

Needham Finance Committee
Minutes of Meeting of February 8, 2023

The meeting of the Finance Committee was called to order by Chair John Connelly at approximately 7:00 pm in the Great Plain Room at Needham Town Hall, also available via Zoom teleconference.

Present from the Finance Committee:

John Connelly, Chair; Louise Miller, Vice Chair

Members: Karen Calton, Barry Coffman, Carol Smith-Fachetti, Carli Hairston, James Healy, Joshua Levy, Richard Reilly

Others present:

David Davison, Assistant Town Manager/Finance Director

Citizen Requests to Address the Finance Committee

No requests.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Levy that the minutes of the meeting of February 8, 2023, be approved as distributed, subject to technical or typographical corrections. Mr. Reilly seconded the motion. The motion was approved by a vote of 6-0. (Ms. Miller, Ms. Calton and Mr. Coffman had not yet arrived.)

FY2024 Operating Budget Discussion

Mr. Connelly stated that he would name each budget line to open discussion and proceed if there were no comments. Under Group Health Insurance, Mr. Reilly noted that the additional increase in the budget from \$17.3 to \$17.7 million is due to the increased benefits costs associated with new positions or expanded hours such as the Community Housing Specialist or the additional teachers in the School Department budget. Mr. Healy suggested passing on a confirmation of that amount until the positions have been discussed. Mr. Reilly noted that the same reasons led to the additional increases in the OPEB and Retirement lines as well. Ms. Miller asked if benefits costs for employees in the enterprise funds are included in these lines. Mr. Davison stated that the actuary does determine the share attributable to the enterprise funds and the enterprise funds pay those amounts. He stated that the budget is based on the actuarial analysis, and if new positions are added, they incorporate a blended rate that assumes 60% of the workforce between schools and other departments would use the benefit at post retirement. Mr. Reilly noted that the Worker's Compensation amount is also affected by the number of additional employees. The Committee agreed to return to discuss the benefits and headcount-associated costs if the Committee decided to change the number of positions relative to the Town Manager's recommendation. Ms. Miller asked if the Worker's Compensation allocation amount is working toward reaching a target amount for the Worker's Compensation Reserve. Mr. Davison stated that it is not. This amount is used for stop loss insurance, indemnity, legal defense, and medical supplies. At year-end, the amount not expended in the budgets is put into the reserves to pay for future costs. Mr. Connelly noted that the Classification, Performance and Settlement line has funding for the union agreements that are not settled and performance increases for management.

Mr. Connelly proposed level-funding the Reserve Fund line from the FY23 rather than recommending the amount produced by the formula. He stated that the appropriated level of funds has not been needed and there is not a need to carry as much in this line. Mr. Healy asked if there is appetite to move the funds into the Debt Service Stabilization Fund since the schools are undertaking significant capital projects and the Town needs to prepare. Ms. Miller stated that the DSSF can only be used for debt within the levy and cannot be used for excluded debt. Mr. Healy stated that the Town will also exceed the 3% limit for debt within the levy. Ms. Miller stated that the Committee should discuss later where the funds should go. Mr. Connelly asked Mr. Davison to include an article in the Annual Town Meeting warrant to be able to appropriate funds into the DSSF. Mr. Davison stated that there would be a placeholder.

Ms. Hairston asked where the funds removed from the Reserve Fund line would go if the budget were reduced. Mr. Connelly stated that if the line is level-funded, it would be reduced by approximately \$350K, which could lower the bottom line of the operating budget and reduce the amount of taxes to be collected. Alternatively, the funds could be appropriated elsewhere. He noted that Mr. Healy had suggested adding the amount to the DSSF. Ms. Miller stated that the amount of the FY24 budget will affect the tax rate next year. Mr. Connelly stated that the discussion of what to do about the \$350K should be a decision unto itself and not addressed within the budget discussion. Mr. Healy stated that since Proposition 2 ½ was enacted, Needham and most towns have increased their tax base by a full 2.5% and added new growth. He stated that lowering that amount should be a separate discussion in order to give it proper time and consideration. Mr. Levy stated that the levy limit will still increase by the same amount, even if the Town does not choose to tax the full amount. Mr. Healy stated that the Committee still needs to discuss whether this would be advantageous to the taxpayer. Mr. Reilly asked who makes the decision whether to plan to tax the full 2.5%. Mr. Davison stated that the Select Board, as the executive branch, makes that decision. Mr. Healy stated that when he was on the Select Board, this was not discussed. Mr. Davison stated that Town Meeting's actions determine what is appropriated, and therefore what amount is taxed. Proposition 2 ½ sets a ceiling that Town Meeting cannot exceed. Mr. Connelly asked about revenue and why property taxes are projected to increase by 2.7%. Mr. Davison stated that that amount compares the current tax levy to the forecast for next year. The increase in the levy limit plus new growth is around 5%, which was then reduced due a \$3 million decrease in the amount needed to be collected for the debt exclusion, for a net increase of 2.7%. If the excluded debt amount had been flat, the total property tax increase would have been about 4%.

