

Needham Finance Committee
Minutes of Meeting of January 31, 2024

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

Present from the Finance Committee:

Louise Miller, Chair, Carol Smith-Fachetti, Vice-Chair

Members: Karen Calton, Barry Coffman (remote), John Connelly, Joshua Levy, Paul O'Connor

Absent: James Healy

Others present:

David Davison, Deputy Town Manager/Director of Finance

Cecilia Simchak, Assistant Director of Finance

Joe Prondak, Building Commissioner

Michelle Vaillancourt, Town Accountant

Diane Ryan, Assistant Town Treasurer

Melissa Motta, Town Assessor

Liz Lee, School Committee Vice-Chair (remote)

Citizen Requests to Address the Finance Committee

No requests

Approval of Minutes of Prior Meetings

MOVED: By Mr. Coffman that the minutes of the meetings of January 3, 2024 be approved as distributed, subject to technical or typographical corrections. Mr. O'Connor seconded the motion. The motion was approved by a vote of 5-0.

FY2025 Department Budget Hearings

Building Department

Mr. Connelly introduced the budget. Mr. Prondak is the new Building Commissioner of seven months. The budget for FY2024 was \$894,312 and the FY2025 budget request has increased by about \$7,000 or 1% to \$901,434. This is broken down into \$850,000 in salaries for 8 FTE and 3 PTE positions and \$51,400 in expenses. The head count has been consistent over the last few years. The two open staff positions will be filled soon. There are no DSR4 requests.

Mr. Coffman inquired about the \$20,000 amount in expenses that had been requested in a prior year for outside fire inspection services at the Muzi site and asked if that amount would be lowered seeing as nothing is happening at the site. Mr. Prondak indicated that it wasn't exclusively for the Muzi site and can be used for similar projects that have intense fire protection systems. Mr. Davison indicated that this expense used to be in the Fire Departments budget but by code the Building Inspector is responsible for that analysis, and it was transferred into the Building Department budget. In FY2023 the department brought in \$4.8M. Last year they

issued 4,151 permits, an average of 346 per month and so far, this year 2,544, an average of 363 a month.

Mr. Levy asked if there would be additional time or costs with the Opt-in Specialized Energy Code. Mr. Prondak indicated that until the code is implemented it is hard to determine the effect it will have.

Ms. Miller inquired about the Sealer of Weight and Measure and was informed it has been transferred to Norfolk County and the Town pays them \$12,000 a year for the service. This amount is in the expense budget.

Finance Department including Technology

Mr. Healy was the liaison to the department and provided notes for the meeting to Ms. Miller. Ms. Miller introduced the budget. The overall budget request is 5.6% higher than FY2024.

The Salary & Wages has increased by \$259,000 for FY2025, an increase of 12.2%. At the October STM there was a decrease in Salary & Wages by \$240,000 transferred to services for contractor services for technology and security support in public safety and general help desk services for municipal departments. These expenses appear in the FY2025 the Salary & Wages line. If the \$240,000 remain in expenses, the actual increase in the Salary & Wage line item is only 2.1% for step increases for ITWA bargaining unit employees. There may be an additional increase for COLA after the ITWA contract is in place for which the collective bargaining started today.

The current FY2025 expenses are \$48,000 lower than FY2024 which relates back to the shift at the October STM, which is in the Salary and Wage line for FY2025. An apples to apples comparison for the expenses budget request for FY2025 \$213,000 or 16% mostly driven by additional contractual costs to hire a firm to oversee the required 5-year certification process to confirm the Town's financial processes comply with State law, to meet increased costs of contractual services for outside network IT services, and increased costs of annual software licenses due to inflation and additional subscriptions.

The operating budget capital is \$102,000 for computer and laptop replacement as needed. This is an annual allowance. The Town has approximately 400 units, with varying life cycles. From 4 years for high-end users to 6 years for low-end users. Based on the life cycle, the greatest number of units replaced is 80, the lowest has been 40. The request this year is for 65 units.

There are two DSR4 requests. \$248,000 to enter into contracted services for an outside vendor to provide permanent 24/7 public safety, finance and public works IT support services including a help desk. \$16,500 for a multifunction printer of which \$1,500 is a recurring cost for supplies and maintenance. The Town purchases printers, which is cheaper than leasing them. This unit would be physically located in the Office of the Town Manager and Select Board.

In his notes, Mr. Healy praised the Town's finance team, stating that Dave Davison, Finance Director, and his team were a pleasure to meet, were fully transparent and very detail oriented.

There are discussions with the School Department on consolidating the Town and School IT departments. The budget submitted is based on the old model of separate IT departments. There

are many aspects of consolidation that need to be worked out. Staffing has been a challenge over the last few years. Five of the seven IT positions are vacant and are on hold until the consolidation issue is resolved.

Other Finance Department positions have also been vacant for significant periods of time. The last support position in the Treasurers office was filled this week. There is a promising candidate for the Treasurer/Tax Collector position. Accounting is fully staffed as is Assessing. The Assistant Finance Director position was finally filled after a two year vacancy by Ms. Simchak.

