

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

February 22, 2022

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

Re: Finance Committee Fiscal Year 2023 Draft Budget Recommendation

Dear Kate:

I am pleased to enclose the Finance Committee's voted draft of the General Fund operating budget proposed for fiscal year 2023 (FY2023) totaling \$205,168,959. The Finance Committee held hearings with each department manager and analyzed their budget requests. We also closely reviewed your recommended balanced budget for FY2023, as well as the School Superintendent's proposed FY2023 budget and the School Committee's voted budget, which adds one full-time position to the Superintendent's proposal. The Committee sincerely appreciates the hard work and diligence of everyone who is a part of the budget process, particularly given the challenges and uncertainties of a changing public health landscape. Most of our budget hearings were held remotely via videoconference due to the recent surge in the ongoing pandemic, but we continued to ask difficult questions and to receive honest and open responses in return. We are optimistic to see that public health circumstances are currently improving.

As required under the Town By-Laws, I am submitting the FY2023 draft proposed budget which has been voted by the Finance Committee. Next month, I will submit the FY2023 final proposed budget for publication in the Warrant of the 2022 Annual Town Meeting. The Finance Committee has developed the FY2023 budget based on the ongoing operations. Some needs have changed for the long term due to the pandemic, and those changes are also reflected in this operating budget. The Finance Committee is still considering some factors that could affect the final FY2023 budget recommendation that will be voted in the coming weeks.

The Finance Committee's draft budget includes specific recommendations for the FY2023 Townwide Expenses budget as well as the salary, expense, and operating capital budgets for each of the Town departments, with a recommended single bottom line appropriation for the Needham Public Schools budget. The Finance Committee appreciates the attention to detail and resourcefulness that are reflected in each department's budget request. All staff should be commended on the continued and effective operations of the Town despite challenges related to public health over the past two years. Because of the careful budgeting practices, the Finance Committee's FY2023 draft proposed budget closely correspond to most of the department budget requests and to your recommended balanced budget. Where the Finance Committee's draft

proposed budget differs from your recommendation, I have included an explanation below. The Finance Committee focused on its mission to present an operating budget that will continue to provide for the same high level of service to residents while also being reasonable, prudent, and fiscally sound, recognizing the tax burden that the budget places on homeowners.

The Finance Committee has been particularly impressed by the dedication of staff during these difficult years, and recognizes the efforts in both the schools and in municipal services to meet the needs of the residents and to expend resources judiciously while continuing to plan for the future. Needham's administration, service delivery, and governance have proven to be reliable, adaptable and resilient.

General Fund Operating Budget

Townwide Expenses

The Finance Committee carefully reviewed the ten lines that make up Townwide Expenses, including the new Injury on Duty & 111F line. This line segregates funds for payment of injury leave compensation or medical bills incurred for public safety personnel from the Workers Compensation line so that they may be set aside at year-end in the Injury Leave Indemnity Fund that was created at the Special Town Meeting in May 2021, to be available for the same purpose in future years.

Many of the costs in Townwide Expenses are contractual or scheduled expenses and are nondiscretionary. The Finance Committee's draft FY2023 budget does not include any changes to those budget lines. Some lines may change if the number of FTEs changes in the final budget, including the Group Health Insurance & Benefits, Retiree Insurance, and Workers Compensation lines. If appropriate, the Finance Committee may also consider changing the amount in the Reserve Fund.

Departments:

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

- Select Board and the Office of the Town Manager
- Finance Department
- Minuteman Assessment
- Department of Public Works
- Park and Recreation
- Needham Council on Arts and Culture

The Finance Committee continues to emphasize the need for careful consideration of each request for additional staffing. Salary and wages constitute the bulk of the costs in municipal government, as expected in a service-oriented business. Each benefit-eligible position also

incurs significant costs for health insurance and retirement benefits. The Finance Committee's FY2023 budget includes some new positions that have been well justified.

The Finance Committee's FY2023 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 is recommending that the expense line in this budget be increased by \$50,000 to fund the Diversity, Equity and Inclusion program. The costs of this program was submitted as a request for a warrant article in the amount of \$100,000 for two years of funding. Although the program is essentially a pilot program in the early stages of development, it is clear that the Town intends to create a long-term program. The Committee feels that it is most appropriate to fund this initiative in the operating budget from the start.

Finance Department: The Finance Department requested a Student Intern position to assist the Accounting department each summer, to help with the annual fiscal year transition. The Finance Committee recommends funding this position since it would provide assistance to the Town at a very reasonable cost each year and would also increase awareness among students of potential career opportunities in municipal government.

Minuteman Assessment: The preliminary assessment from the Minuteman School District was received after your FY2023 recommendation was finalized. The Finance Committee updated its budget recommendation with the amount determined by the District, which was based on the number of Needham residents enrolled and the Town's share of the capital costs.

Department of Public Works: The Finance Committee agrees with your recommendation for this Department, though it feels that the Outdoor Facilities Specialist position requested as part of the Park and Recreation budget should instead be added to this Department so that the Outdoor Facilities Specialist may not only monitor and assess the parks but also perform general facility maintenance work, including trash pick-up.

Park and Recreation Department: As discussed above, the Finance Committee supports the request from this Department for an Outdoor Facilities Specialist position, but feels it would be more effective in the Park & Forestry division of the Department of Public Works budget.

Needham Council for Arts and Culture: The Finance Committee proposes to add a new budget line for this expense with an appropriation of \$8,300. There was a request for a warrant article to provide \$25,000 of funding for three years, intended to match state funding. The Finance Committee fees that this ongoing expense should be appropriated through the operating budget.

A note about the School Department budget: The Finance Committee and its School Department liaisons also carefully reviewed the Superintendent's request, and the School Committee's recommendation. Your budget recommendation included an addendum noting that the School Committee's recommended FY2023 budget for the School Department of \$87,277,798 was within the amount of funds available for appropriation in FY2023. The

Finance Committee's voted draft budget for FY2023 recommends that full amount, which includes a net increase of 25.82 FTEs. However, the Finance Committee is concerned that annual increases of similar numbers of personnel may not be sustainable going forward. In addition, the School Department is currently at work on its School Master Plan for renovating and upgrading its facilities. This will require significant capital investment and may have an impact on the operating budget. Any impact on the operating budget needs to be specifically identified and incorporated into the review of the proposed projects.

Conclusion

I would be happy to discuss any aspect of the Finance Committee's initial draft proposed budget for FY2023. 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 and your staff, including 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 proposed FY2023 operating budget.

Sincerely,



Joshua W. Levy
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