

**Needham Finance Committee
Minutes of Meeting of February 28, 2018**

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

Present from the Finance Committee:

Richard Reilly, Chair

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

Board of Selectmen: Chair Marianne Cooley, Vice Chair Dan Matthews, Matt Borrelli, Maurice Handel, John Bulian

Others present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Evelyn Poness, Treasurer/Collector

Move into Executive Session, Exception 6, to return to open session at conclusion

Mr. Reilly declared that an executive session is necessary to protect the negotiating position of the Town with respect to the purchase, exchange, lease or value of real property, under Exception 6 to the Open Meeting Law.

MOVED: By Ms. Miller that the Finance Committee enter Executive Session to discuss the purchase, exchange, lease or value of real property, and to reconvene in Open Session immediately afterward. Mr. Lavery seconded the motion. The motion was approved by the following roll call vote at approximately 7:00 p.m.: Mr. Levy: Aye; Mr. Lunetta: Aye; Mr. Lavery: Aye; Mr. Reilly: Aye; Mr. Connelly: Aye; Ms. Smith-Fachetti: Aye.

Resume Open Session (7:55 pm)

Citizen Requests to Address Finance Committee

No citizens requested to speak.

Approval of Minutes of Prior Meetings

MOVED: By Ms. Miller that the minutes of February 28, 2017, be approved as distributed, subject to technical corrections. Mr. Lunetta seconded the motion. The motion was approved by a vote of 7-0.

2018 Annual Town Meeting Warrant Articles:

Accept Chap 73, Sec 4 Acts of 1986

Mr. Davison explained that this article must be voted each year to allow the Town to increase certain property tax exemptions granted by the state. The law allows a maximum 100% increase by the Town thereby doubling the state exemption. This article will increase the state exemption by 100%. He stated that, in FY17, there were approximately \$131K of exemptions, so this article would cost the Town about \$68K. Mr. Reilly noted, for context, that the property tax base is about \$141 million. In response to a question from Mr. Lunetta, Mr. Davison stated that about 139 homeowners have exemptions under this provision. He noted that the exemption cannot decrease the tax bill to an amount that is lower than the last year's tax bill. He stated that property taxes must be applied the same to everyone under state law, so unless there is a state exemption, the Town cannot decide on its own to excuse taxes for some people. He added that the Municipal Modernization Act did not cover this provision.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of 2018 Annual Town Meeting Warrant Article: Accept Chapter 73, Section 4 of the Acts of 1986. Ms. Miller seconded the motion. The motion was approved by a vote of 7-0.

Appropriate for Property Tax Assistance Program

Mr. Reilly stated that this program originally provided for the Town to match voluntary donations. Mr. Davison stated that due to declining donations, this annual article now provides \$25,000 funding for the program which provides property tax assistance to people who have trouble paying their taxes. It provides assistance to people who do not qualify for other exemptions, but have need. There is a committee that decides on the amount of assistance. The article includes the same appropriation as last year.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of 2018 Annual Town Meeting Warrant Article: Appropriate for Property Tax Assistance Program in the amount of \$25,000. Ms. Miller seconded the motion. The motion was approved by a vote of 7-0.

Appropriate for Senior Corps

Mr. Davison stated that this allows seniors to perform volunteer work in exchange for credit against their tax liability. There are requirements including that the volunteers must be: over age 60, residents of the Town, and the owner of property that they pay taxes on. If there are more volunteers than there is funding available, then the Town would use income to screen volunteers. The Town does not currently have to do that. He described some of the jobs that these volunteers do in the Town and Schools. Mr. Connelly asked if the program funding should be increasing as taxes increase. Mr. Davison stated that demand has not outstripped the funds, and that participation has been flat.

MOVED: By Mr. Lunetta that the Finance Committee recommend adoption of 2018 Annual Town Meeting Warrant Article: Appropriate for Senior Corps in the amount of \$15,000. Ms. Miller seconded the motion. The motion was approved by a vote of 7-0.

Appropriate the FY2019 General Fund Operating Budget

Mr. Reilly stated that the Committee was still considering a few items. He stated that he felt that the Compliance Coordinator position in DPW was mostly clerical and asked whether this person would have authority to question compliance efforts. Ms. Miller stated that she felt that the job description was very good, and that the position was essentially an administrative analyst and that the work is fairly complex. In response to a question from Mr. Reilly, Mr. Davison stated that the position will report to the DPW Director or a department manager level person. He stated that the \$73K included is the maximum salary that would be paid if the person hired is an experienced person.

Mr. Davison asked the Committee to reconsider funding the Recording Secretary position for the Conservation Commission, since the recording functions work take up the time of the Conservation Specialist. He stated that this work is now \$30 per hour and sometimes pushes that person into overtime, while the Recording Secretary would be paid \$21 per hour. There was discussion of when the work is done and how it competes with other functions. Several members agreed that the position should be included in the budget.

