

CITY OF NEWTON

IN BOARD OF ALDERMEN

FINANCE COMMITTEE REPORT

MONDAY, DECEMBER 13, 2010

Present: Ald. Gentile (Chairman), Ciccone, Linsky, Rice, Danberg and Fuller

Absent: Ald. Salvucci and Freedman

Also present: David Wilkinson (Comptroller), Maureen Lemieux (Chief Financial Officer), Amy Yuhasz (Community Development Manager), Brian Lever (Historic Preservation Planner), James Reardon (City Treasurer Collector), Stephen Smith (Support Services; Police Department), Ouida Young (Associate City Solicitor), and Stephanie Kane Gilman (Public Buildings Commissioner)

#259-10      COMPTROLLER transmitting Annual Financial Report for the audit of fiscal year ending June 30, 2010 for Board of Aldermen review/acceptance. [09/13/10 @ 12:26 PM]

**APPROVED 6-0 FINALIZATION OF DRAFT MANAGEMENT LETTER AND DRAFT REPORTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING, COMPLIANCE AND FEDERAL AWARD PROGRAMS**

**ACTION:      REFERRED TO FINANCIAL AUDIT COMMITTEE 6-0**

**NOTE:**      Chris Rogers and Marissa Battista of Sullivan, Rogers and Company, LLC provided the Committee with a helicopter view of the FY 10 Comprehensive Annual Financial Report. Each of the Committee members received the report in their packet and it is available on the City's website. The independent auditor is only responsible for providing an audit of the financial statements provided by the Comptroller in the Comprehensive Annual Financial Report and an opinion on those statements. The independent auditor's opinion is unqualified, which is the best type of opinion. The statement that "in our opinion the information is fairly stated in all material respects in relation to the financial statements as a whole" makes the opinion unqualified and is what should happen. Last year the auditor's opinion was unqualified, as the Newton School Foundation was not audited. The Newton School Foundation has been removed from the Annual Financial Report, as it is not required.

This is the third year that the Government Accounting Standards Board reporting standards require that the Other Post Employment Benefits (OPEB) Liability be partially reported. The \$83.4 million in unfunded liability represented as the net OPEB obligation at the end of the year does not represent the full-unfunded liability, which stands at \$531.6 million. Most communities are in the same place as the City and the OPEB liability issue is not a unique concern for Newton. Recently, the City has established a trust to begin to attempt to fund the OPEB liability. When Mr. Rogers was asked for an opinion on how much the City should be funding on an annual basis, he responded between \$6 to 8 million. Although it can be difficult for municipalities to put aside the funds, it is necessary that the City form a plan to address the OPEB liability.

Mr. Rogers moved onto the draft Reports on Internal Control over Financial Reporting, Compliance and Federal Award Programs portion of the report, which was attached to the agenda. The report contains the auditor's opinion on the City's compliance with the requirements of laws regulations contract and grants associated with the City's major federal programs. The auditor identified a material weakness in the federal awards program audit. The City did not comply with requirements regarding eligibility and income related to the HOME Investment Partnerships Program. There were seven additional noncompliance related issues reported. The City's CDBG Manager, Amy Yuhasz, stated that she has provided a written response to the auditors' findings and that all issues have been addressed. The report also expresses an opinion on the City's internal control over compliance but not an opinion on the effectiveness of internal control over compliance. Mr. Rogers stated that the auditors did not identify any deficiencies in internal control over financial reporting that could be considered a material weakness.

Mr. Rogers continued the review with the draft Management Letter portion of the report. The Management Letter is intended to provide information, comments, and recommendations on the City's internal controls. The Management letter contains three new recommendations and six recommendations that are repeats of last year's recommendations. The letter lists the comments and recommendation in order of priority of addressing. Mr. Rogers reviewed each of the comments and recommendations with the Committee. The number one priority remains the oft estimated water and sewer bills. Although the City has made improvements and begun installation of a new meter system, there are still substantial amounts of estimated bills resulting in abatements. The second priority is related to timely bank account reconciliations. In prior years, this was identified as a material weakness but progress has been made. However, the individual bank account reconciliations need to be completed no later than 30 days after the end of the previous month. The auditors also recommend that the City develop a written policy related to indirect cost allocations charged to the water and sewer funds. Mr. Rogers reviewed the other comments and recommendations with the Committee, which were attached to the agenda. The City has responded to each of the comments, which are included in the Management Letter.

The Chairman recommended that the Committee refer the FY 10 Comprehensive Annual Financial Report to the Financial Audit Advisory Committee for continued discussion. The Audit Committee will perform a thorough review of the report and meet with the Finance Committee to relay any information or suggestions. The Comptroller requested that the Committee finalize the draft documents in order that they may be provided to the State. The Committee voted unanimously to refer all of the components of the annual financial report to the Audit Committee, approve the finalization of the draft management letter, and draft Reports on Internal Control over Financial Reporting, Compliance, and Federal Award Programs.

