

**Needham Finance Committee
Minutes of Meeting of June 21, 2023**

The meeting of the Finance Committee was called to order by Chair John Connelly at approximately 5:35 pm in the Great Plain Room of Town Hall.

Present from the Finance Committee:

John Connelly, Chair; Louise Miller, Vice Chair

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

Others present:

David Davison, Assistant Town Manager / Director of Finance

Kate Fitzpatrick, Town Manager

Kevin Keane, Vice Chair, Select Board

Citizen Requests to Address the Finance Committee

No requests.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Coffman that the minutes of the meeting of April 19, 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. (Mr. Levy, Ms. Miller and Ms. Calton had not yet arrived.)

MOVED: By Mr. Reilly that the minutes of the meeting of May 1, 2023, be approved as distributed, subject to technical or typographical corrections. Mr. Healy seconded the motion. The motion was approved by a vote of 6-0. (Mr. Levy, Ms. Miller and Ms. Calton had not yet arrived.)

MOVED: By Mr. Healy that the minutes of the meeting of March 30, 2022, be approved in full, unredacted form. Mr. Reilly seconded the motion. The motion was approved by a vote of 5-0-1. (Ms. Hairston abstained since she was not on the Committee when the meeting took place. Mr. Levy, Ms. Miller and Ms. Calton had not yet arrived.)

Reserve Fund Transfers – FY 2023 Operating Budget

Legal Services

Mr. Davison stated that an additional \$40K is needed in the Legal Services line to cover the legal services costs needed through the end of the fiscal year. He noted that this is the first request for additional legal services costs in over 3 years. Mr. Reilly asked about the pending legal cases. Mr. Davison stated that the major issues include: labor-related legal expenses in the amount of \$23K, as well as zoning litigation regarding a proposed daycare, liquor license compliance matters and related reporting requirements, legal issues related to several hearings regarding dog dangerousness, and issues related to the proposed quiet zone. Mr. Connelly asked if there are

known concerns regarding legal expenses expected for FY24. Mr. Davison stated that he does not have concerns, but will know more about the state of the budget by the time the Committee holds next year's budget hearings. Only two of the matters are still ongoing: the daycare zoning appeal and one of the liquor license disputes. The other issues are resolved or will be soon.

MOVED: By Mr. Healy that the Finance Committee approve of the request to transfer \$40,000 from the FY 2023 Reserve Fund to the Legal Services expense line. Mr. Reilly seconded the motion. The motion was approved by a vote of 7-0. (Ms. Miller and Ms. Calton had not yet arrived.)

Needham Electric Light and Gas

Mr. Davison stated that this is a request for \$638,063. The reserve fund transfer request form provided the amounts expended so far in the natural gas, electric, and "other" parts of the budget, as well as the estimates for the months of May and June, and the estimated deficit compiled for the entire budget line. He stated that although the last winter was milder than usual, natural gas usage has increased somewhat, and the supply cost increased tripled after the old contract expired in December. He stated that both the distribution and transmission costs for electricity are regulated. The supply cost increased to 32 cents per kwh in FY23 when it had been budgeted at 23.5 cents per therm. He noted that the FY24 budget is at 23 cents per kwh, so he expects another budget deficit next year.

Mr. Connelly asked about the level of the FY23 Reserve Fund assuming both transfers are approved. Mr. Davison stated that about 57% the Reserve Fund budget will be returned, or \$1.078 million. He stated that next year, the biggest wild card will be the Snow and Ice budget.

MOVED: By Mr. Healy that the Finance Committee approve of the request to transfer \$638,063 from the FY24 Reserve Fund to the Needham Gas and Electric Light budget. Mr. Reilly seconded the motion. The motion was approved by a vote of 9-0

Election of Officers for FY2024

Mr. Connelly nominated Ms. Miller to be Finance Committee Chair for fiscal year 2024. Mr. Healy seconded the nomination.

VOTE: Ms. Miller was confirmed as Chair by a unanimous vote of 9-0.

Mr. Healy nominated Ms. Fachetti to be Vice Chair for fiscal year 2024. Mr. Coffman seconded the nomination.

VOTE: Ms. Fachetti was confirmed as Vice Chair by a unanimous vote of 9-0.

Ms. Miller chaired the remainder of the meeting.

Reserve Fund Transfer – FY 2024 Operating Budget

Ms. Miller stated that there was a request for a Reserve Fund transfer in the FY 2024 budget. Mr. Davison stated that the request is for \$100K to allow the Town to do further feasibility study

on the proposed quiet zone in order to obtain better cost estimates in anticipation of a warrant article in the fall that will seek to implement the quiet zone. He stated that the Select Board voted to withdraw the quiet zone article from the Town Meeting warrant in May in order to get better data. Ms. Miller asked if the Town would be hiring a consultant. Ms. Fitzpatrick stated that the Select Board has created a working group which is planning to develop a scope for a consultant.

Ms. Fachetti asked how the amount of \$100K was arrived at. Ms. Fitzpatrick stated that the Town Engineer estimated the cost based on looking at studies for similar projects. They are hoping to get the design and permitting finished in time to request construction funds at the 2024 Annual Town Meeting to keep the project on schedule.

MOVED: By Mr. Healy that the Finance Committee approve of the request to transfer \$100,000 from the FY 2024 Reserve Fund to the DPW expense budget. Mr. Reilly seconded the motion.

