



Finance Committee Budget Report

City of Newton In City Council

Thursday, April 28, 2022

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

Absent: Councilor Gentile

Also present: Councilor Downs

City staff present: Comptroller Stephen Curley, Director of Assessment Administration Jim Shaughnessy, Chief Financial Officer Maureen Lemieux, Human Resources Director Michelle Pizzi O'Brien, HR Generalist Caroline Wilson, Manager for Financial Planning and Analysis Perry Rosenfield, Senior Financial Analyst Josh Handverger, Payroll Manager Allison Quach, Senior Payroll Analyst Tram Goula, Information Processing Specialists Beth Gallagher, and Payroll Analyst Christopher Colleran

DEPARTMENT BUDGET & CIP DISCUSSIONS:

Assessing

Human Resources

Financial Services

Executive/Sustainability

Referred to Finance and Appropriate Committees

#213-22 **Submittal of the FY23 to FY27 Capital Improvement Plan**
HER HONOR THE MAYOR submitting the Fiscal Years 2023 to 2027 Capital Improvement Plan pursuant to section 5-3 of the Newton City Charter.

Referred to Finance and Appropriate Committees

#213-22(2) **Submittal of the FY23 Municipal/School Operating Budget**
HER HONOR THE MAYOR submitting in accordance with Section 5-1 of the City of Newton Charter the FY23 Municipal/School Operating Budget, passage of which shall be concurrent with the FY23-FY27 Capital Improvement Program (#213-22).
EFFECTIVE DATE OF SUBMISSION 04/19/22; LAST DATE TO PASS THE BUDGET 06/03/22

Referred to Finance and Appropriate Committees

#213-22(3) **Submittal of the FY23 – FY27 Supplemental Capital Improvement Plan**
HER HONOR THE MAYOR submitting the FY23 – FY27 Supplemental Capital Improvement Plan.

Assessing

Note: Jim Shaughnessy, Director of Assessment Administration joined the Committee for their discussion on the Assessing Department's FY23 budget. Mr. Shaughnessy first expressed his gratitude for his staff. The Assessment Department continued to work in person during the pandemic and were still going out for inspections. This past year, two employees with over 20 years of experience left the department, but with succession planning the positions were filled by internal candidates.

Q&A

Q: Are there any open positions currently?

A: Mr. Shaughnessy explained that there is one position that still needs to be filled.

Q: What are the outcomes and the strategies to meet the goals for the year ahead?

A: Mr. Shaughnessy explained that outcome 1 is to be certified by the Department of Revenue, and this goal is always met. Outcome 2 relates to new growth which is consistently being inspected. Outcome 3 concerns the tax assistance program, which just had a deadline pass. The vast majority of seniors and veterans that qualified for a FY22 exemption have received them. Outcome 4 relates to the turnaround for motor vehicle excise abatements, which usually is completed within 2 days.

Q: Is cross-training used in the Assessing Department?

A: Mr. Shaughnessy explained that they do cross-train so that everyone is a well-rounded employee.

Q: What is the data control aspect of the position in the office named "Excise and Data-Control Specialists"?

A: Mr. Shaughnessy explained that the appraisers in the field may go to thousands of homes in a year. The data is then entered into the system by this employee, so it is readily available.

Q: What were the changes in the department's budget this year?

A: Mr. Shaughnessy explained that they have increased the line item for training for staff so that they are able to receive the designation of a Massachusetts Credited Assessor. There was also an increase in office equipment to be able to provide new computers for the new employees. The postage line item has decreased due to the fact that the income and expense statements are being sent out electronically to commercial properties if they signed up to receive the statements via email. Ms. Lemieux explained that for the gasoline line item there was an increase due to the rising prices. The cost per gallon in the City is going up by 43%. The funds are to ensure that the department has enough funds if they have extra costs in gasoline.

The Finance Committee took a straw vote to accept the Assessing Department's proposed budget of \$1,306,857 which passed 6-0 with Councilor Malakie not voting.

With that, all items are held until the Committee of the Whole deliberations.

Human Resources

Note: Michelle Pizzi O'Brien, Director of Human Resources joined the Committee for their discussion on the Human Resource Department's FY23 budget. Ms. Pizzi O'Brien explained that in the current fiscal year the HR department was able to add an additional HR generalist. The Deputy Director position has not yet been filled but the hope is that with additional recruiting activities they will be able to find a candidate in the upcoming fiscal year. The HR Department also worked with the administration and other departments on the City's vaccination policy. Ms. Pizzi O'Brien explained that the goal for this fiscal year is also to have a focus on training. At the start of the fiscal year, the HR Department worked with the administration on Diversity, Equity and Inclusion (DEI) and hiring consultants to support the City in DEI goals. The HR department has supported the hiring of 80 employees in the City, along with a number of positions in the Parks, Recreation and Culture Departments. This number includes department head positions that were filled. Lastly in FY22, they are working to have the first in person Health and Benefits Fair. They are also currently working on finishing union contracts.

