



Finance Committee **Budget Report**

City of Newton **In City Council**

Monday, April 25, 2016

Present: Councilors Gentile (Chair), Ciccone, Norton, Brousal-Glaser, Rice, Blazar, Fuller, and Lappin

Also present: Councilors Albright and Danberg

City staff: Kelly Byrne (Retirement Director), David Wilkinson (Comptroller), Karen Griffey (Acting Manager of Financial Information Systems), Jeffrey Honig (Acting Director of Human Resources) and Maureen Lemieux (Chief of Staff/Chief Financial Officer)

Comptroller
Financial Information Systems
Human Resources
Information Technology

Referred To Finance and Appropriate Committees

#288-15 Submittal of the FY17 Capital Improvement Plan
HIS HONOR THE MAYOR submitting the FY 2017-FY 2021 Capital Improvement Plan pursuant to section 5-3 of the Newton City Charter. [10/01/15 @ 1:53 PM]

Referred To Finance and Appropriate Committees

#288-15(2) Submittal of the FY 2017 Municipal/School Operating Budget
HIS HONOR THE MAYOR submitting in accordance with Section 5-1 of the City of Newton Charter the FY17 Municipal/School Operating Budget totaling \$378,969,244 passage of which shall be concurrent with the FY17-FY21 Capital Improvement Program (#288-15).[04/11/16@11:31 AM]
EFFECTIVE DATE OF SUBMISSION 04/19/16; LAST DATE TO PASS THE BUDGET 06/03/16

Referred To Finance and Appropriate Committees

#288-15(4) Submittal of the FY 2017 – FY 2021 Supplemental Capital Improvement Plan
HIS HONOR THE MAYOR submitting the FY 2017 – FY 2021 Supplemental Capital Improvement Plan. [04/11/16 @ 11:31 AM]

COMPTROLLER

Comptroller David Wilkinson reviewed the recommended Fiscal Year (FY) 2017 Comptroller's Department budget. The Comptroller's budget does not have any substantial changes for Fiscal Year 2017. The staffing levels and expenses within the Department remain the same for the upcoming fiscal

year. He mentioned that the City has a contract with a fixed fee with the external auditors for four years resulting in a level funded line item within the Comptroller's budget for the audit. In addition, the Comptroller's Budget carries a line item to fund half of the cost of the actuary for the City's Retirement System because of a change to the reporting requirements for pensions a couple of years ago.

The 2017 Comptroller's budget includes a \$2.75 million snow budget reserve (in addition to the \$1 million snow budget in the Department of Public Works.) In addition, there is an \$805,375 wage reserve to fund future contract settlements.

There is also a line item for the Workers' Compensation Fund contribution in the Comptroller's budget for \$900,000, which is an increase of \$100,000 over the current budget amount. There is \$150,000 allocated for police and fire employees injured on duty medical expenses and the remaining funds are for statutory compensation benefit obligations. The fund balance in the Workers' Compensation fund has assets of \$10.9 million with accrued liabilities of \$8.4 million leaving a positive balance of \$2.5 million.

The Administration only increased the Rainy Day Stabilization Fund by \$150,000 in the upcoming budget. In order to meet the goal of keeping a balance of 5% of each year's General Fund operating budget in the Rainy Day Stabilization Fund, the fund should have a balance of \$18.9 million for Fiscal Year 2017. The current balance of the Rainy Day Fund is \$8.2 million. There is currently a docket request before the Council to appropriate \$654,000 from Free Cash to achieve the 5% goal for Fiscal Year 2017.

Mr. Wilkinson reviewed the department's goals for the upcoming fiscal year, which include two new goals to develop a draft debt management policy and work on a formal risk assessment policy. Standards and Poor's Financial Services, one of the City's credit rating agencies recently recommended that the City adopt a debt management policy. Mr. Wilkinson intends to draft a policy and present it to the Administration and City Council for review. The City's external auditor includes a comment in the management letter each year recommending that the City develop a risk assessment policy. The comment will continue to appear as part of the audit management letter until the City addresses the recommendation. The City's Financial Audit Advisory Committee is supportive of such a policy. Mr. Wilkinson will begin working on the risk assessment policy by determining the ten top-level risk concerns.