Mr. Connelly asked whether the Committee supported leaving the Reserve Fund line at the amount calculated by the formula, allowing for the changes while preparing budget, or whether to level fund it from last year. If level-funding, he asked whether to put the funds somewhere else, such as a stabilization fund, or whether to raise less in taxes. Ms. Miller stated that the funds could also be put somewhere else in the budget such as OPEB. Mr. Reilly suggested making the Reserve Fund allocation \$2 million even rather than level-funding since that amount suggests a precision which is not there. Mr. Connelly reviewed the draws from the Reserve Fund in recent years and noted that the amounts have been pretty consistently under \$1 million. He stated that the Committee needs to take action on this line and can decide what to do with any excess at a different time. Mr. Healy stated that he would hesitate to make a firm decision on a drastic reduction at this time. While substantial withdrawals from the Reserve Fund happen only every 5-6 years, the purpose is to have funds available when they are needed. He noted that it seems that budgeting practices have changed in the last 10-15 years, and that departments prefer to have money in their budgets rather than request a transfer from the Reserve Fund. He

recognizes the competing interest that is created if the Reserve Fund budget is decreased. He stated that this topic needs further discussion. Mr. Levy asked whether the formula takes into account both the amount of the operating budget and the historical need for reserve fund transfers. Mr. Davison stated that the formula was based on the longstanding practice of budgeting 1.2% to 1.3% of the operating budget, and the formula uses 1.3%, which he recommended. Mr. Healy agreed that reducing this line to \$2 million is not drastic and he does not object. Ms. Hairston asked if it this change away from the formula was intended going forward. Mr. Connelly stated that this action is intended to apply this year.

Mr. Connelly began discussion of the department budgets. (Mr. Levy recused himself from the discussion of the Select Board/Town Manager's budget since he is a candidate for the Select Board.) Mr. Healy stated that the Town Manager's proposed budget included a new position of Public Information Officer and that he was not convinced that the position was needed, especially beyond the pandemic, but if there is not a will to stop it, then it should not continue to be excluded from the operating budget. Mr. Reilly stated that there should be two considerations: whether the position is needed, and if so, whether the Town is paying more than it is worth. He felt that the salary has been shown to be appropriate, and that the executive branch feels strongly that this position is needed. He does not feel that he is in a position to second-guess that decision. Mr. Connelly stated that the need for the position has been proven by the fact that more information is now available than before this person came on board, and it is now being presented in different ways. He stated that people want more information available electronically, and this position is facilitating that. Mr. Coffman noted that the position also takes a burden from the Town Manager and other managers. Mr. Connelly added that this type of role is not unusual and exists in the private sector and other places as well. He believes that the position should be in the budget. Ms. Fachetti agreed.

Ms. Miller stated that the Town has been increasing the tax levy every year, and now there is excess money, in the hundreds of thousands, that the Town is trying to find a way to spend. She feels that this issue should be discussed another time, but she feels that the Town is not as prudent as it could be because there is plenty of money. Mr. Coffman stated that the Committee has been conducting some priority-based budgeting to look at what is needed to do the necessary functions. The highest costs are those related to labor, and the Town has not found a way to do the work with fewer people. Ms. Fachetti stated that some departments have discussed how they have extra funds to try new programs. Ms. Miller stated that if they hire someone, the position tends to grow and leads to a DSR4 request to be included in the budget. She noted that it is too far along to roll back on the PIO position. Mr. Reilly commented that in the review of the DPW budget, he feels that they have not dug as deep as they can, but there is insufficient time to do this within the timing of this budget. He feels that the Committee should look into the issues surrounding insourcing versus outsourcing of services and the appropriate level of service to be provided, which could drive hundreds of thousands of dollars.

Mr. Healy stated that he feels that the state does not need a separate PIO position in each town and he does not support the request. He stated that the request for the PIO position should be viewed in the context of the fact that this is part of the Select Board's budget, and that they have also submitted \$340K of DSR5 requests, including funding for a government fellow, temporary staffing, and recruitment services. They have not made clear that the PIO is their priority. Mr. Connelly stated that he has not seen anything to indicate that this is not a top priority. The position has been requested several times and funded outside the budget. The position has been doing something that was not being done before, and has been well received.

