



Finance Committee **Budget Report**

City of Newton **In City Council**

Monday, June 1, 2020

Present: Councilors Grossman (Chair), Malakie, Humphrey, Kalis, Norton, Ciccone and Noel

Absent: Councilor Gentile

City staff present: Chief Financial Officer Maureen Lemieux, Comptroller Sue Dzikowski, Director of Planning & Development Barney Heath, Director of Transportation for the Planning Department Nicole Freedman, Commissioner of Public Works Jim McGonagle, Director of Human Resources Michelle Pizzi O'Brien, Treasurer Rosemarie Woods, and Director of Financial Information Systems Karen Griffey

DEPARTMENT BUDGET & CIP DISCUSSIONS:

Treasury

Financial Information Systems

Human Resources

Comptroller

Treasury

Rosemarie Woods, Treasurer, provided an overview of the FY21 Budget for the Treasury Department. Ms. Woods explained that she started as the Treasurer in October 2019 when Jim Reardon retired. There have been an additional five positions filled in the past year. There has also been the opportunity to promote employees within the department.

The Treasury Department has converted to the Munis Financial System which means that the department is now on the same system as the General Ledger. The tax receivables are also on the same platform and the department has gone through an update on their Accounts Receivable system to better prepare for the implementation of the Munis payroll system.

Ms. Woods explained that the areas of focus in Treasury include the collection of taxes. Historically, the City has approximately a 99% collection rate and that is still expected to happen this year. There are 127,000 real estate bills mailed out quarterly, including water bills. Ms. Woods explained that the department has been able to serve the public through the Covid-19 pandemic. There has been an increase in online payments and lockbox payments throughout the pandemic and Ms. Woods would like this to continue for next year.

The department has also worked on the reconciliation of funds and this has been a better process because everyone is on the same program.

The Treasury has kept the same primary goals for the City's investments. Ms. Woods explained that for the upcoming year the department is trying to change processes with the implementation of Munis and the hope is to investigate the technology that is available to receive online payments. Additionally, Ms. Woods explained the department has been working with IT to meet the requirements from banks to ensure secure online banking.

The Committee asked the following questions:

Q: With residents paying online, has that given the department more time to work on other projects?

A: Ms. Woods explained when customers pay by credit card or e-checks it does benefit the department. Additionally, Ms. Woods explained that they have worked with other departments to have an online payment system because there is more of a need for virtual payments during this time. Maureen Lemieux, Chief Financial Officer, explained that if someone pays incorrectly this can create more work for the Treasury Department. If people use their own bank to pay online, then most often it drops to a paper check that is mailed to the City. These checks need to be manually processed by the department. The residents are encouraged to use the City's online payment service, which is secure, and the use of e-checks are free. There has been a slow trend to reducing the amount of paper checks that are received.

Q: Has the City considered making it less expensive for residents to use the City's online payment service?

A: Ms. Woods explained that this service is free for e-checks, but the credit card companies do charge.

Q: How time consuming is it to send additional information with the quarterly tax bill? Is there an opportunity to use this as a revenue source by sending advertisements?

A: Ms. Woods explained that there is a message every third quarter from the Assessing Department to send the exemption application. Ms. Lemieux explained that it is not legal to send advertisements in the quarterly tax bill. Ms. Woods explained that they can only put certain City information in the envelope.

Q: What percentage of residents are paying through the City's online payment service?

A: Ms. Woods explained that they have been tracking this information and it does vary quarter to quarter. About 20% of residents either walk-in or mail their checks. This year's Tax Day was pushed to June 1st, so residents can still pay. Ms. Woods explained that 33%-35% of residents pay through a mortgage company and those were received on May 1st. Currently, there are 11,000 parcels that use mortgage companies. Ms. Woods explained that some smaller mortgage companies do pay by check. The percentage of residents using the online payment system, or the lockbox is approximately 55%-60%. Ms. Woods explained that the department would like to reduce the number of residents that

come to City Hall to pay or mail a check. This is also why the Treasury Department is pushing for other departments to use online payments.