Retirement System Budget

The Retirement Department's budget for personnel and expenses remains the same except for slight increases in personnel costs. The Retirement Department budget includes funding for both municipal and public school participants; however, the school budget contains the funding for the health benefits for retirees from the Massachusetts Teachers' Retirement System. The State funds the

employer share of the Teachers' Retirement Systems. There is a decrease of \$117,009 in the funding for non-contributory pension benefits, as there are only five retirees that receive this type of benefit.

The total Retirement appropriation for FY 2017 is \$33,691,052 which reflects an increase of \$2,119,456. The City's actuarially required contribution to the pension plan amounts to \$22,317,261. The contribution increased 8.75% or \$1.62 million over the current year appropriation. The retiree health insurance, Medicare Part B Reimbursement and Basic Life Insurance pay-as-you-go budget of \$10,954,685 increased by \$447,991. The City is on track to fully fund its pension liabilities by 2029 with an assumed return on investment of 7.35%. Ms. Lemieux noted that it is very important to meet the target funding date of 2029 in order to address the City's Other Post Employment Benefit (OPEB) liability by redirecting the funds going towards pensions into OPEB beginning in 2030.

The Committee discussed the pension and Other Post-Employment Benefit (OPEB) liabilities funding. The return on investments for the pension funding fell short of the estimated number. Therefore, if the Retirement Board wishes to stay on the funding schedule, there will need to be a contribution of close to 23 million this year. Funding the pension liabilities by 2029 is going to be a challenge but if the City manages to fund it, the OPEB liability funding will fall in place. The City's OPEB Trust Fund balance is \$3.1 million and the actuarial accrued liability is \$703.6 million. The OPEB actuary has determined that the cost of funding the OPEB benefits for FY 207 is \$73.7 million resulting in a shortfall of \$70 million in funding next fiscal year. The Committee will be discussing both the pension and OPEB funding in the near future.

Ald. Ciccone moved approval of the recommended budget of \$643,628 and the gift account for the Comptroller's Office, which carried unanimously. There are no Capital Improvement Projects included in the Comptroller's Department Budget.

FINANCIAL INFORMATION SYSTEMS DEPARTMENT

Acting Manager of Financial Information Systems Karen Griffey and Chief of Staff/Chief Financial Officer Maureen Lemieux presented the budget for the Financial Information Systems (FIS) Department. The biggest change in the department budget is that there will no longer be a Director of FIS. The previous Director, Ann Cornaro, handled a number of human resource functions related to payroll and benefits and once she retired, the Administration felt that those functions should shift back to the Human Resources Department. Therefore, a new Payroll and Benefits Manager position is included in the Human Resources Department budget for FY 2017. The Deputy Director of Financial Information Systems position will become the Manager of Financial Information Systems position. The new job description will not include the payroll functions like onboarding new employees and recoding transfers between departments; however, the department will still be responsible for running the City payroll.

There is a \$104,172 decrease in the FIS budget this upcoming fiscal year, due to the elimination of the director position. There are three positions funded, which include the Manager, the Utilities

Operation Technician, and the Data Control Clerk. The department budget also includes an increase of the part-time Data Control Clerk position to a full-time position in the FY 2017 budget.

In Fiscal Year 2017, the department will undertake upgrades to FinancePlus to increase efficiency, continue with Munis and Finance Plus training, and meet or exceed all requirements for billing taxes and utility charges. Maureen Lemieux added that the Information Technology Department has hired a person with Munis Software experience that will work with the FIS Department but the IT functions within the FIS Department will remain in FIS. In addition, the FIS Department will continue to document all of its policies and procedures. Former Director Ann Cornaro documented all of the current policies and procedures for the department before she retired.

The Fiscal Year 2017 budget for the FIS Department is \$516,847. The FIS budget includes the software maintenance costs for the financial systems. The expenses within the department are minimal and generally related to training costs. There are no projects in the Capital Improvement Plan for this Department. Councilor Rice moved approval of the item, which carried by a vote of eight in favor and none opposed.

HUMAN RESOURCES DEPARTMENT

Chief of Staff/Chief Financial Officer Maureen Lemieux and Interim Director of Human Resources Jeffrey Honig joined the Committee for discussion of the Human Resources Department's budget. Mr. Honig works in the City's Law Department as an Assistant City solicitor specializing in labor negotiation. The Administration asked Mr. Honig in November 2014 to fill the Human Resources Director position temporarily. The Administration is still working on hiring a Human Resources Director. A candidate came close to receiving an offer but it was determined that the person was not the right fit. The Administration is looking at working with a recruiting firm to fill the position.