Mr. Connelly continued through the budget lines. He noted that the Planning Board submitted a DSR4 seeking additional hours for the Community Housing Coordinator which was supported by the Town Manager. He stated that the position has been in place for years and has been funded half by the operating budget and half by CPC funds. In FY13, there was a CPC appropriation of \$60K to cover a couple years of this funding, and another appropriation of \$70K in FY17. He stated that it was time to renew the funding, and Town Counsel opined that CPA funds cannot be spent on employee salary even though the employee is working to support community housing. There are no governing state regulations, so the DOR has issued guidelines on the administrative requirements of the Community Preservation Act. Mr. Connelly stated that he spoke to Mr. Pignatore, Chair of the CPC, who was deferring to Town Counsel. Mr. Connelly stated that this issue is not clear under the law and that one can argue differently, but at this point, there is no CPC article to fund the position, so it must be funded in the operating budget or not at all. He stated that he first thought that the funds should come from the CPC, but since Town Counsel and the CPC are saying that the funds should not come from the CPC, that is not a choice. Mr. Reilly noted that where an issue is close, the answer may depend on how the question is phrased. If the question is whether the expense violates the CPA, the answer may be different than if the question is whether the CPA allows the expense. Mr. Connelly stated that the CPA allows funds to be spent on activities in support of community housing. Mr. Reilly stated that it would be difficult to go against the opinion of Town Counsel. Ms. Miller agreed that the Committee should not.

Ms. Miller proposed adding \$45K to the Police Department expense line to expand the clinical services program first funded in FY23 for 20 hours per week. She stated that this would double the funds to provide services equivalent to having a full time person. Mr. Levy asked if there is a person from Riverside services that would do the work. Ms. Miller said that there was, and that she would be happy to discuss it with the Chief if the Committee supports this change. Ms. Calton stated that not having an employee do this work provides more privacy and better access to medical records. Ms. Miller recused herself for discussion of the Fire Department budget. There were no comments.

Mr. Levy stated that the School Department has been carrying over significant amounts of Circuit Breaker funds from year to year, and has also added \$194K to the operating budget for additional tuition costs. He asked if there might be a way to use the Circuit Breaker funds to support that tuition and have a lower increase to the tax levy – a change of source, not a change to the budget. Ms. Miller stated that this is why the Committee has not supported the creation of a SPED stabilization fund. Mr. Coffman noted that the Schools don't know what the SPED tuition needs will be since the needs are unexpected, so the cushion is important. Mr. Connelly stated that he did not take issue with the concept, but suggested that this is not the year to push for a reduction since out-of-district tuitions are increasing significantly and the Town and Schools have no control of that. It might be better to reconsider this issue next year. Mr. Levy noted that it is possible that the state will reimburse the Town for the addition tuition costs, which would mean the extra funds could go into free cash. Mr. Reilly asked if this should be raised with the School Department. Mr. Connelly stated that it was discussed. Mr. Levy stated that there is a disagreement. The School Department is saying that all of their budget and all of the Circuit Breaker funds will be used. However, they assume that no positions will be vacant and use a different analysis than he would. Mr. Connelly stated that the Schools were clear that they did not feel comfortable reducing the funding because of the rising tuitions. Mr. Levy stated that he was not proposing any change to the operating budget.

Mr. Healy stated that he read the School enrollment report, and noted that there is a large number of assumptions. He stated that he would like the Committee to keep an eye on the enrollment projections and compare them to the actual experience. Mr. Connelly stated that this will be discussed in the context of capital planning and the need for space. He stated that the staff increases in the operating budget are to meet increasing SPED needs and to keep students in-district by providing mandated services. Ms. Fachetti stated that they are also meeting increased demand for mental health services. Mr. Connelly stated that certain stated capital requests are not borne out by the enrollment numbers.

The Committee agreed with the Town Manager's recommendation not to fund a request for a new project manager in the Building Design and Construction budget at this time because there is not sufficient work. Mr. Reilly stated that the DPW budget included one DSR4 request that was recommended by the Town Manager which would replace the employee trailer at the RTS. He stated that the replacement does seem necessary and he has no basis to dispute the cost. Ms. Miller asked if they had looked at building a modular building or leasing rather than purchasing a trailer. Mr. Davison stated that the Town is unsure what changes make take place on the property, so the thinking was that a permanent building was not the right solution and this was best. Ms. Miller stated that it seemed very expensive compared to the costs of the modular units at the Newman School. Mr. Connelly stated that these are the costs now. Ms. Miller agreed that the new trailer is needed. Mr. Reilly commented that the Town needs to charge higher rates for commercial disposal. It will affect the Town's revenue and not the spending and the budget, but it is important. He stated that the Dedham commercial waste facility closed down and there are more costs for processing waste. Ms. Miller stated that it is important for the rates not to jump too high and lose revenue. Mr. Davison stated that the rates used to be high in order to subsidize the pay-per-bag rates but there is a potential argument that one area can't subsidize another. He stated that the Town will look at this in the spring.