#358-10      HIS HONOR THE MAYOR requesting authorization to appropriate and expend the sum of eight thousand dollars (\$8,000) from Free Cash for the purpose of purchasing a check endorsing machine for the Treasury Department. [11/29/10 @3:23 PM]

**ACTION:**      **APPROVED 6-0**

**NOTE:**      Treasurer Jim Reardon presented the request for \$8,000 to purchase a new check-endorsing machine. The previous check-endorsing machine was at least thirty years old. There are no longer parts available to make repairs to that machine. The machine has been out of

commission for the past nine months. The Treasury Department is currently hand stamping all of the checks. A new check-endorsing machine will save a significant amount of staff time.

The City receives a significant number of checks to pay property tax bills, water/sewer bills, and excise bills. Though people pay many of the bills on-line, the banks generate paper checks for those payments, which are issued to the City and must be endorsed. The City is working with Century Bank to determine if the City can outsource the check processing and if that would be more efficient.

The Committee reviewed the request and Ald. Ciccone made a motion for approval, which carried unanimously.

#359-10      HIS HONOR THE MAYOR requesting authorization to appropriate and expend the sum of eleven thousand five hundred dollars from Free Cash for the purpose of purchasing a backup server for the Police/Fire Department QED software.  
[11/29/10 @ 3:23 PM]

**ACTION:**      **APPROVED 6-0**

**NOTE:**      The item is a request for funding the purchase of a server and related software for the Police and Fire dispatch and records, such as incident reports, dispatching, digital images, accident reports, property and evidence and digitized records. The new server will be the primary storage device and the old server will provide back up to that server. The new system allows for back up and redundancy for the dispatch system.

Stephen Smith, Bureau Commander of Support Service Bureau, explained that if the current server fails, the Police and Fire Department cannot efficiently dispatch and would not have access to records. There would be a data loss of at least one day, which could never be recovered.

The proposal from QED, Inc. was attached to the agenda and it outlined the scope of services, required licenses, and type of equipment that will be purchased in relation to the new server. QED, Inc. is the sole source of the software for the dispatch system. The Committee was supportive of the purchase and Ald. Ciccone moved approval, which carried unanimously.

#360-10      HIS HONOR THE MAYOR requesting authorization to transfer the sum of eight thousand one hundred seventy-five dollars (\$8,175) from the FY 11 Budget Reserve to the Law Department accounts for the purpose of purchasing ISYS software and the associated first year licensing fee for the Clerk of the Board's Office and the Law Department. [11/29/10 @ 3:23 PM]

**ACTION:**      **APPROVED 6-0**

**NOTE:**      Ouida Young, Associate City Solicitor, presented the request for funds to upgrade the ISYS software and purchase the associate first year licensing fee for the Law Department and the Clerk of the Board's Office. The ISYS software provides both departments with a search system for documents within their department. It is a vital piece of software for both offices. Both Departments have purchased Microsoft Office 10 software and the Clerk's Office has begun to use the software. The current ISYS software will not index the Office 10 documents, rendering them unsearchable.

The Law Department, Clerk of the Board and Information Technology Department investigated indexing software that would be compatible with Office 10. There were two available options. The Laserfiche product would likely be the choice in the future for the entire City but it is currently cost prohibitive. The upgrade to the ISYS software is a much less expensive option and will provide both departments with the tools they need for document searches. Ald. Danberg moved approval, which carried unanimously.

#361-10 HIS HONOR THE MAYOR requesting authorization to accept and expend a reimbursable grant of sixteen thousand seven hundred dollars from the Massachusetts Historical Commission as part of its Survey and Planning Grant Program for the purpose of funding 60% of the Planning Department staff hours associated with a survey of Newton's oldest buildings. [11/29/10 @ 3:23 PM]

**ACTION:** **APPROVED 6-0**

**NOTE:** Historic Preservation Planner Brian Lever reviewed the request for acceptance and expenditure of a \$16,700 grant to document the City's oldest buildings. The grant is a reimbursable grant that requires a 40% in-kind match. The grant money will be used to fund 60% of the staff hours associated with the survey. The other 40% will be funded through the operating budget. The City's two Historic Preservation Planners will perform the surveys. Each year they pick a documentation project to work on and this year they were fortunate to choose one that had grant funds available.

The Planning Department's survey will include all of the buildings in the City prior to 1830. A similar survey was done in the 1970s but it is out of date. There are between 120 and 140 houses in the City built before 1830. The documentation will be filed with the Newton History Museum and the State. The information will be easily accessible to researchers and provide details to aid in documentation of historically significant buildings.