MOVED: By Ms. Fachetti to include the Recording Secretary position in the Planning and Community Development salary line of the final budget recommendation, moving funds from the Reserve Fund in the draft budget. Mr. Lunetta seconded the motion. The motion was approved by a vote of 5-2, with Mr. Reilly and Mr. Connelly dissenting.

Ms. Fitzpatrick stated that the Town is planning to explore grants and regional opportunities to try to provide for the remaining funding to increase the Emergency Management Coordinator position in HHS to full time.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of 2018 Annual Town Meeting Warrant Article Appropriate the FY2019 General Fund Operating Budget in the amount of \$162,720,589, funded as designated in the written article. Ms. Miller seconded the motion. The motion was approved by a vote of 7-0.

Appropriate the FY2019 RTS Enterprise Fund Budget

MOVED: By Ms. Miller that the Finance Committee recommend adoption of 2019 Annual Town Meeting Warrant Article: Appropriate the FY2019 RTS Enterprise Fund Budget in the amount of \$2,565,393, funded as designated in the table to be included in the article. Mr. Lunetta seconded the motion. The motion was approved by a vote of 7-0.

Appropriate the FY2019 Sewer Enterprise Fund Budget Appropriate the FY2019 Water Enterprise Fund Budget

Mr. Davison stated that the Sewer and Water budgets includes the updated MWRA estimated assessment. The Sewer MWRA assessment is higher than last year, but the Water MWRA assessment is lower. He stated that Sewer assessment increase is 5.7%. The Water cost is lower because Needham's usage of MWRA water for the year ending 12/31/17 is lower.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of 2019 Annual Town Meeting Warrant Article: Appropriate the FY2019 Sewer Enterprise Fund Budget in the amount of \$9,213,204, funded as designated in the table to be included in the article. Mr. Lavery seconded the motion. The motion was approved by a vote of 7-0.

Discussion: Mr. Reilly asked what happened to retained earnings left at the end of the fiscal year. Mr. Davison stated that they are reserved in accordance with the Town's retained earnings policy for the fund. Ms. Miller asked why the tax levy was partially funding the budget. Mr. Davison stated that that amount is the portion that the Town pays for storm drains.

Vote: The motion was approved by a vote of 7-0.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of 2019 Annual Town Meeting Warrant Article: Appropriate the FY2019 Water Enterprise Fund Budget in the amount of \$4,897,815, funded as designated in the table to be included in the article. Mr. Levy seconded the motion. The motion was approved by a vote of 7-0.

Appropriate to Community Preservation Fund

Mr. Reilly stated that this budget is determined in accordance with a formula under the Community Preservation Act (CPA.) Ms. Miller asked what the actual administrative costs have been recently. Mr. Davison stated that the costs are usually less than \$12K. He stated that some years there have been higher expenditures to pay for things like appraisals or a deposit on a property purchase. Ms. Miller asked what the expected state match would be this year. Mr. Davison stated that Boston has adopted the CPA, so there will be less funding, and he expects about 10% in matching funds.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of 2019 Annual Town Meeting Warrant Article: Appropriate to Community Preservation Fund as designated in the article. Ms. Miller seconded the motion. The motion was approved by a vote of 7-0.

Appropriate for General Fund Cash Capital

Mr. Reilly stated that the article includes a significantly lower total than the cash capital listed in the Capital Improvement Plan. Mr. Davison stated that some items will have standalone warrant articles, and some items will not have funding requested now. Mr. Reilly asked about items from the list on p. 2-1 of the CIP that were omitted from the cash capital article. Building management upgrade: Mr. Davison stated that the item is new, and is Tier 2, so there are not sufficient funds; Boiler replacement: the Town is waiting to see what is happening with the whole facility; DPW Storage: separate warrant article; Facilities assessment for sustainable building management: not yet recommended as part of the CIP; Memorial Park building: separate warrant article; Mitchell School lockers: separate Special Town Meeting article using unexpended funds from an old article; DPW infrastructure: separate warrant article; Fleet vehicles: two are not being requested; Water quality improvements at Wildwood Pond: the project is Tier 2. Mr. Davison stated that the RTS, Sewer and Water cash capital items were all deemed Tier 1 and are included in the plan for funding.

Ms. Miller asked about the difference between the Traffic Improvements request for \$50,000 and the Traffic Signal & Intersection Improvements within the Infrastructure article. Ms. Fitzpatrick stated that the Traffic Improvements request implements recommendations from the Traffic Advisory Committee which are not part of the planned infrastructure budget. Ms. Miller suggested that those improvements could be rolled into the already huge infrastructure plan. Ms. Fitzpatrick stated that the infrastructure plan is addressing one intersection at a time, with a focus on signals. They are planning to work on the Highland Ave/West St. intersection in FY19. The other work is making intersections, such as those near schools, more pedestrian safe. Ms. Miller stated that she does not take issue with the work, but feels that traffic improvements should be grouped together. Ms. Miller asked for a copy of the streetlight conversion study. Mr. Davison noted that the Town applied for a MAPC grant. If funded, it would be in the form of a reimbursement. Ms. Miller asked about the Pollard improvements. Mr. Davison stated that they are determining the best way to maintain and use the building for 10 years until can be replaced, and get the best value for any costs.