Q: The City is likely to receive decreased revenue, could an overview of the collections be provided? How many residents defer their property tax each year and from what kinds of properties qualify for deferment?

A: Ms. Woods explained that they do not have the deferred numbers for FY20 yet because the tax deadline to file was pushed back. Ms. Lemieux explained that while there are other residents that could still file, there have been only 10 to 12 new residents that qualify. Additionally, Ms. Lemieux explained that the resident has to have a clear title to their home and the resident has to be over 65 years old to be able to qualify for deferment. Regarding property taxes for this year, the City is somewhat on track for receipts. Ms. Lemieux explained that the City has received approximately \$12.5 million for the excise tax. The City just sent out the second commitment which would equal \$1.3 million. Currently the City is about \$10 million short of expected revenues. The City may see a slight decrease in tax revenue than what the City usually sees this year, but the greater concern is for the next fiscal year. Ms. Lemieux explained that the City will closely watch the receipts.

Q: How many entities have unpaid taxes from past years? What is the City's process to collect those unpaid taxes?

A: Ms. Woods explained that there are unpaid taxes owed to the City. The City has moved these properties through the tax title process, which means that the City puts a lien on the property and records it at the Registry of Deeds per Mass General Law. The City does send out four quarterly bills and by law the City can put a demand on it at the end of the Fiscal Year.

The Committee took a straw vote to accept the Treasury Department's proposed Budget, the Supplemental CIP and the CIP which passed 6-0, Councilor Ciccone not voting.

Financial Information Systems

Karen Griffey, Director of the Financial Information Systems Department, provided an overview of the FY21 Budget for the Financial Information Systems Department. Ms. Griffey explained that the department is smaller with three full-time employees and one part-time employee that is shared with the Department of Public Works.

The department deals with payroll, real estate bill processing, motor vehicle excise tax processing, W-2s and 1099 forms. Ms. Griffey explained that her department provides reports to the IRS and the DOR.

Ms. Griffey explained that the department has been busy this past year setting up tables for the new Munis financial and payroll system which should be finished by October 1st, 2020. In the process of building tables the department has been working with pay codes, leave codes, some salary tables, employee record information and working with IT in order to make sure the data that is being converted to Munis is clean and accurate. Ms. Griffey explained that there is a decrease in expenses

because the maintenance projects the department has been responsible for are now in the IT budget. The department continues to work efficiently through the Covid-19 pandemic.

The Committee took a straw vote to accept the Financial Information System Department's proposed Budget, the Supplemental CIP and the CIP which passed 6-0, Councilor Ciccone not voting.

Human Resources

Michelle Pizzi O'Brien, Director of the Human Resources Department, provided an overview of the FY21 Budget for the Human Resources Department. Ms. Pizzi O'Brien explained that she has been with the City for approximately a year. The HR Department has 6 full-time positions and currently five of those positions are filled.

Ms. Pizzi O'Brien explained that the department has been able to continue their work through the Covid-19 pandemic. The City has also reinvented how they provide public service during the pandemic. Ms. Pizzi O'Brien explained that generally the HR Department handles the talent acquisition and retention, workers compensation and safety management, employee benefits, labor relations, collective bargaining, performance management, employee separation and post-employment activities.