The level of professionalism in the Department has increased over the past year as a result of filling the Workers' Compensation /Safety Manager position and the Recruitment Manager position. The Worker's Compensation payments have decreased over this past year and safety measures like fire drills at City Hall were reintroduced. One of the biggest goals of the Department is to keep all employees safe.

The Recruitment Manager has addressed the backlog of vacant positions within the City. The Human Resources Department has started using the automated job application program, Hyrell, which is working out well. All job positions on the City's website link to the Hyrell application making it easy for an applicant to apply for a position. All of the City's open positions post automatically to Indeed.com, an employment website, through the Hyrell software, which reduces advertising costs. There is concern that there are often delays in offering positions to candidates resulting in the City losing the best candidate for a position. The department and Administration are working on improving the process but it can be challenging as all job offers and transfers between departments need a review and signoff by the relevant Department Head. The Human Resources Director, and the

Administration, which can be time consuming. It is important that all paperwork and authorizations are complete.

The Human Resources Department currently has a Payroll Administrator position and a Benefits Manager position. The Administration is adding a Payroll and Benefits Manager position to the Department to centralize hiring, adding employees to the payroll, changes to payroll, and benefits. The Benefit Managers position is becoming a Benefits Administrator position in the upcoming budget. The new position should provide a smoother onboarding process for payroll and benefits and reduce claims. The Human Resources budget also includes the addition of a Junior Coordinator to help with the department administrative functions.

The City's PAF system is approximately fifty years old and is inefficient. The Human Resources Department needs to integrate the PAF function into the financial software system. There are modules provided by SunGuard, the developer of FinancePlus, that will provide a more efficient process for onboarding and employee transfers. The new Hyrell program may also work with the SunGuard module, if a software bridge is created between the two programs.

The budget for the department for Fiscal Year 2017 is \$1,131,122 and there are nine employees included in the budget. There is a decrease of 3.92% in the budget, as the department is not planning to hire any consultants or temporary staff in FY 2017. There are no projects in the Capital Improvement Plan for this Department. With that, Councilor Blazar moved approval of the department's budget, which carried unanimously.

INFORMATION TECHNOLOGY DEPARTMENT

Chief Information Officer Joe Mulvey presented the Information Technology Department's budget for Fiscal Year 2017. The Information Technology Department provides technology resources and support to employees and residents of the City of Newton. The department also offers training to all employees of the city. Mr. Mulvey reviewed the below Fiscal 2016 accomplishments and Fiscal Year 2017 desired outcomes with the Committee.

FISCAL YEAR 2016 ACCOMPLISHMENTS

FIBER PROJECT

The City fiber network is complete throughout the City and the fiber electronics are lit. The fiber provides connections between all municipal and school buildings through a looped, redundant network. Crystal Lake Boathouse, DPW yards, Brigham House, Gath Pool House, and the Lower Falls Community Center were connected to the networked computer system this fiscal year.

VOICE OVER INTERNET PROTOCOL PILOT (VoIP)

This past year the department took responsibility for the City's phone system because the City is converting to Voice over Internet Protocol (VoIP) department by department. The Health, Executive, Information Technology, Treasury, Historic Newton, Fire, Dispatch and Building Departments were upgraded this fiscal year. A number of phone lines in individual departments and buildings need replacement with cable to fully convert to VoIP. In addition to the conversions, the voice mail system was replaced with VoIP throughout the City.

VERIZON PHONE BILLS

The IT Department wrote several software bridges to transfer phone bill information into FinancePlus. IT also identified and disconnected several phone lines that the City is not using resulting in savings of approximately \$25,000 so far and further savings are anticipated as more phone lines are identified for disconnection.

WEBSITE RESPONSIVE DESIGN

The new City website went live in February. The redesign went fairly well but it still needs some tweaking. The response to the new website have been on the positive side. The search engine on the web site was also upgraded.