The Committee asked Comptroller David Wilkinson if there were any problems with the grant acceptance. Mr. Wilkinson responded that there are no issues and Mr. Lever added that the grant contract has been signed by the State. Ald. Rice moved approval of the grant authorization and expenditure, which carried unanimously.

**REFERRED TO PROG & SERV, PUBLIC FACIL. AND FINANCE COMMITTEES**

#367-10 HIS HONOR THE MAYOR requesting authorization to appropriate an amount not to exceed five million dollars (\$5,000,000) from bonded indebtedness for the following:

(A) seventy-five thousand dollars (\$75,000) for site plan design work for modular classrooms at Horace Mann, Zervas, and Countryside Elementary Schools

**PUBLIC FACILITIES AND PROGRAMS AND SERVICES  
COMMITTEES APPROVED PART A AS AMENDED TO INCLUDE  
REVIEW OF BURR AND MASON RICE MODULAR CLASSROOM  
DESIGNS ON 12-08-10**

(B) installation of up to six modular classrooms at five elementary schools as well as the addition of permanent classrooms and renovations to the core of F.A. Day Middle School. [11/29/10 @ 3:23 PM]

**PUBLIC FACILITIES AND PROGRAMS AND SERVICES  
COMMITTEES HELD 6-0 ON 12/08/10**

**ACTION:    APPROVED 367-10(A) AS AMENDED TO INCLUDE ARCHITECTURAL REVIEW OF BURR AND MASON RICE MODULAR CLASSROOMS 3-0-2 (Fuller and Linsky abstaining, Ciccone not voting)**

**NOTE:**        Part A of the request is for \$75,000 to perform site-plan design work for modular classrooms at three elementary schools. The Programs & Services and Public Facilities Committees approved Part A of the docket item as amended to include the review of two previously designed modular classroom site plans for the Burr and Mason Rice Elementary Schools on December 8, 2010. Part B of the request was held in those committees, as it is funds to be used for the installation of some if not all of the modular classrooms and the creation of additional classrooms at Day Middle School. The funds for the design work at F. A. Day were approved in 2008 as part of the Oak Hill Middle School modular classroom request.

The School Committee is still determining which of three design options for Day Middle School works best. It is important that the site plans for the modular classrooms be done in conjunction in order to be ready to address space needs next year.

The Chairman stated that there is concern regarding recent legislation related to sprinkler requirements if there is renovation or an addition to buildings over a certain size. If modular classrooms were added to any of the proposed elementary school sites, sprinkler systems would need to be added to each of the schools. The addition of the sprinkler systems would result in tremendous cost increases to the projects. The City is investigating the possibility of appealing the requirement in order to phase in the sprinklers at each of the schools. The cost of adding a sprinkler system to Day Middle School will determine if and how many modular classrooms can be added to the elementary schools.

Ald. Danberg moved approval of the \$75,000, which carried by a vote of three in favor and two abstentions. Ald. Fuller and Linsky abstained in order to have the opportunity to address some questions they had regarding the sprinkler legislation.

**REFERRED TO PUBLIC FACILITIES AND FINANCE COMMITTEES**

#311-10        HIS HONOR THE MAYOR requesting an appropriation in the amount of three million three hundred thirty-five thousand dollars (\$3,035,000) from bonded indebtedness for the purpose of funding the FY 2011 Capital Improvement Plan projects as follows:

(A) Architectural Design and Engineering/ Next Scheduled Fire Station \$400,000

**#311-10 A SPLIT INTO PARTS A-1 AND A-2**

**PUBLIC FACILITIES APPROVED A-1 @ \$130,000 6-0**

**PUBLIC FACILITIES HELD 6-0 A-2 @ \$270,000**

(C) City Hall Windows – Repair/Replacement \$125,000

(D) Purchase of Heavy Vehicle Equipment – DPW \$300,000

(E) Newton Public Schools – Roof Repairs \$810,000

(F) Newton Public Schools – Masonry Repairs \$450,000

(G) Newton Public Schools – Boiler Replacements \$350,000

(H) Newton Public Schools – Roof Top & Exhaust Unit Replacements \$100,000

(I) Newton Public Schools – Window and Door Replacements \$500,000

**TOTAL \$3,035,000**

[11/29/10 @ 3:23 PM]

**ACTION: APPROVED 311-10A-1 @ \$130,000 5-0 (Cicccone not voting)**

**NOTE:** Public Buildings Commissioner Stephanie Kane Gilman began the discussion by explaining that when the Fire Station Subcommittee began discussing which fire station should be renovated next, it was determined that it made the most sense to complete the programming and schematic design for Stations #3 and #10 before choosing which to renovate. Station #3 is in the most need of renovation but Station #10 is not far behind in terms of need. There are many questions around programming such as whether or not to relocate the Wire Division to Station 10 or expand the space at Station #3. In addition, there is discussion around the possibility of an addition of an emergency response center at either station. If program studies are done on both stations simultaneously, it will be easier to determine what the best solution is for both stations.