Mr. Coffman stated that HHS submitted a DSR4 request for \$40K to increase the support to the traveling meals program. Mr. Davison stated that the costs in the revolving fund will increase and this funding will offset the expected increase in cost for the meals. Mr. Healy stated that the need for adequate meals for people who cannot help themselves is an issue across the county and the state. He stated that changes should be driven at the state level. He strongly supports this need, but feels that the issue should be addressed on a more global scale. Mr. Connelly proposed that the Library budget be increased by \$4,600 in the salary line due to a computation error in the budget submission. There was no objection.

Mr. Connelly stated pursuant to the discussion, the department bottom line should be increased \$45,000 for Police expenses and \$4,600 for Library salaries, and decreased \$1,312 in the Minuteman School Assessment. In Townwide expenses, the Reserve Fund should be funded at \$2 million even. The operating budget bottom line would then be \$214,275,087. (See attached table for details.)

MOVED: By Ms. Miller that the Finance Committee recommend a draft budget to submit to the Town Manager as discussed above in the amount of \$214,275,087. Mr. Healy seconded the motion. The motion was approved by a vote of 9-0.

Updates

Mr. Connelly stated that the Active Recreation Working Group is soliciting idea for what amenities people are looking for. The top suggestions have been for (1) pickleball courts, (2) off leash dog opportunities, and (3) action park for skateboards and bikes.

Adjournment

MOVED: By Mr. Healy that the Finance Committee meeting be adjourned, there being no further business. Mr. Coffman seconded the motion. The motion was approved by a vote of 9-0 at approximately 8:25 p.m.

Documents: FY2024 Department Budget Requests; Finance Committee Draft FY24 Budget Spreadsheets; Office of the Town Manager Proposed Annual Budget Fiscal Year 2024.

Respectfully submitted,

Louise Mizgerd
Staff Analyst

Approved March 1, 2023

Draft Budget Recommendation:

Description	FY2024 Finance Committee Rec.
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Townwide Expenses

Casualty, Liability, Property & Self-insurance Program	922,490
Debt Service	17,543,250
Group Health Insurance, Employee Benefits & Administrative Costs	17,599,022
Needham Electric, Light & Gas Program	5,655,057
Retiree Insurance & Insurance Liability Fund	8,199,280
Retirement Assessments	12,319,665
Workers Compensation	779,255
Injury on Duty & 111F	159,415

Classification Performance & Settlements	998,000
Reserve Fund	2,000,000

Townwide Expense Total	66,175,434
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Select Board and the Office of the Town Manager

Salary & Wages	1,225,793
Expenses	272,855
Total	1,498,648

Office of the Town Clerk

Salary & Wages	415,274
Expenses	86,480
Total	501,754

Legal Services

Salary & Wages	
Expenses	329,140
Total	329,140

Finance Department

Salary & Wages	2,398,879
Expenses	1,355,040
Capital	100,000
Total	3,853,919

Finance Committee

Salary & Wages	43,381
Expenses	1,590
Total	44,971

Planning and Community Development

Salary & Wages	575,257
Expenses	38,450
Total	613,707

General Government	6,842,139
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Police Department

Salary & Wages	8,003,770
Expenses	610,498

Capital	134,894
Total	8,749,162

Fire Department

Salary & Wages	10,145,850
Expenses	509,681
Capital	40,027
Total	10,695,558

Building Department

Salary & Wages	843,272
Expenses	51,040
Total	894,312

Public Safety	20,339,032
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Minuteman Regional High School Assessment

Assessment	1,640,461
Total	1,640,461

Needham Public Schools

Needham Public School Budget	92,155,973
Total	92,155,973

Education	93,796,434
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Building Design & Construction Department

Salary & Wages	336,301
Expenses	15,175
Total	351,476

Department of Public Works

Salary & Wages	10,915,518
Expenses	8,793,620
Capital	193,731
Snow and Ice	437,470
Total	20,340,339

Public Facilities and Public Works	20,691,815
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Municipal Parking Program

Program	159,654
Total	159,654

Health and Human Services Department

Salary & Wages	2,070,327
Expenses	477,925
Total	2,548,252

Commission on Disabilities

Salary & Wages	1,500
Expenses	550
Total	2,050

Historical Commission

Historical Commission	1,050
Total	1,050

Public Library

Salary & Wages	1,818,634
Expenses	417,100
Total	2,235,734

Park and Recreation Department

Salary & Wages	1,149,013
Expenses	325,440
Total	1,474,453

Memorial Park Trustees

Memorial Park Trustees	750
Total	750

Needham Council for Arts and Culture

Needham Council for Arts and Culture	8,300
Total	8,300

Community Services	6,430,243
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Department Budget Total	148,099,663
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Total Operating Budget	214,275,097
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