Ms. Pizzi O'Brien explained that during the Covid-19 pandemic the City needed to reevaluate how they do business. The HR department has kept their employees working either remotely or in the office. In March, the HR department assisted other departments in creating and implementing their pandemic continuity plans. The HR department is also working to follow the State's requirements on leave time for employees affected by Covid-19. Ms. Pizzi O'Brien explained that they have been working with Ms. Lemieux on tracking attendance of employees and keep a close eye on the CARES Act, Family First Act and the other regulations that have been put in place by the State. The department also had to find ways to be able to hire employees for essential jobs during the pandemic. HR was also a part of the decision process on when to furlough employees. The decision was made to furlough some part-time Parks & Recreation and Library employees. This was for the benefit of the employees. Safety protocols have also been set-up for First Responders. The benefits staff has worked on implementing and updating employee mandates to the benefits plan. The HR department has also pushed employees to use telehealth. Ms. Pizzi O'Brien explained that they had had to manage workplace injuries with significant limitations on non-essential medical care. There are employees that are at risk for COVID-19 that are asking for accommodations. Unemployment is a large part of what the HR department is doing because the City is self-insured. The department is also keeping an eye on fraudulent unemployment claims and played a part in providing guidance to department heads on how to manage their staff working remotely. The City is working with the HR Department and other departments to find ways to safely reopen City Hall.

The Committee asked the following questions:

Q: Will telehealth continue to be used by City staff after the pandemic?

A: Ms. Pizzi O'Brien explained that once people start using telemedicine they do not usually stop. Additionally, Ms. Pizzi O'Brien explained that telehealth is less expensive to the employer and the employee because the City has committed to the zero copay. This is for nonemergency purposes only. There are also behavioral health resources through telehealth.

Q: Why does the teacher's contract mandate that there would be no furloughs if this can be beneficial for employees?

A: Ms. Pizzi O'Brien explained that the School Department has their own HR Department, so she was not a part of that conversation. Ms. Lemieux noted that this would be a question for the School Department.

Q: What is the process for hiring, training, and removing police officers?

A: Ms. Pizzi O'Brien explained that she has been working closely with Chief MacDonald and his staff. Chief MacDonald wants to implement a better hiring process and they will continue to work on improving the process. Ms. Pizzi O'Brien noted that she is willing to have a further discussion about this.

Q: Are there any deficiencies in municipal employee training and what steps have been taken to rectify these deficiencies?

A: Ms. Pizzi O'Brien explained that there is a definite need for training. There are department heads that have done training in their individual departments. Additionally, Ms. Pizzi O'Brien explained when she first started with the City, the City Council approved training money for departments to use. However, most of her time has been used creating tools to manage personnel citywide; training did take a backseat except for safety training. Training post COVID-19 will involve more remote trainings which will be less expensive to the City. The month of April was supposed to be a training month for supervisors but that had to be cancelled. There have been conversations about having that training in the future. A learning management system and training procedures shall be set up citywide. This will include every employee being involved in at least 20 hours of training each year.

Q: Has there been a conversation with department heads about succession planning?

A: Ms. Pizzi O'Brien explained conversations began with department heads. This occurred when the former Commissioner of Parks & Recreation retired, HR was able to start the process six months before his retirement date. This was also an opportunity for the former Commissioner to give his input on his department.

Q: How does the City attract the employees they want to hire?

A: Ms. Pizzi O'Brien explained that there will be less of an issue now, but prior to the pandemic, the City was competing for a small number of unemployed workers and people that were already working.

Additionally, Ms. Pizzi O'Brien explained that the City uses associations to network in order to recruit the best employees. The City wants to be able to recruit from the private sector by informing people of the benefits of working for the City, including a pension.

Q: What does unemployment fraud consist of?

A: Ms. Pizzi O'Brien explained that people can just make up a name and hope that the employer is so large that they are not responding in a timely manner to the request for wages. The employer has ten days to respond to a request and if there is no response it is assumed that the information in the request is accurate. If the name of a current employee is given, then the HR Department will alert that employee that their name and social security number has been used to try to collect unemployment. Additionally, the HR Department will contact the Department of Unemployment Assistance to make them aware of the fraudulent activity. Ms. Lemieux explained that the City has published the names of employees and salaries as part of the budget which can be used to commit fraud. The HR Department is on top of this issue and part of the reason the City is so on top of this problem is because the City is self-insured. The HR Department also works with Ms. Lemieux on reviewing the list of unemployment claims. Ms. Pizzi O'Brien explained that there is a process if fraudulent claims get past the 10-day window where the City can report the activity.

