

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

February 22, 2021

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

Re: Finance Committee Fiscal Year 2022 Draft Budget Recommendation

Dear Kate:

Please find enclosed the Finance Committee's voted draft of the General Fund operating budget recommendation for fiscal year 2022 totaling \$195,989,980. The Finance Committee held hearings and analyzed the budget requests from each department manager as well as your recommended balanced budget for FY 2022. The Finance Committee also carefully considered the School Superintendent's proposed FY 2022 budget which the School Committee voted to support in full. Since we are in the midst of a global pandemic, all of these hearings were held electronically. We would prefer to have been able to meet face-to-face, and hope to be able to be meeting again in person before too long. Nevertheless, the Committee appreciates the hard work and dedication of everyone involved in preparing the budget requests and the candid answers provided to our questions. As you know, this is a draft, and the Finance Committee will be submitting a final FY 2022 operating budget recommendation in March, as required under the Town By-Laws, to be included in warrant for the 2021 Annual Town Meeting. The FY 2022 budget is based on "normal" ongoing operations. One-time expenses that may be needed to address the pandemic have been segregated out from the operating budget to be funded separately. Because the landscape of this year is so different than usual, the Committee is still considering several factors that could affect the final FY 2022 budget recommendation, and may need to consider amendments even after the submission of the final budget recommendation in March.

The Finance Committee's draft budget shows specific recommendations for the FY 2022 Townwide Expenses budget as well as the salary and expense budgets for each of the Town departments, and a recommended bottom line allocation for budget for the Needham Public Schools. The Finance Committee appreciates the careful thought you and your staff have made to build your FY2022 budget recommendation. You have all done an impressive job keeping the Town functioning as effectively and normally as possible in this time of unprecedented challenges, while also providing new and unexpected pandemic-related services. The Finance Committee's recommendations correspond to your budget to a great extent, but include some recommended changes. Below is an explanation of the variances between your proposed budget and the Finance Committee's recommendation. The Finance Committee sought to develop a budget that is reasonable, prudent, and fiscally sound, and that will continue to fund the same

high level of service to residents. While the pandemic has affected revenue, we can expect some of the effects on revenue to be felt most significantly in the coming years. The Finance Committee commends the staff throughout the Town, both in the schools and in municipal services, for the restrained spending and cautious planning that have enabled Needham to maintain its financial strength and resiliency in this difficult time.

General Fund Operating Budget

Departments:

The Finance Committee's recommended draft budget corresponds with your balanced budget proposal with respect to the operating departments with the following exceptions:

- Select Board/Office of the Town Manager
- Police Department
- Public Library

The pandemic has upended almost all aspects of our lives and caused great strain on our work and family lives. The Finance Committee is paying particular attention to the tax burden on residents, and the need to balance that against certain increased needs, particularly in Public Health and Public Works. The Town also faces the need to address problems in aging school buildings that will require major capital projects in the coming years. The Finance Committee continues to scrutinize any requests for additional staff, since salary and wages are the largest costs in municipal government. This draft budget recommends a few limited requests for additional funding, many of which have been previously deferred and are increasingly needed. Other requests have been deferred.

The Finance Committee's FY2022 voted draft budget includes the adjustments to your recommendations for department budgets as follows:

Select Board and Office of the Town Manager: The Finance Committee did not include funding for the Public Information Officer position in our budget recommendation. The position was initially funded in 2019 through a financial warrant article to provide an opportunity to assess it before incorporating it in to the annual operating budget. The Finance Committee recommends funding this position through a financial warrant article for two additional years. While the position served many important functions during the course of the pandemic, the Committee felt it was not clear whether the need for an additional full time staff person in this role will persist in a more typical environment. The Committee also felt that it would be beneficial to examine whether another position could be converted to this role.

Police Department: Similarly, the Finance Committee is recommending that the Law Enforcement Clinical Support program be funded in a warrant article to allow for further analysis. The Finance Committee supports this mental health initiative, but feels that more time was needed to consider whether this approach, with a contractor providing half-time coverage, was the best way to meet the described need.

Needham Public Library: The Finance Committee has decreased the recommended Library budget by \$49,000, representing the funding for the OverDrive basic, OverDrive Advantage and OCLC WorldCat electronic subscription services which have been funded from State Aid. The Committee does not dispute the value of these services, but expects that there will be sufficient State Aid to pay for them. It was not clear what other programs or initiatives would be funded from the State Aid funds if these expenses were funded through the operating budget. The Finance Committee has continued to debate the optimal use of the Library's State Aid. The Finance Committee hopes to hear from the Library Trustees with its intended policy for using State Aid funds.

A note about the School Department budget:

After careful examination, the Finance Committee's budget recommendation fully funds the School Committee's base budget, the same amount funded in your balanced budget as well. The Finance Committee and its School Department liaisons also carefully reviewed Superintendent's supplemental request for over \$3 million for Covid-related expenses. The additional costs are not yet fully determinable, though they may be warranted. Such costs, however, should not be funded in the School Department's annual operating budget as long as they are expected to be as non-recurring needs.

Townwide Expenses

The Finance Committee carefully reviewed the nine lines that make up Townwide Expenses. Many of these costs are contractual or scheduled expenses and are nondiscretionary. The Finance Committee's draft FY 2022 budget does not include any changes to those budget lines, except for the Reserve Fund.

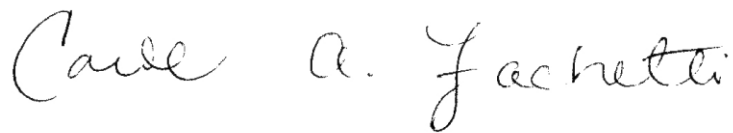
Reserve Fund: As you know, the Reserve Fund provides funds for expenditures that are extraordinary or are unforeseen when the budget is developed. By statute, the Finance Committee may authorize transfers to other budget lines during the fiscal year as needed. In this draft budget, the Finance Committee has chosen to keep the bottom line of this voted draft budget the same as your balanced budget. The Finance Committee has thus added \$189,163 to the Reserve Fund amount in your proposed budget. This increase represents the recommended decreases in other budget lines: the salary and expenses associated with the Public Information Officer position proposed for the Select Board/Office of the Town Manager budget (\$98,163), the cost of the Law Enforcement Clinical Support program in the Police Department (\$45,000), and the Public Library electronic subscription expenses (\$46,000) that are expected to be covered by State Aid. The final recommended appropriation to the Reserve Fund may change as the Finance Committee continues to consider its final recommendation not only for the FY 2022 operating budget, but also for other proposed appropriations for FY 2022.

Conclusion

Please do not hesitate to contact me if you have any questions, or would like to discuss any aspect of the Finance Committee's voted initial draft budget for FY 2022. This budget represents the culmination of a substantial amount of diligence and effort 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/Operations, the Department Managers, the School Superintendent, the School Director of Financial Operations, the Select Board, the School Committee, and the School Central Administration for your and their cooperation, openness, and invaluable support throughout the process of developing our FY 2022 operating budget recommendation. This budget for FY 2022 covers normal services, with some modest additional services. The Finance Committee anticipates that additional resources that will be needed to meet additional demands required in the fight against Covid-19 will be funded outside of the operating budget.

Very truly yours,

A handwritten signature in cursive script that reads "Carol A. Fachetti".

Carol Fachetti
Chair
Needham Finance Committee

Enclosure

Cc with enclosure:

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