Discussion: Mr. Healy stated that it makes sense to study this issue further, and that it was wise to defer the presentation of it in May. He noted that although he supports funding the additional study, this support should not be construed to also be support of the design or construction of the quiet zone project, or a belief that it will be ready for funding in 2024. He stated that the Finance Committee still needs to review the Town's financing plan and to get a better understanding of how this project will fit into debt financing plan both for debt within and outside of the tax levy. Mr. Levy stated that he took issue with the process since an expense such as this is typically included in the DPW expense budget. Ms. Miller stated that normally, the Finance Committee would wait for a deficit before making a Reserve Fund transfer, but the Committee committed to fund this work with a Reserve Fund transfer so that the DPW would continue to spend its budget as planned and would not cut back on other spending for this.

Vote: Mr. Healy's motion was approved by a vote of 9-0.

Committee Appointments

Ms. Miller stated that the Finance Committee has been asked to make appointments to the Quiet Zone Working Group and the Community Housing Oversight Committee. Mr. Connelly stated that he has been involved in the quiet zone discussion so far, and feels it would be appropriate for him to continue on the Quiet Zone Working Group. He stated that he has also had involvement with the community housing projects and would like to serve on the Community Housing Oversight Committee. Ms. Miller asked for objections and heard none, and appointed Mr. Connelly to both committees. She stated that she would not be able to serve as a budget liaison to the School Department. Mr. Connelly stated that he would stay on with that assignment as well. Ms. Miller asked that he report back on the proceedings of the committees.

Updates

Mr. Connelly stated that he, Mr. Levy and Ms. Fachetti met with the School Committee and School Administration liaisons regarding their \$3 million FY23 budget surplus. \$1.9 million is salary funds that were unspent due to turnover and position vacancies. The remaining funds are from unexpected sources of revenue. Their plan is to use approximately \$2 million and return \$1 million to the Town. He stated that they provided a list of planned expenditures, some of which

make sense, including funding a supplemental special education instructional program at the Newman School that may end up saving money. The plan also includes holding \$400K in contingency funds for possible out of district special education costs. Other planned spending includes an additional \$250K to augment the technology budget, \$270K for auditorium upgrades and rigging needed pursuant to a feasibility study, and \$250K for a digital document retention system.

Mr. Coffman asked if there is any double counting by using salary savings from FY23 from unfilled positions toward positions that are already funded in the FY24 budget. Mr. Connelly stated that they are planning to use unspent Circuit Breaker funds not salary savings for this expense. He noted that the positions were not unfilled for lack of funds or lack of trying to fill them. Ms. Fachetti stated that the positions are in the budget for next year and the School Department has a new contract for the teaching assistants and they are confident they will be able to fill the positions next year. Ms. Miller stated that all communities are having trouble filling positions since there aren't workers available, and that increasing the salary will just increase the pay scale rather than attracting candidates.

Ms. Miller stated that the School Department should not get in a pattern of bypassing the capital process by using end-of-year funds to pay for projects such as the theater rigging. Mr. Reilly asked if the School Department was pre-paying any SPED tuitions as they have in the past. Ms. Fachetti stated that they were planning to do that, and to reserve the funds that are freed up in the FY24 budget as a reserve for potential additional tuition costs. Mr. Connelly stated that the liaisons would prepare a memo to the School Department with the Finance Committee's position on the School's proposed use of year-end funds.

Ms. Miller stated that she and Ms. Mizgerd have met with a potential consultant who would work with the Finance Committee to summarize the facility financing plan and to prepare a model to answer questions of different scenarios for a better understanding of the capital plan and what the Town can afford in the context of debt limits and revenue.

Mr. Reilly stated that during the DPW budget review, they had discussed that the summer would be a good time to look at whether it is more efficient to contract out services or perform them in-house. Mr. Davison stated that every time the Town contracts for a new service they review which approach would be better. He stated that they have found that a mix is better overall. He stated that for building cleaning, they have needed to backfill with contracted services because they could not fill all of the positions. He stated that has cost more and a budget adjustment will be needed. Mr. Reilly stated that his analysis of janitorial services showed a dramatic difference in costs. He stated that it would be useful for the Committee to know the incremental costs of outside contractors versus in-house costs of services. He stated that it is hard to make a decision which approach is best if the incremental cost is not known. Ms. Miller stated that the Committee will ask about the analysis that has been done regarding the costs of services as they come up.

Adjournment

Mr. Healy thanked Mr. Connelly for his leadership over the past year and his service to the Town. He congratulated Mr. Reilly on his retirement from the Finance Committee and thanked him for his service and being so generous with him time.

MOVED: By Mr. Connelly that the Finance Committee meeting be adjourned, there being no further business. Ms. Calton seconded the motion. The motion was approved by a roll call vote of 9-0 at approximately 6:10 p.m.

Documents: FY24 Reserve Fund Transfer Request for Legal Services dated June 15, 2023; FY23 Reserve Fund Transfer Request for Needham Electric Light and Gas Program dated June 15, 2023; FY24 Reserve Fund Transfer Request for DPW dated June 12, 2023.

Respectfully submitted,
Louise Mizgerd
Staff Analyst

Approved September 6, 2023