In FY23, the goals will include to continue to support the City during the pandemic but will also go back towards core HR practices. The department will also be adding a benefits position in FY23.

Q&A

Q: Has the use of telehealth produced any cost savings for the City?

A: Ms. Pizzi O'Brien explained that there is a reduced cost to telehealth and noted that she will be having a meeting with the Chief Financial Officer regarding the actual reductions. Telehealth has been an important tool for employees, especially during the pandemic.

Q: Are there any cost savings related to working from home?

A: Ms. Pizzi O'Brien explained that they are working on policies regarding this topic and has been discussing this with the unions. This is also a good recruiting benefit. She noted that there was a reduction in the use of sick leave when it came to remote work.

Q: How long does it take to fill positions?

A: Ms. Pizzi O'Brien explained they have been working on ways to monitor this timeline. They have also looked at a number of ways to post jobs so that it reaches as many people as possible. The HR

Department is also looking at the benefit packages so that Newton can be competitive in terms of recruiting.

Q: How will the consultants/part-time hires help fill-in the gaps?

A: Ms. Lemieux explained that the \$25,000 that is in the part-time line item has been carried over the past few years due to the fact there was a large number of retirees in high level positions. There have been retirees that have come back to help with the transition to a new department head.

The Finance Committee took a straw vote to accept the Human Resources Department's proposed budget of \$1,243,961 which passed 6-0 with Councilor Malakie not voting.

With that, all items are held until the Committee of the Whole deliberations.

Financial Services

Note: Maureen Lemieux, Chief Financial Officer, Perry Rosenfield, Manager for Financial Planning and Analysis and a number of other employees from the Financial Services Department joined the Committee to discuss the FY23 budget. It was noted that this is the first budget presentation for the newly created Financial Services Department.

The goal for this department is to create a professional financial structure for the payroll process and the financial planning and analysis processes. As of today, there are four employees in the payroll division and three employees in financial planning and analysis. There are still two open positions in the department.

Mr. Rosenfield first introduced the following members of the Financial Planning and Analysis Division.

Josh Handverger, Senior Financial Analyst

Caleb Mathis, Financial Analyst

He went on to explain that this division works on the budget and the CIP each year. They also work on the water and sewer rates as well as the pension funds and conduct analysis on this data. There is currently not an Assistant Manager for the division but that is listed as an outcome for the upcoming fiscal year.

Allison Quach, Payroll Manager first introduced the following members of the Payroll Division.

Tram Goula, Senior Payroll Analyst

Beth Gallagher, Information Processing Specialists

Christopher Collieran, Payroll Analyst

Ms. Quach explained that the goal is to improve and strengthen the payroll process. The division will create policy and develop a system of checks and balances to ensure that employees receive payment in a timely manner and ensure that all laws are being followed. Ms. Quach also noted that they will be improving the filing system as well as keeping the records accessible. The division will also utilize Munis who offers training sessions and other applications that will help payroll stay as efficient as possible. Ms. Lemieux also noted that for now they have deferred filling their other payroll analyst position, which is why there is a decrease in salaries.

Ms. Lemieux explained that there is a consultant line item that will be used to pay for additional Munis implementation fees, a law firm that is assisting with compliance with payroll law, as well fees for the the City's auditor, Clifton Larson Allen.

Q&A

Q: How has space been created for the additional employees?

A: Ms. Lemieux explained that they have recently moved the department into its final space. She also noted that she is working remotely; if she comes back to City Hall she will still be working in her office in the Executive Department.

Q: What is the employee self service portal?

A: Ms. Lemieux explained that the goal would be that employees will be able to enter this portal if there have been any changes to their health insurance or have moved recently and would like to change their address.

The Finance Committee took a straw vote to accept the Financial Services Department's proposed budget of \$774,479 which passed 6-0 with Councilor Malakie not voting.

With that, all items are held until the Committee of the Whole deliberations.

Executive/Sustainability

Note: Maureen Lemieux, Chief Financial Officer joined the Committee to discuss the Executive FY23 budget. She was joined by Hattie Kerwin Derrick, Director of Community Engagement & Inclusion, Ann Berwick and Bill Ferguson, Co-Directors of Sustainability.

Sustainability

Mr. Ferguson first introduce Liora Silkes who is the City's Energy Coach. She has been on staff for over a year and is focusing on projects for the residential sector.

Ms. Silkes explained that she has been working on “opt in” projects that will be beneficial for the environment and the residents. As of February, there have been 195 consultations with residents regarding various questions. A portion of these consultations were with volunteer coaches that are experts in these fields. There has been the creation of a project called “4 Our Future”, which outlines four ways the City can reach the goal of becoming carbon-neutral by 2050. The four ways include insulation, heating and cooling efficiently, solar power and green transportation. The overall goal is to educate the public as much as possible on the City’s energy goals and how to reach these. Ms. Silkes also explained how she stays in contact with those who are applying for permits throughout the City and she is working with Councilors on educating developers as well.

