

Needham Finance Committee
Minutes of Meeting of March 8, 2023

The meeting of the Finance Committee was called to order by Chair John Connelly at approximately 7:00 pm in the Great Plain Room at Needham Town Hall, also available via Zoom teleconference.

Present from the Finance Committee:

John Connelly, Chair; Louise Miller, Vice Chair

Members: Karen Calton, Barry Coffman, Carol Smith-Fachetti, Carli Hairston, James Healy, Joshua Levy, Richard Reilly

Others present:

David Davison, Assistant Town Manager/Finance Director

Peter Pingitore, Chair, Community Preservation Committee

Robert Dermody, Vice Chair, Community Preservation Committee

Carys Lustig, Director of Public Works

Cecilia Simchak, Director of Finance/Administration for Public Services

Barry Dulong, Director of Building Maintenance, Public Works

Timothy McDonald, Director of Health and Human Services

Citizen Requests to Address the Finance Committee

No requests.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Reilly that the minutes of the meeting of March 1, 2023, be approved as distributed, subject to technical or typographical corrections. Mr. Levy seconded the motion. The motion was approved by a roll call vote of 6-0-2. (Ms. Hairston and Ms. Fachetti abstained; Ms. Calton had not yet arrived.)

Consultation with Community Preservation Committee re: Annual Town Meeting Warrant Articles

Mr. Pingitore stated that the CPC are considering three requests for CPA financing, and will be consulting with the Finance Committee and the Select Board and will hold a public hearing and have further deliberations before voting, which will likely be on March 29.

Appropriate to Community Preservation Fund

The estimated CPA revenue is \$4.3 million in FY24. The CPC typically puts 11% into each of the three reserves (Community Housing, Historic Resources and Open Space) to ensure that the Town is allocating the required minimum of 10% to each reserve. The 11% allocation would be amount to \$477,817 each. However, the CPC plans to double the allocation for Community Housing because of the need, which changed that amount to \$955K. He stated that the Historic Resources Reserve allocation in the article appears as \$0 because the CPC has committed funds toward the debt for the renovation of the Town Hall and the Emery Grover Building that are more than covering the required allocations. Mr. Connelly asked whether the difference between

the \$2.7 million be allocated in the article and the \$4.3 million revenue would all be going to fund the debt for the historical projects. Mr. Pingitore confirmed that that was true..

Community Preservation Fund Supplement

Mr. Pingitore explained that an additional \$134,928 of CPA matching funds were received from the state in FY22 and FY23. As a result the Town had no longer met the required 10% allocations to the three reserves. Supplementary allocations were needed to each reserve to reach the necessary minimums. The CPC is planning to discuss whether to increase the allocation to the Community Housing Reserve to 20%. This article would move funds from the CPA General Reserve into the three reserves to meet the minimum requirements (combined together for the two years), with double the required amount in the Community Housing Reserve. He expected the CPC will support this.

In response to a question from Mr. Healy, Mr. Pingitore noted that when the amount to the Community Housing Reserve is increased, that amount comes from the allocation that would have gone to the CPA General Reserve. Therefore, in the FY24 allocations, the allocation to the General Reserve will be \$1,749,705 rather than \$2,227,522. Mr. Healy asked what the plan was for the \$1.7 million in the General Reserve. Mr. Pingitore stated that they have CPA free cash and the General Reserve to use during each funding cycle. He stated that last year, they used \$2 million to support the Emery Grover project, and this year they may propose to fund some of the articles out of free cash. He stated that the amount in free cash is not available from the close of the fiscal year on June 30 until the free cash is certified in late November, but the amount allocated to the General Reserve remains available in the fall. They anticipate that the request to renovate Claxton Field may be on the October Special Town Meeting warrant. The Town is in discussions with the state about what kind of cleanup is needed at the site. They do not expect the CPA funding request to change from \$1 million. He assumes that would come from the General Reserve.

Mr. Connelly stated that in total, there is roughly \$6 million in the CPA reserves. He stated that the amount seems high and asked what the plan is. Mr. Pingitore stated that the CPA is a funding source for projects so the CPC responds to applications, but do not create projects. He noted that they do have some anticipated appropriations. The CPC has a 5-year financial plan they put together each year with the Finance Director. They expect requests from the Needham Housing Authority for their redevelopment and expansion efforts. There are other anticipated costs as well. He stated that they would provide the plan when it is ready.