The Committee briefly discussed the proposed Newton Centre Triangle Project and how it could affect the plans to the renovate Station #3. The Mayor is looking at the needs of Station #3 and not the entire Newton Centre area. The City still needs to determine how to make Station #3 as functional as possible. Ald. Danberg pointed out that the fire station is only on the peripherals of the project and the renovation of the station should not hinge on the project.

The decision on which station to renovate will be made after the architectural programming study and schematics for both stations are complete. The Chairman explained that the Public Facilities Committee had split the item into Parts A-1 and A-2. The Public Facilities Committee was not comfortable approving the full amount with knowing which station would be renovated. Therefore, Ms. Kane provided a new cost breakdown for the programming study and schematic design for both stations and a project timeline, which were attached to the agenda. The designs and engineering for the fire stations are part of the FY 2011 Capital Improvement plan and will be funded through bonded indebtedness. Ald. Fuller moved approval of #311-10A-1, which carried unanimously.

**REFERRED TO PUBLIC SAFETY & TRANS. AND FINANCE COMMITTEES**

#311-10(B) **HIS HONOR THE MAYOR** requesting an appropriation in the amount of three hundred thousand dollars (\$300,000) from bonded indebtedness for the purpose of funding the Manet Road Emergency Communications Radio Tower Replacement, which is included in the FY 2011 Capital Improvement Plan. [11/29/10 @ 3:23 PM]

**PUBLIC SAFETY & TRANSPORTATION APPROVED 7-0 on 12/08/10**

**ACTION: HELD 5-0 Cicccone not voting)**

**NOTE:** The item is not ready to discuss, as the City has not yet received a grant for the additional money needed to replace the tower. Therefore, Ald. Rice's motion to hold the item carried unanimously.

The meeting adjourned at 9:05 p.m. and all other items before the Committee were held without discussion. Draft Board Orders for the above items with an action are attached.

Respectfully submitted,

Leonard J. Gentile, Chairman

CITY OF NEWTON

IN BOARD OF ALDERMEN

, 2010

ORDERED:

That, in accordance with the recommendation of the Finance Committee through its Chairman Leonard J. Gentile, the sum of eight thousand dollars (\$8,000), to be appropriated from Free Cash, be and is hereby appropriated, granted, and expenditure authorized under the direction of the Treasurer/Collector for the purpose of purchasing a check endorsing machine as follows:

FROM:	Free Cash (01-3497).....	\$8,000
TO:	Check Endorsing Machine (C107004-58514).....	\$8,000

Under Suspension of Rules  
Readings Waived and Approved

(SGD) DAVID A. OLSON  
City Clerk

(SGD) SETTI D. WARREN  
Mayor

CITY OF NEWTON  
IN BOARD OF ALDERMEN

, 2010

ORDERED:

That, in accordance with the recommendation of the Finance Committee through its Chairman Leonard J. Gentile, the sum of eleven thousand five hundred dollars (\$11,500), to be appropriated from Free Cash, be and is hereby appropriated, granted, and expenditure authorized under the direction of the Chief of Police for the purpose of purchasing a server for the Police/Fire Department QED software as follows:

FROM:	Free Cash (01-3497).....\$11,500
TO:	Check Endorsing Machine (C201046-585111).....\$11,500

Under Suspension of Rules  
Readings Waived and Approved

(SGD) DAVID A. OLSON  
City Clerk

(SGD) SETTI D. WARREN  
Mayor

CITY OF NEWTON

IN BOARD OF ALDERMEN

, 2010

ORDERED:

That, in accordance with the recommendation of the Finance Committee through its Chairman Leonard J. Gentile, a transfer of funds in the sum of eight thousand one hundred seventy five dollars (\$8,175), to the Law Department to pay for the purchase of ISYS software and the associated licensing fee be and is hereby approved as follows:

FROM:	Budget Reserve (0110498-5790).....	\$8,175
TO:	Check Endorsing Machine (C101001-585121).....	\$8,175

Under Suspension of Rules  
Readings Waived and Approved

(SGD) DAVID A. OLSON  
City Clerk

(SGD) SETTI D. WARREN  
Mayor

CITY OF NEWTON

IN BOARD OF ALDERMEN

, 2010

ORDERED:

That, in accordance with the recommendation of the Finance Committee through its Chairman Leonard J. Gentile, the authorization to accept and expend a grant from the Massachusetts Historical Commission as part of its Survey and Planning Grant Program in the amount of sixteen thousand seven hundred dollars (\$16,700) to be used for funding 60% of the cost of planning staff time for FY11 to survey and document Newton's oldest buildings be and is hereby approved.

Under Suspension of Rules  
Readings Waived and Approved

(SGD) DAVID A. OLSON  
City Clerk

(SGD) SETTI D. WARREN  
Mayor