They are also now working on an ordinance regarding a building emissions standard for large commercial buildings that’s based on a Boston ordinance. This will provide emissions targets that the commercial buildings will need to meet that will eventually reach zero emissions.

Ms. Berwick noted that the City still participates in Newton Power Choice, and this will continue until the contract expires in calendar year 2024. There also has been the filing of the Home Rule Petition with the state legislature regarding electrification.

Q&A

Q: Regarding the Newton Power Choice program, at the end of the contract would the City be aiming for a default of 100%?

A: Ms. Berwick explains that it depends on requisition prices at that time.

Diversity, Equity, and Inclusion (DEI)

Ms. Kerwin Derrick explained that they do have a line item for consultants related to DEI hiring. They did put out a request for proposal (RFP) and received two proposals that were not substantial enough. This project was put back out to bid and they received eight proposals which are currently being reviewed.

Ms. Kerwin Derrick also explained that they have found a company for translation and interpretation services. This company has hubs in the United States and across the world that will be able to help patrons of City Hall. They are also working on signage throughout the City so that visitors and residents have complete access. Ms. Lemieux noted that there is \$100,000 budgeted for translation and there was \$250,000 budgeted for DEI consultants last year. This will carry over to the next fiscal year.

Executive

Ms. Lemieux went on to explain different aspects of the FY23 budget book. The City has had solid new growth through the pandemic. She explained that she has set the new growth percentage at 1.35%; to get to this number Ms. Lemieux explained that she looks at what developments are coming into the

City along with a number of other factors. The 20-year average is 1.45%. The hope is that revenues will get closer to pre-pandemic numbers. These include the room tax, meals tax and parking ticket revenues which have been budgeted for approximately \$1,000,000 each. The parking meters have also been budgeted for approximately \$750,000.

Ms. Lemieux noted that page 20 in the Mayor's analysis shows the progress on spending over the past five years. The spending is in regards to a number of different projects including preservation, preventative maintenance, and social, emotional and mental health. These key areas have increased throughout the years due to how important they are to the City. In this year's budget, planning, housing and zoning has been increased by approximately \$100,000. There has also been an increase to the budget for social, emotional and mental health and on athletic fields.

The next area is wage reserve and salary increases. Ms. Lemieux explained that the wage reserve is where the City carries the funds used to settle any unsettled contracts. This does sit in the Comptroller's budget and does need City Council approval before it is spent. There has been a decrease in the wage reserve because many contracts have already been settled. The wage reserve will carry approximately \$1.5 million this fiscal year. It was also noted that there are certain departments that have larger increases in the salary line items due to the settling of retroactive portions of the contracts.

Ms. Lemieux also explained that they will be moving the collection of soft yard waste in-house, which will save the City approximately \$400,000. The gas and diesel cost will be increasing by 43%, so there had to be a \$300,000 increase to this portion of the budget. Ms. Lemieux noted that the Comptroller's office provides a list of available funds, which can help answer a number of questions.

The City is dependent on Free Cash because of the ratio of spending to the revenues. The goal is to reduce the need for Free Cash but that has not been able to be done yet. There is still a portion of Free Cash that is set aside for snow removal each year.

Q&A

Q: What is the difference between the Host Community Agreement funds and the cannabis tax revenue?

A: Ms. Lemieux explained that the city receives 3% of all cannabis sales even if they are medical with the HCA. This is also only in place for five years. The cannabis tax only applies to recreational sales but this will happen in perpetuity. Steve Curley, Comptroller explained that HCA funds are buried in the fees line item and are not separated out.

Q: What are the miscellaneous revenues?

A: Mr. Curley explained that these are prior year payables, legal recoveries and sale of capital assets along with a number of other line items.

Q: How does the administration estimate a value for the unsettled contracts and how do they vary across different departments?

A: Ms. Lemieux explained that she looks at the contracts that are open city-wide, makes an estimate and put those funds aside in the wage reserve. The current wage reserve needs to account for the retroactive pay as well. There are a number of moving pieces that determine the number that is discussed whiling settling the contract. It was noted that the overtime costs are a separate issue, especially in the Police and Fire Department due to the minimum manning and open positions.

Q: Is there any way to use savings that may be found in the budget for the School Department?

A: Ms. Lemieux explained that the Council can't increase the School Budget on their own, however the Council can vote to decrease line items anywhere in the budget. The Mayor would still need to choose to increase the School Department budget. It was noted that there will be a further conversation on the School Budget, as is the case with every department, during the Committee of the Whole process.

Q: How is it decided when there is a structural deficit versus a one or two year problem?

A: Ms. Lemieux explained that when they fund each department's budget, she does not know what the increase in percentage will be. The funds are allocated where the needs are. Additionally, Ms. Lemieux explained that she would see a structural deficit if employees would need to be laid off.

The Finance Committee took a straw vote to accept the Executive Department's proposed budget of \$1,397,186 which passed unanimously.

With that, all items are held until the Committee of the Whole deliberations.

The Committee adjourned at 10:08 p.m.

Respectfully submitted,

Rebecca Walker Grossman, Chair