FY 2018, which is equal to your recommendation and the School Committee's voted budget. An additional \$181,684 that was available for the School

Department budget is being recommended for appropriation into the Debt Service Stabilization Fund rather than into the FY 2018 operating budget at the request of the School Department and the School Committee. These funds will be reserved to apply to the costs of implementing a full-day kindergarten program. The Finance Committee believes that the recommended FY 2018 budget recommendation for the School Department will provide the funding needed to provide the highest quality educational program for all children and to continue to make some program improvements, while preparing for significant improvements in upcoming years.

Townwide Expenses

The Finance Committee made a detailed review of the costs that make up the Townwide Expenses. The Finance Committee recommends changes to three lines in the Townwide Expenses portion of the FY 2018 recommended draft budget:

Group Health Insurance, Employee Benefits, Assessments & Administrative Costs
Retiree Insurance Program & Insurance Liability Fund
Reserve Fund

The specific reasons are described below. The Committee is still reviewing aspects of the budget which may affect these budget lines further.

Group Health Insurance, Employee Benefits, Assessments & Administrative Costs: The Finance Committee's draft budget decreased this line by \$26,921, which represents the benefits cost associated with the Contract Administrator position requested by the Public Facilities Department. The Finance Committee is not recommending funding for this position at this point in time for the reasons addressed above. These funds will be placed in the Reserve Fund where they may be available in case of a change during the fiscal year.

Retiree Insurance Program & Insurance Liability Fund: The Finance Committee recommends that this line, also known as OPEB (Other Post-Employment Benefits) be increased by \$77,557. This amount reflects the additional funds available to balance the budget after the Finance Committee's recommended changes were implemented. The Finance Committee considers further funding of the Town's outstanding OPEB liability to be a priority.

Reserve Fund: The Finance Committee is recommending that the Reserve Fund be increased by \$109,319. The Finance Committee, as always, seeks to ensure that the Reserve Fund is ample to provide for funding for extraordinary or unforeseen expenditures that may occur during the fiscal year. Fortunately, the Reserve Fund has been sufficient even in some recent years with substantial draws on the fund, such as extraordinary weather-related expenses or legal costs. The Finance Committee's draft budget moved the funds for salary and expenses for the Public Facilities Contract Administrator position into the Reserve Fund where they may be available if the need for the position is determined during the fiscal year. The final recommended allocation to the Reserve Fund remains subject to further change depending on how the Finance Committee resolves other outstanding budget issues.

Conclusion

The Finance Committee plans to vote a final budget to recommend to Town Meeting in early March. If you have any questions or would like to discuss any aspect of the Finance Committee's recommended budget, please contact me.

On behalf of the Finance Committee, I would like to thank you as well as the Assistant Town Manager/Director of Finance, the Assistant Town Manager/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 your hard work, candor, and invaluable support throughout the process of developing our FY 2018 operating budget recommendation.

Very truly yours,

Richard Zimbone
Chair
Needham Finance Committee

Enclosure

cc: Board of Selectmen *(with enclosure)*
Assistant Town Manager/Director of Finance *(with enclosure)*
Assistant Town Manager/Director of Operations *(with enclosure)*
Finance Committee *(with enclosure)*
School Committee *(with enclosure)*
School Superintendent *(with enclosure)*
School Department Director of Financial Operations *(with enclosure)*