SOFTWARE

The Information Technology Department worked with the Human Resources Department to implement Hyrell Software for automation of job applications. The department continued its support of Finance Plus and Community Plus. The department is almost finished with the implementation of a new application for the Fire Department, which will reduce calls to the Dispatch Center for notification of work on fire alarm systems. Currently whenever a fire alarm system in the City is taken offline, tested and reactivated by a private company, the company calls the Dispatch Center to inform the Fire Department not to respond to the notification from the fire alarm. The new application will allow the private company to enter all the pertinent information into an application that will send an e-mail to the Fire Department informing them of the work.

SECURITY

This year's vulnerability testing was a success. An effort was made to increase employee awareness regarding network security through monthly e-mails. The Storage Area Network is fully mirrored offsite. The contract for mobile device management is signed and should be up and running in the upcoming fiscal year. The City piggybacked on the School Department's application making the process simpler.

PROCESS IMPROVEMENTS

The Information Technology Department is working on expanding online permitting to include Fire and Health Department permits. In addition, the Information Technology team is working with Planning, Public Works, Fire, Inspectional Services, and City Clerk Department to enable plan reviews through the CommunityPlus program.

FISCAL YEAR 2017 DESIRED OUTCOMES

Mr. Mulvey highlighted some of the department's desired outcomes for Fiscal Year 2017. All of the desired outcomes for the department are available in the budget book under the Information Technology tab.

VoIP

The Department will continue to move towards a Voice Over Internet Protocol (VoIP) phone system. The plan is to convert the Public Works Crafts Street and Elliot Street buildings and Fire Stations 1(Newton Corner) and 2 (Commonwealth Avenue) to the VoIP system in Fiscal Year 2017.

SOFTWARE

The replacement plan for the antiquated Hansen System (the Utilities Division work order maintenance software) to a cloud-based, mobile device friendly system is expected to be implemented in July 2016. The City's internal documents search tool, Perceptive, is expected to be expanded to the Human Resources, Executive, and Planning Departments. The e-Gov upgrade for the on-line permitting program is ready for release this July. The upgrade will allow mechanical contractor to apply for permits on-line instead of coming into City Hall. The system will direct the contractor to the existing City Hall Systems for payment of the permit.

The department continues to work on increasing on-line payment opportunities. There are many opportunities for on-line payments throughout the City but it takes time to get the system in place for departments. It is still a priority to have the option to make all payments online.

The new FireBox application should be up and running early in the upcoming fiscal year. It will track work on fire alarm systems and notify Fire Dispatch that work is scheduled on a fire alarm system through e-mail. The Information Technology staff is also working on developing software bridges for the next FinancePlus upgrade scheduled for the fall.

SECURITY

Follow-up testing to this fiscal year's vulnerability testing of the City's network security is planned, as well as testing of the Police Department's network. In addition, an outside contractor will test the City's firewalls, routers and search engines. Mr. Mulvey will continue to work on administrative training and an employee security awareness-training program to continue to further protect the City's network. A new software device to monitor the network and shutdown access systems that try to damage the City's network was purchased and will go live in July 2016.

PROCESS IMPROVEMENTS

The Information Technology Department will continue to expand the online permitting application to include Fire Prevention permits. The plan review function of the CommunityPlus software will be fully implemented by September 2016.

STAFFING

The department personnel is increasing by one and a half new positions. A Munis Software expert was recently hired to fill the vacant Applications Developer position, which moved from the Financial Information Systems Department last fiscal year. The department also hired a part-time Junior Network Administrator, who previously worked in the IT Department. She is very experienced and is doing a great job. There is also a change in some position titles. There is now a VoIP/Router Specialist and a Financial Support/Network Administrator position.

SHARED DATABASES

There are a few small shared databases between departments, such as the dog database between the Police Department and the City Clerk's Office. Shared information is usually done through CommunityPlus. The Information Technology Department is working with a number of departments to get them onboard with CommunityPlus to share information and expedite processes like plan review.

The recommended Information Technology budget is \$1,582,471, which is an increase of 7.30% that can be attributed to the new positions in the department. The Department has no Capital Improvement Plan projects in the upcoming fiscal year. Councilor Ciccone moved approval of the Information Technology Department's recommended budget, which carried by a vote of seven in favor, none opposed and Councilor Brousal-Glaser not voting.

Respectfully submitted,

Leonard J. Gentile, Chairman