

**Needham Finance Committee
Minutes of Meeting of January 2, 2019**

The meeting of the Finance Committee was called to order by Chair Barry Coffman at approximately 7:00 pm at the Needham Town Hall.

Present from the Finance Committee:

Barry Coffman, Chair; Tom Jacobs, Vice Chair

Members: John Connelly, Joshua Levy, Richard Lunetta, Louise Miller, Carol Smith-Fachetti

Others present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Christopher Coleman, Assistant Town Manager/Director of Operations

Theodora Eaton, Town Clerk

Ann MacFate, Director, Needham Public Library

Thomas M. Harkins, Chair, Library Trustees

Evelyn Poness, Town Collector/Treasurer

Rick Merson, Director of Public Works

Carys Lustig, Director of Finance and Admin/Public Services

Sandy Cincotta, Support Services Manager

Chuck Murphy-Romboletti, Assistant Director of Human Resources

Citizen Requests to Address Finance Committee

No citizens requested to speak.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Connelly that the minutes December 19, 2018 be approved as distributed, subject to technical corrections. Mr. Lunetta seconded the motion. The motion was approved by a vote of 5-0. (Ms. Fachetti and Ms. Miller had not yet arrived.)

FY 2020 Department Budget Requests

Town Clerk/Board of Registrars

Ms. Eaton stated that the budget has decreased slightly, primarily due to the decrease in expenses because there will be fewer elections in FY 20. She stated that the wages for election workers are approximately \$11K per election. There are also election-related printing, mailing and other expenses. She stated that they needed to rent additional voting machines for early voting last year, but will be reimbursed through a grant for early voting. Mr. Connelly asked what was included in the temporary wage line which jumped from \$24K in FY18 to \$83K in FY19 then \$62K. Ms. Eaton stated that there was one election in FY18 for only a Town election, while there were three elections in FY19 and will be two in FY20. She stated that there are also three part-time people working in the office in FY19. Mr. Coffman asked if there was a wish list of work that she would like to get finished. Ms. Eaton stated that she would like to get all vital information online, but that is in control of the state. She stated that for some vital statistics, her

office still must prepare certificates on a typewriter. The typewriters are difficult to service because they are so outdated. She stated that many other functions are already online.

Public Library

Ms. Fachetti stated that most of the Library budget is level-funded, but the budget is increasing sufficiently to meet the minimum increase to continue to qualify for annual State Aid. Ms. Miller stated that the State Aid minimum required budget is 2.5% more than the average of the past three years' budgets, which works out to \$1,712,212. There is also a required minimum expenditure for library materials. 13% of the budget must be spent materials, which includes items that circulate, references items, and databases. Ms. Fachetti stated that one of the biggest increases in the budget is a 5% increase in Minuteman network fees.

Ms. MacFate stated that there are five DSR4 requests. The top priority, as requested by the Library Trustees, is a Reference Librarian/Digital Communications Specialist. She stated that the person would be a reference librarian who could also handle digital communications. She stated that the person would have a degree in library science. Ms. Fachetti stated that the goal is more electronic communications and an enhanced social media presence. They intend to increase outreach and communications, and to have more presence online so that more people will learn about library programming. Mr. Lunetta stated that the Town Manager is seeking a new Public Information Officer, and asked whether two people are needed for the similar work. Ms. MacFate stated that if the person spent time at the library, then it could work. Mr. Connelly asked if the goal of the position is to bring more people to the library or to find funding sources. Ms. MacFate stated that it was to make people more aware of the library programs. Mr. Connelly asked how the increased digital presence would make people more aware. Ms. MacFate stated that the library would be able to reach people who get information digitally. Ms. Fachetti stated that they will potentially reach younger people. Ms. Miller stated that the new person could create a better user interface for the library website, which can be difficult to use. Mr. Davison stated that the Town is currently working with the software provider to make department pages easier to maintain.

Mr. Coffman asked if there are library services that are underutilized due to the public's lack of awareness. Ms. MacFate stated that people ask questions and make comments show that they are not finding out about existing services and programs. She feels that better online outreach will help. Mr. Coffman asked if such a position is standard at most libraries. Ms. MacFate stated that they are becoming more standard. Mr. Lunetta asked whether the position could be part time. Ms. MacFate stated that it would be difficult to get the needed level of knowledge if the position is part-time. She stated that she wants a full time position.

