

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

February 22, 2023

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

Re: Finance Committee Fiscal Year 2024 Draft Budget Recommendation

Dear Kate:

I am pleased to enclose the Finance Committee's voted draft recommendation of the General Fund operating budget proposed for fiscal year 2024 (FY 2024) totaling \$214,275,097. The Finance Committee analyzed the budget requests submitted by each department manager and held its annual budget hearings with each department. We also closely reviewed your recommendations for a balanced budget for FY 2024, as well as the School Superintendent's proposed FY 2024 budget which the School Committee voted to support in full. The Finance Committee would like to recognize the hard work and dedication of all of the department managers and staff. The budget requests were thoughtful and forward-thinking, and were prepared with great attention to detail. We were pleased to be able to conduct most meetings in person this year after the pandemic forced so many meetings to be held remotely in recent years. The Committee asked probing questions and received honest and open responses.

As required under the Town By-Laws, I am submitting the FY 2024 draft proposed budget which has been voted on by the Finance Committee. The Finance Committee will submit a final FY 2024 operating budget recommendation by March 15 to be included in the 2023 Annual Town Meeting Warrant.

The Finance Committee's enclosed draft FY 2024 budget shows specific recommendations for each of the Townwide Expenses, as well as salary and expense lines for each of the Town departments, and a recommended single bottom-line allocation for budget for the Needham Public Schools. The Finance Committee's recommendations reflect many of the same budget priorities included in your FY 2024 balanced budget proposal, but include some differences as well. I explain below where the Finance Committee's recommendations vary from yours.

General Fund Operating Budget

Departments:

The Finance Committee's recommended draft budget agrees to a large extent with your balanced budget proposal for FY 2024 with respect to the operating departments with the following exceptions:

- Police Department
- Minuteman School Assessment
- Needham Public Library
- Reserve Fund

The Finance Committee is careful to weigh the need to fund Town operations in a manner that is sufficient for each department to do its work to the level expected by the residents, while also not placing an unreasonable tax burden on residents. The Finance Committee continues to hold requests for additional staff to a heightened level of scrutiny, since salary and wages are the largest costs in municipal government, and each added benefit-eligible employee incurs significant additional costs for employee benefits and retirement-related obligations.

The enclosed draft budget recommends a few limited requests for additional funding beyond the base budget. Other requests were expected to be funded through other sources or deferred. The Finance Committee's FY2024 voted draft budget includes the following adjustments to your recommendations for department budgets:

Police Department: The Finance Committee is recommending increasing the Police Department budget by \$45,000 in order to expand the Law Enforcement Clinical Support program to provide for 40 hours per week of services rather than 20 hours per week. This program has proven to be very valuable to the Police Department by providing mental health services and crisis intervention that cannot be provided by staff.

Minuteman School Assessment: The Minuteman School District recently updated its preliminary assessment to the Town for FY 2024. The Finance Committee's recommendation is equal to the updated assessment, which decreased this budget by \$1,312.

Needham Public Library: The Finance Committee has increased the recommended Library budget by \$4,600 to correct a calculation error in the Library's original budget request.

Townwide Expenses

The Finance Committee carefully reviewed the ten lines that make up Townwide Expenses. Several of these lines are calculated and rarely subject to adjustment. The Finance Committee has suggested adjusting only the Reserve Fund line.

Reserve Fund: As you know, the Reserve Fund provides funds for expenditures that are extraordinary or are unforeseen when the budget is developed. The Finance Committee chose to fund this line at \$2,000,000 rather than to fund it at the full amount produced by the formula used in the past (\$2,346,825). The formula is based on a projected growth and does not account for past experience. Since there have been very few requests for Reserve Fund transfers in recent years, the Finance Committee concluded that current budgeting practices appear to provide adequate funding for the needs of the various departments. The Finance Committee's recommended Reserve Fund amount for FY 2024 is \$346,825 lower than the amount produced by the formula, and is expected to provide for extraordinary and unforeseen operating needs in FY 2024. The Finance Committee made this recommendation with the knowledge that Town maintains a general Stabilization Fund and other specialty stabilization funds as further safety nets.

Conclusion

The bottom-line of the Finance Committee's voted draft budget for FY 2024 is \$298,537 **less** than your recommended balanced budget. The Finance Committee appreciates the careful decision-making by you and your staff in the development of your FY2024 budget recommendation and understands that your recommendation is part of a balanced spending plan. The Finance Committee is still discussing whether it would support appropriating the additional \$298,537 for another purpose or instead reducing the tax levy by that amount. These discussions will take place in the weeks leading up to the Annual Town Meeting.

The Finance Committee sought to set forth a budget that is reasonable, prudent, and fiscally sound, and that will continue to fund the same high level of service to residents. We are fortunate to be anticipating another year of strong revenue growth, but are aware that some of the revenue is not expected to recur at the same rate in upcoming years. The Finance Committee commends the staff in both the schools and municipal services for the cautious spending and strong mettle that have enabled Needham to maintain its financial strength and resiliency through recent challenges so that we may approach the future with guarded optimism. Because we are entering a period of intense capital planning and building needed to address certain aging school and municipal buildings, it is as important as ever to continue to be fiscally conservative and measured. The Finance Committee looks forward to working with many stakeholders throughout the Town, such as the School Board, School Committee, Permanent Public Building Committee, and Town and School Administrators, to develop a financing plan to pay for the significant capital projects without compromising the Town's financial well-being or over-burdening taxpayers.

Please do not hesitate to contact me if you have any questions, or if you would like to discuss any aspect of the Finance Committee's voted initial draft budget for FY 2024. This budget represents the culmination of a substantial amount of hard work on the part of many people. On behalf of the Finance Committee, I would like to thank you, as well as the Assistant Town Manager/Director of Finance, Assistant Town Manager/Director of Operations, the Department Managers, the School Superintendent, the School Department Director of Financial Operations, the School Central Administration, and the School Committee, for your and their openness and

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invaluable support throughout the process of developing our proposed FY 2024 operating budget.

Very truly yours,

A handwritten signature in blue ink, appearing to be "John Connelly", with a stylized flourish at the end.

John Connelly
Chair, Needham Finance Committee

Enclosure

cc (*w/enclosure*):

- Finance Committee
- Select Board
- Assistant Town Manager/Director of Finance
- Assistant Town Manager/Director of Operations
- School Committee
- School Superintendent
- School Department Director of Financial Operations