Mr. Connelly noted that the Town has \$5 million in the Open Space Reserve. Mr. Pingitore stated that there are minimum requirements that 10% of the CPA revenue is spent on or reserved for each of the designated uses. He stated that the allowed use of Open Space funds has been broadened since the CPA was first enacted. Some people have voiced that the amount in the Open Space Reserve should be bigger to provide sufficient funds to make a significant purchase if the opportunity arises. The general practice of the Committee is to keep \$2 million on hand as a down payment for the purchase of open space. Mr. Reilly asked why more than the minimum would be put in some reserves since the statute limits how it can be used, and whether it would be best to put more in the General Reserve to preserve flexibility. Mr. Pingitore stated that in earlier years, they had wanted to create more funds to use for recreational purposes and had done that, and now that they have seen the projections of the large amounts that the Needham Housing Authority will need in upcoming years, they are designating funds for Community Housing.

CPC – Proposed Project: Needham Housing Authority / Linden Chambers Redevelopment

Mr. Pingitore stated that this request from the NHA seeks \$1.2 million to finish the predevelopment costs for Phase 1 of the redevelopment project. Last year, NHA received \$1.386 million of funding. This additional funding will be enough to get the project through all of the engineering and zoning, and also to provide construction documents, to set up the entity needed to general the low income tax credits, and to submit the application to DHDC for construction, all including legal fees. Mr. Connelly asked if the funds from last year had been spent. Mr. Pingitore stated that the NHA has signed the agreement with the architectural engineering firm. They have not yet submitted any requests for reimbursement. He stated that there is a lag of a few months in expected timeline because there was a lag in the approval time from the DHDC which was needed before they could enter into the agreement. Mr. Healy stated that it would be important for Town Meeting to understand why there is a delay and why more funds are needed when the previous appropriation was not spent. Mr. Reilly stated that it is also important to explain whether the delay is expected to increase expenses. Mr. Pingitore stated that the funding last year was intended to be used to get the project through architectural engineering and also zoning approval, and they have hired the contractor which is a DHCD approved firm. Mr. Connelly stated that there needs to be a breakdown of how the money will be spent, with a scope for both the \$1.4 million last year, and the \$1.2 million this year.

Mr. Connelly asked if the delays so far will delay the whole project. Mr. Pingitore stated that they CPC has asked, and that the NHA plans to take an aggressive approach in a short period of time in anticipation of getting funding for construction in October. He stated the up to a total of \$5 million CPC funds are being considered for the project. Mr. Levy expressed concern that with so many vendors involved that too much of the funding is going to administration rather than actual housing. Mr. Pingitore stated that the proponent would need to come explain that. Cambridge Housing Authority is managing the project and being paid a consulting fee. Mr. Connelly stated that everyone seems to want this project to take place, but the process seems convoluted. Mr. Pingitore stated that Margaret Moran from CHA is the point person and makes herself generally available to meet. He stated that the public hearing is on March 15, and the CPC will get more answers on March 22. He stated that he can bring her to a meeting, along with the Executive Director of the NHA.

Ms. Miller stated that it would be helpful to hear from the housing person from the Town. Mr. Pingitore stated that there is not a contact in Town with detailed knowledge about the project. Mr. Healy stated that there should be a professional representing the Town's interests. Ms. Miller stated that they can use CPC administrative costs for this. Ms. Miller stated that the Town will need to be a party to agree to the tax credits. Mr. Pingitore stated that the Town will not be a party to the financing. Mr. Reilly stated that there needs to be a more clear layout of the administrative structure of the project and to oversee the use of the Town's money for him to be able to recommend the appropriation. Mr. Connelly stated that he is frustrated since this is not dissimilar to last year's discussion.

CPA - Proposed Project - NHA - Seabeds Cook Preservation

Mr. Pingitore stated that this proposal seeks \$241,052 in connection with the preservation and renovation of the housing at Seabeds Way and Captain Cook Drive. He stated that, according to NHA's consultant, this expenditure is allowable under the CPA because it will preserve the

community housing. The total portion of predevelopment costs that are potentially eligible for CPA funding is \$1.1 million, of which 21.25% falls under the category of preservation that can actually be funded with CPA money, so they came up with the amount of \$241,052.