Q: Have performance reviews for employees been implemented citywide?

A: Ms. Pizzi O'Brien explained that performance reviews are something that has to be negotiated within a union contract. Most of the City's unions do not have performance reviews in their contract. The City would like to change that and have discussed it during contract deliberations. For non-union employees the HR department was looking to start the process to have department heads give performance reviews by January 2021. HR has started this process in their own department.

Q: How has City staff performed while working remotely?

A: Ms. Pizzi O'Brien explained that she has been a supporter of working from home arrangements for many years. This is not something that municipal employers have utilized previously. Working from home helps employees' work/life balance. Studies have shown an increase in productivity when an employer can provide types of flexible work environments. Newton has moved to remote work under this pandemic but usually the HR department would have had more time to prepare department heads and City staff or such a shift. Ms. Pizzi O'Brien explained she has checked in with department heads and they have seen an increase in productivity with their remote employees. Additionally, Ms. Pizzi O'Brien explained she has been working with the Law Department and other departments to come up with performance metrics for remote work employees and employee agreements. There also should be more training available on Zoom and other aspects of remote work.

The Committee took a straw vote to accept the Human Resource Department's proposed Budget, the Supplemental CIP and the CIP which passed 6-0, Councilor Ciccone not voting.

Comptroller

Sue Dzikowski, Comptroller, provided an overview of the FY21 Budget for the Comptroller's Office. Ms. Dzikowski explained that as Comptroller one of her responsibilities is to make sure that the City Council will consider her office a resource to ask questions.

FY20 started with a new financial accounting system on July 1st. The Comptroller's Office was front and center in trouble shooting and figuring out how this new system would be implemented without disturbing the regular process of the City.

Ms. Dzikowski explained in FY20 the City maintained the highest bond rating with Moody's and were able to issue \$35 million in obligation bonds right before the pandemic hit. Once the pandemic hit the demand for municipal securities and many other types of securities hit the floor. In FY20, the City's independent auditors audited the City's financial statements which are done in-house by the Comptroller. There were no findings and the City received the highest possible audit opinion.

The Comptroller's Office has hired a new accountant, which has been beneficial to the City. There are seven employees in the Department and a part-time retired employee that is currently furloughed. During the pandemic, there has been one member of the staff present in the office each day. Ms. Dzikowski said that productivity has been excellent even with employees working from home.

The goal for FY21 is to completely automate the City's financial statements. The Comptroller's Office looks forward to going live with the new software for payroll within FY21. The department will do whatever it takes to have clean financial statements and audits. The final goal for FY21 is to continue professional development within the Comptroller's Office.

The Committee asked the following questions:

Q: Has the Comptroller's Office conducted performance reviews?

A: Ms. Dzikowski noted that she is a firm believer in performance reviews. Additionally, Ms. Dzikowski explained that she has recently done a performance review for an employee that just ended their six-month probationary period. Ms. Dzikowski would like to do a performance review for the rest of her staff by the end of the calendar year.

Q: Is there a way that the Comptroller's Office can better communicate with the City Council?

A: Ms. Dzikowski explained that on the Comptroller's page there is material addressing possible questions that a Councilor may have. Now that the Department is working from home, that information is updated frequently. In the summer, a budgetary basis financial report is written and in September this report will be available for Councilors to review. The City Council also received the Comptroller's version of the FY21 Budget Analysis.

The Committee took a straw vote to accept the Comptroller's proposed Budget, the Supplemental CIP and the CIP which passed 6-0, Councilor Ciccone not voting.

Committee members thanked department heads and city staff for the work they do for the City.

The Committee adjourned at 10:14 p.m.

Respectfully submitted,

Rebecca Walker Grossman, Chair