Mr. Reilly stated that he attended a walk-through of Mitchell School, and it seems there is an urgent need for additional modular classrooms for the full-day kindergarten program, and that it should be funded even if it has not been in the capital plan for 5 years. Mr. Davison stated that he recently found out about this need, and that the School Committee plans to ask for that next year when there is a better understanding of the kindergarten enrollment, to be funded at the May 2019 Annual Town Meeting. Mr. Connelly asked if the work could be done during the summer of 2019, and funded prior to that. Mr. Davison stated that he does not expect revenue expectations to change between now and Town Meeting. This was not contemplated for funding at this time because the School Committee was unsure about enrollment in the Mitchell District, so they plan to wait until May 2019. Mr. Reilly suggested that the project should be moved up, as there is a clear need. If the modulators are needed in 2020, they will be needed in 2019. Mr. Connelly concurred. Mr. Reilly stated that Dr. Gutekanst was ready to ask, but did not want to overreach. Mr. Davison stated that the project could be made a priority for funding in the fall of 2018 or for May 2019 for \$1.5 million. He stated that the budget was based on \$12.5 million of free cash, which has since been certified at about \$13.5 million. He noted that any end-of-year funds from FY18 will not be available for appropriation in fall of 2018.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of 2019 Annual Town Meeting Warrant Article: Appropriate for General Fund Cash Capital in the amount of \$4,651,789, as designated in the warrant article. Mr. Lavery seconded the motion. The motion was approved by a vote of 7-0.

Ms. Miller requested that the Fire Truck be listed on a separate line from the Fleet request for clarity.

Appropriate for RTS Enterprise Fund Cash Capital

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of 2019 Annual Town Meeting Warrant Article: Appropriate for RTS Enterprise Fund Cash Capital in the amount of \$345,360, as designated in the warrant article. Mr. Lunetta seconded the motion. The motion was approved by a vote of 7-0.

Appropriate for Sewer Enterprise Fund Cash Capital

Appropriate for Water Enterprise Fund Cash Capital

Ms. Miller suggested that the Town seek more MWRA loans. She stated that loans are available for infiltration and inflow work, and that 75% of the funding would be in the form of a grant and 25% as a loan with 0% interest. She stated that there will be \$180 million available for this program in the spring. Mr. Davison stated that the terms have changed, and previously, the cost of bond counsel made the loans cost more than the money saved, but he would pursue it.

MOVED: By Ms. Miller that the Finance Committee recommend adoption of 2019 Annual Town Meeting Warrant Article: Appropriate for Sewer Enterprise Fund Cash Capital in the amount of \$1,357,111, as designated in the warrant article. Any amounts not needed will be returned to the Town. Mr. Connelly seconded the motion. The motion was approved by a vote of 7-0.

MOVED: By Ms. Miller that the Finance Committee recommend adoption of 2019 Annual Town Meeting Warrant Article: Appropriate for Water Enterprise Fund Cash Capital in the amount of \$1,525,048, as designated in the warrant article. Any amounts not needed will be returned to the Town. Mr. Connelly seconded the motion. The motion was approved by a vote of 7-0.

Revoke RTS Enterprise Fund

Mr. Davison stated that the trend has shown that the RTS is difficult to fund through retained earnings. While enterprise funds are not required to be self-sustainable, the foreseeable future includes a General Fund contribution of about 76% up to 80%. Recycling no longer generates income, and is becoming a cost item. He recommends discontinuing the RTS as an enterprise fund effective with the FY 2020 budget, which requires a Town Meeting vote. The RTS costs will be built into the General Fund operating budget in FY20, and the fees collected will be General Fund revenue. Once the fund is dissolved, retained earnings will go to free cash. Mr. Reilly stated that this will mean a difference in accounting, but seems to have a de minimus economic impact to the Town. Mr. Davison stated that there will no longer be a need for a separate audit of the fund, but that is not a good reason alone to revoke it. He noted that the RTS debt will then count as part of the 3% limit for debt within the levy, so will compete with other needs. Now the RTS debt counts only as part of the overall 10% debt limit.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of 2019 Annual Town Meeting Warrant Article: Revoke RTS Enterprise Fund. Ms. Miller seconded the motion. The motion was approved by a vote of 7-0.

Finance Committee Updates

There were no updates.

Adjournment

MOVED: By Mr. Connelly that the Finance Committee meeting be adjourned, there being no further business. Ms. Miller seconded the motion. The motion was approved by a vote of 7-0 at approximately 9:13 p.m.

Documents: Proposed Annual Budget Fiscal Year 2019, Office of the Town Manager; Capital Improvement Plan, FY2019-FY2023, Office of the Town Manager; Town of Needham 2018 Annual Town Meeting Warrant, Draft of 2-23-2018; Tables with FY 2019 Enterprise Fund Operating Budgets.

Respectfully submitted,

Louise Mizgerd
Staff Analyst