Ms. MacFate stated that the second DSR4 is for the Overdrive Basic subscription that provides access to electronic media, including books and magazines, for borrowing. Ms. Miller stated that the library has the subscription, which has been funded by State Aid in the last two years, and by trust funds before that. She stated that the subscription is an important part of library services, and the question that the Committee needs to consider is when the critical expenses should be brought into the operating budget for permanent funding. She stated that the request does not represent an increase in services. Ms. MacFate stated that the Trustees set the priorities, and that this is a high priority item among the items that should be moved into the operating budget. Mr. Connelly asked how they prioritize the items requested to be moved into the operating budget.

Ms. MacFate stated that the Friends of the Library often raise funds to explore new programs. If programs are successful, then the Library will often continue to fund them with State Aid. If they become critical services, then the Trustees seek to include them in the operating budget on a permanent basis. Ms. MacFate stated that 11% of the library's circulation is done through Overdrive, so the subscription is an important part of the library offerings. Mr. Harkins stated that this request is a priority because it is a critical service. He stated that other funding is used to explore whether programs are successful. This service was very successful, and is now a priority for funding in the operating budget. He added that State Aid is not secure. Mr. Jacob asked whether something else would be funded with State Aid funds if this expense were moved to the operating budget. Ms. MacFate stated that if this expense were moved to the operating budget, then the Trustees would set the priority of what else should be funded with State Aid, but there are no specific plans. She suggested that they may want to expand the Overdrive Advantage materials.

Ms. Miller stated that the third priority DSR4 is for funding World Cat, a database, currently funded with State Aid. Ms. MacFate stated that the fourth DSR4 would fund Overdrive Advantage, which provides additional copies of electronic materials for the Town beyond the Minuteman Overdrive basic subscription. Ms. Miller stated that the last DSR4 would fund the salary of a packing/unpacking page for interlibrary loan materials. She stated that the wages for this work have been funded with salary savings when possible.

Mr. Coffman asked how the State Aid account has \$130K when the annual payment is approximately \$36K. Ms. MacFate stated that the funds can accumulate. Mr. Coffman stated that the spreadsheet shows the funds fully encumbered. Ms. MacFate stated that the funds are available if needed to support the budget, but the expectation is not to spend the entire amount. She stated that the planned expenditures will be made, but not necessarily from these funds. Ms. Miller stated that the line "Library Equipment and Services" is essentially a reserve and not committed to be spent. Ms. MacFate stated that the funds can be used for anything. Ms. MacFate stated that the Trustees have a rule that Library receipts are not spent until the following year, and not in the year that the funds come in.

Ms. Miller stated that the Finance Committee discusses two issues each year: what is the best approach for spending State Aid, and when it is reasonable to move items into the operating budget that have been funded with State Aid. She stated that there are requests every year to move items into the operating budget. She stated that the Trustees set priorities. Mr. Harkins stated that the state requires a 5-year action plan for the Library, which the Trustees work from to set annual priorities. Mr. Lunetta stated that there are also trust funds, and asked how much is available. Ms. MacFate stated that only the interest, not the principal, is spent from the trust funds. Mr. Coffman asked if this covered most of the materials. Ms. MacFate stated that the operating budget includes \$236K of expenses for materials. She stated that all of the materials are needed. Mr. Coffman asked if this is a supplemental part of necessary expenses. Ms. MacFate stated that it could be looked at that way.

Municipal Parking

Mr. Coleman noted that references to the MBTA station in the Heights should be corrected to refer to the station in the Center. Mr. Merson stated that the Town has looked into using a parking app for collecting parking fees, but that the expense was not worth it. Ms. Lustig stated

that parking rates are set by the Selectmen, and need to balance the need for revenue against discouraging people from using businesses. She stated that revenue is in the range of \$60K. Mr. Davison stated that revenue is close to the budget amount. He stated that parking fees were increased substantially in the last three years. Ms. Miller asked about the fund that was set aside for creating structured parking. Mr. Davison stated that funds have come from projects where payments were required by the Planning Board in lieu of meeting parking recommendations mostly at Needham Crossing, not Needham Center. The funds must be returned if not used within 10 years, and require a Town Meeting appropriation. Ms. Miller stated that it is important to make plans and not to lose the funds. Mr. Coffman stated that there are some streets where people are abusing a lack of signage to avoid the parking fees in lots.