Ms. Miller asked about the overlay account and the projected amount of \$1.9M. Ms. Motta indicated that the abatement deadline is tomorrow at 5PM. All abatement forms should be received by the end of next week. To date there have been half as many abatement requests as last year. The current balance in the overlay is somewhat smaller this year since the Town released overlay funds this past fiscal year. Mr. Davison stated that additional overlay funds would be released depending on abatement activity.

Townwide Expenses

Ms. Miller presented the Townwide Expenses budgets.

Casualty, Liability, Property & Self Insurance

Ms. Miller reported that the budget is up 5.8% due to the cost of buildings and construction adding Emery Grover next year. There are only a few insurers. MIIA has provided great support services and training programs. They manage the Town's insurance program.

Debt Service

The Town anticipates borrowing a certain projected amount that is approved. In their liaison meeting, Ms. Miller and Mr. Davison talked about the debt service policies again. It is anticipated that the 10% limit on total debt policy will be exceeded. It was felt that having a discussion with the Select Board again would be a good idea. A policy that can be followed is desirable although there is always the possibility that the guidelines will be exceeded. The cost of construction projects is increasing. The Town also has CPA debt that has a dedicated stream of revenue, yet counts toward the 10% total debt limit policy. The Town would like to maintain its AAA rating.

Mr. Davison is always monitoring the interest rates. It is always desirable to borrow when rates are low to get more value for less expense. However, arbitrage rules prevent the Town from overborrowing. When projecting debt, a higher percentage rate is always assumed.

Needham Electric, Light & Gas Program

The FY2025 budget is up a modest amount. There was a substantial reserve fund transfer and increase in the FY2024 budget. It seems like consumption has stabilized from the big spike during COVID-19 for increased ventilation requirements. There are contracts in place for electricity supply and the increases are known. There is not a natural gas supply contract currently in place and this presents a risk in the FY2025 budget, although Mr. Davison indicated

that the current Eversource gas default rate is lower than the bids being received by the Town. At the end of the heating period in March the Town may go out to bid again.

For the solar array at the RTS, the Town pays Tesla .09 cents per kWh to generate the electricity sold by the Town to Eversource who in turn pays the Town between .24 and .31 cents per kWh for the electricity. The solar array is bringing in approximately \$1M in revenue. The array is halfway through its life, there is another ten years and, in about five years, the Town needs to contemplate what actions are needed. There are several options: buy out the array, have Tesla remove the array and restore the site to its original condition, go out to bid for a new offer on a new array, or the Town could own the array and construct it itself on the site.

Reserve Fund

According to the formula for the reserve fund budget, it would be \$2.5M for FY2025. Last year the budget was reduced to \$2M. The Town Manager had a conversation with Ms. Miller and has kept it level funded for FY2025 rather than increasing it by \$.5M over FY2024. It was suggested that perhaps the formula should be readjusted. The fund covers extraordinary, unexpected costs such as snow and ice, rain storms, public safety overtime, and SPED costs. This year the Quiet Zone Study was funded in the amount of \$100,000.

Finance Committee

There are no changes in the budget. The part-time support position has been advertised but there have been no responses. The schools have been asked if the position could be posted in newsletters but have not responded to the request. The position receives a weekly stipend whether there is work or not and summers are basically off.

FY2025 Town Managers Preliminary Budget Recommendation

Ms. Miller prepared a spreadsheet with the FY2023 budgets and actuals, the FY2024 budget and the FY2025 requests with DSR4s, and inserted the Town Manager's recommended budget and Finance Committee recommendations. Some budgets may require more discussion than others. The financial warrant articles should also be reviewed at the same time as there are some effects on the FY2025 budgets and beyond. Information about recommended DSR5s is in the Town Manager's budget book.

In preparation for the next meeting, Ms. Miller asked the Committee to review the Town Manager's recommendations and the spreadsheets as these will be reviewed at the next meeting. It is hoped that the Committee can reach consensus at the next meeting if possible. The Parks & Recreation and the Board of Health budgets are on the agenda next week.

The warrant will be closed Tuesday night, February 6th.

Updates

Ms. Miller indicated that the CPC plans to attend the February 21st meeting. The Quiet Zone group may also be attending.

Mr. Levy reported that the HONE met on Monday to discuss the MBTA Communities Act survey results. There were 595 survey responses with 219 written comments. Just over half of respondents favored Option A with the smallest geographic change. Two warrant articles were discussed, one with the base scenario plus 10% and the other with one or more other options which will be addressed at their next meeting on February 15th. There are many effects that may result in complying with the act, such as financial, zoning, planning, school enrollment, water, and sewer infrastructure.

The next meeting of the Finance Committee is scheduled for February 7, 2024.

Adjournment

MOVED: By Mr. Connelly that the Finance Committee meeting be adjourned, there being no further business. Ms. Carlton seconded the motion. The motion was approved by a vote of 7-0, at approximately 8:22 p.m.

Documents: FY2025 Department Budget Requests

Respectfully submitted,

Kathryn Copley
Administrative Specialist