Board of Selectmen/Town Manager

Ms. Fitzpatrick stated that the budget is essentially flat, due in part to the facts that \$7K in expenses for copier maintenance was moved to the IT budget, and there will be one fewer Civil Service assessment center in FY 20. It is anticipated that there will be a decreased need for testing. She stated that one additional change was the reallocation of some salary funds for education that were moved to the expense line to use for conferences and events.

Mr. Lunetta stated that the budget has two DSR4 requests. Ms. Fitzpatrick stated that the highest priority is to add a new position of Public Information Officer to oversee and develop media content, and also to be the point person in cases of emergency. The position will look into better models for getting information out to citizens, and doing it on a timely basis. She cited as an example that the traditional letters sent to abutters for hearings do not seem to be working, as people are not showing up. She noted that, meanwhile, there are 8000 people who joined an unofficial Facebook page about issues around town. Ms. Miller noted that there should be an elected official, not a Town employee, that addresses issues raised by citizens. Ms. Fitzpatrick stated that the Selectmen intend that the person would make statements of facts, but not express opinions. The person would work with all departments to get notifications out and make sure of a consistent message. Mr. Connelly stated that he would like to hear directly from the Selectmen about this position. Mr. Levy asked if the departments would replace other notifications or mailings. Ms. Fitzpatrick stated that that is yet to be determined. Mr. Jacob stated that there is currently an electronic messaging system. Ms. Fitzpatrick stated that the Town would continue the reverse 911 system, which is capturing some people, however some policies need to be worked out, as there have been occasions with different messages at times.

Mr. Murphy-Romboletti stated that Human Resources is requesting funds for temporary staffing so that certain positions can be filled temporarily through an agency on short notice to address an immediate need. The use of temps would be centralized through the HR budget. Ms. Fitzpatrick stated that HR would ensure that there is a sense of urgency for the work. Mr. Murphy-

Romboletti stated that a temporary person was used in the Treasurer's Office to do work in a position that was difficult to fill but the work needed to be done on a timely basis. Mr. Lunetta stated that it is a great idea, and asked if they considered a temporary-to-permanent hiring plan. Mr. Murphy-Romboletti stated that the fee for the permanent hire is usually very large, so that is not planned. He stated that to calculate the requested amount, they used the wages of six different levels of positions from Robert Half, for one month of work each (37.5 hours x 4 weeks each for 6 different positions.) Ms. Miller asked how temporary workers are being paid now. Mr. Davison stated that he identified \$75K in the Finance Department budget that could be used this year. He stated that the funds will need to be re-appropriated from salary to expenses. Ms.

Miller stated that the Reserve Fund could address this type of expense, and asked why they want to add to the FY20 operating budget. Mr. Davison stated that this year, he is able to fund the work through the Finance Department budget, but that other departments do not have additional funds. He also noted that these funds would provide for time-sensitive needs, and there would not be time to seek approval from the Finance Committee. Ms. Fitzpatrick stated that it would be an emergency reserve. This would increase the operating budget, but there could be offsetting salary savings. Mr. Lunetta stated that the funds would allow HR to act faster to get a temporary person working. Ms. Miller stated that it would also allow them to be slower about filling the position permanently. She expressed concern about creating another reserve fund sitting in a department budget. Mr. Coffman stated that the Town needs to balance the real-time need for service against the best process. Mr. Connelly stated that he did not think it should be necessary to come to the Finance Committee to request funds for an immediate hiring need, since that determination is HR's specialty. Ms. Miller asked if this would be a recurring need. Ms. Fitzpatrick stated that in the current economy it would be. Mr. Coleman noted that there would be times when the additional funds are needed because the temporary person would be doing the work of someone on paid leave, so there would be no salary savings. Mr. Levy suggested funding the need for a couple of years through a financial warrant article since it is not clear that the need would be recurring indefinitely. Ms. Fitzpatrick stated that she would be open to that. Ms. Fitzpatrick added that the requested Public Information Officer would be expected to work with HR as well to get word of job openings out.

Townwide Expenses (Health Insurance, OPEB, Retirement, Workers' Compensation, CPS)

Ms. Fitzpatrick stated that Employee Benefits costs have been held down by recently significant changes in the health insurance offerings. She stated that the budget assumes an increase in health insurance premiums of 7%, but they are hoping the increase is not that high. She stated that even with a 7% increase, FY2020 health insurance costs will decline from FY2019. She stated that this is a re-set, and rates will again increase annually. She stated that the penetration of users in Town is expected to be consistent, with 90% of Town employees and 65% of School employees enrolled. She stated that this budget request includes \$1.1 million to cover the benefits for all DSR4 and School program improvement requests. She stated that that number will decrease. She stated that there is a new qualified high deductible plan, and that over 60% of enrolled staff signed up for it. She stated that it is financially advantageous to the Town, but she expects there will be some movement back to the benchmark plan because the potential costs have weighed on employees.

Mr. Lunetta asked about the costs of the Health Savings Account. Ms. Fitzpatrick stated that for active employees it is \$12.1 million and \$439K for retirees. Mr. Coffman stated that there are 28 new employees in the benefits budget. Ms. Fitzpatrick stated that there are always a buffer of 20 employees to allow for employees not currently enrolled to become newly enrolled. There are also eight new firefighters included. Mr. Connelly asked what the \$835K placeholder was for in the Classification, Performance and Settlement line. Ms. Fitzpatrick stated that there are three collective bargaining units that are not yet settled for FY20, so any needed funds will come from that line. Mr. Connelly asked if the negotiating strategy is affected by the fact that the unions know what is included in the budget. Ms. Fitzpatrick stated that she has not seen that happen. She stated that typically the salary increase is smallest in the first year of an agreement, with some wage growth after that. She would think that this budget amount will seem low. Mr.

Davison stated that the unions don't seem to care what is in the budget, and they focus on getting what the members want.

OPEB

Ms. Fitzpatrick stated that the budget is level-funded because the 6/30/18 actuarial analysis has not yet been released. It has been an 7.25% for two years, but there is a goal of 7% in the long term. The Town expects to drop the rate to 7%, but they are not yet comfortable doing that. She stated that there is a 31% funding ratio, which is high among other communities. Mr. Davison stated that there is a change of how town balance sheets need to be shown in financial statements. The liability needs to be shown out front, which will make it more apparent to people. The rating agencies are aware of the change. Mr. Davison stated that if a change is needed, then there will be a budget adjustment at the fall Special TM.

Retirement Assessment

Ms. Fitzpatrick stated that there was a 1/1/18 actuarial analysis, which is required every other year. The return was 16.87% in this fund. The assumed return for FY20 is 7.25%, and the Town would like to get it to 7%. The liability will be fully funded in FY30. According to Ms. Ponness, there were approximately 600 retirees, which includes retired nonteaching school employees. The good year has helped with the unfunded liability. There was also a change to the mortality tables.

"Other" budgets: Personnel Board, Memorial Park Trustees, Commission on Disabilities, Historical Commission, CPC Administration, Minuteman Assessment

Mr. Coffman stated that most of these budgets remained unchanged. Mr. Davison stated that this was an opportunity for representatives to speak to the Committee. Ms. Fitzpatrick stated that these budgets are flat or include expected wage growth. She stated that the CPC administrative budget is the same \$82K level as it has been for years.

Finance Committee Updates

The next meeting was scheduled for 6:00 pm to accommodate a discussion on the Mitchell modular classroom project that is the topic of the upcoming Special Town Meeting.

Adjournment

MOVED: By Mr. Connelly that the Finance Committee meeting be adjourned, there being no further business. Mr. Lavery seconded the motion. The motion was approved by a vote of 9-0 at approximately 9:50 p.m.

Documents: FY 2020 Town of Needham Department Spending Requests; Library State Aid and Trust Fund Spreadsheets; FY2020-FY2024 Capital Improvement Plan

Respectfully submitted,

Louise Mizgerd
Staff Analyst

Approved January 9, 2019