This funding will be used to change the formula funding and thus increase the income stream from HUD which will then bring in sufficient funds to pay for the construction costs to preserve and rehabilitate the housing units. The Town will not provide any construction funds unless something very unusual happens. His sense is that the CPC supports this. Mr. Healy asked what work would be done with the funding. Mr. Pingitore stated that the preservation work will keep the buildings weather resistant, such as roofing, siding and doors. He stated that they will submit the application to HUD to change the formula funding in April 2023. They anticipate HUD will approve the application in summer 2023. And then they will work on the contracting needed for the work. Mr. Healy asked if they could put the funds in the General Reserve and wait until there are actual amounts are known. Mr. Pingitore stated that that would not work with the timeline. They need to select the architectural engineering firm and finalize the contract in the fall, so they need to funds by then. Funding in October would set them back. Mr. Davison stated that appropriations at the fall Town Meeting would be available in the 3rd week of November. Mr. Healy suggested coupling the funding with the Linden Chambers project and obtaining someone to represent the Town's interests. Ms. Miller stated that the Town needs to figure out what kind of oversight is needed. She stated that the Town does not need to someone to oversee the financial aspects, but does need someone for other aspects. Ms. Hairston stated that there should be a clear stipulation of what they are doing and when.

Mr. Connelly stated that it is not clear in the Linden Chambers project what the Town is getting for the money. Mr. Pingitore stated that if it were a Town project, the Town would have project management, and that may be needed here. Mr. Healy commented that the DPW also has project management capabilities. Mr. Pingitore stated that he would need a more comprehensive idea of what should be required. Mr. Connelly stated that he can help with that. He stated that no one wants to get in the way of the project but the Town needs some stewardship, and an idea of what the architect says they will do and when, and an executive summary of the funds needed and how they will be spent and what will be received. Mr. Pingitore stated that the information is in the packet that they put together but there is not a timeline. Mr. Reilly stated that it is important to understand how the \$2.6 million from the Town works as a component of the whole project. Mr. Coffman stated that the Finance Committee needs to make sure the spending is as logical as if the Town were funding it all itself, and to make sure the spending is not inefficient. Ms. Miller stated that Framingham did something like this and the city had a grant agreement that imposed limitations on how the money was spent. The bids ended up higher the expected, so they granted some more funds and loaned some. She asked who handled grant agreements in Needham. Ms. Simchak stated that she is the CPC liaison and she handles grant agreements with the Town Counsel.

CPA – Proposed Project _ DeFazio Field

Mr. Pingitore stated that this request is for \$35K to design a new playground at DeFazio Field. The current playground is the only playground in Town that is solely a tot lot and it is in dire need of repair and renovation. The anticipated construction cost is \$435K. There are conservation restrictions in the area, so there are limitations to the use of the area and placement of equipment. He stated that there is a needs assessment. The CPC is supportive. They are anticipating that there will a request for funding for construction and that it would come from the

General Reserve. He added that the Park and Rec Department has jurisdiction over this part of the property.

Annual Town Meeting Warrant Articles

Public Facilities Maintenance Program

Mr. Connelly stated that this is an annual article is for \$1 million. It calls for \$300K from free cash and \$700K from the tax levy. He asked for a description of the planned maintenance. Ms. Simchak stated that the funds are often used for work in buildings over the summer so the expenditures end up being split over fiscal years and cannot be funded in the operating budget. The FY 24 funds will be used to continue the usual cycles of duct cleaning, floor refinishing, and flooring replacements. There will also be work done at the Mitchell School which cannot wait until the building reconstruction project. There is work planned at the DPW garage, including fire suppression. She stated that the FY23 work includes some of the annual work as well as repairs at the High School and a new boiler at Mitchell. They spent all of the FY22 funds and anticipate that the funding provided for FY23 will be fully expended by early spring of 2024. Mr. Levy asked how much of the work is done in house. Ms. Simchak stated that almost all of it is contracted out. Mr. Levy asked why the amount of this annual article increased recently. Ms. Simchak stated that the annual funding level used to be \$600K but they found that with increased costs and needs, they now request \$1 million and have found that they are using that amount.

MOVED: By Mr. Healy that the Finance Committee recommend adoption of Annual Town Meeting Article: Appropriate for Facilities Maintenance Program in the amount of \$1,000,000. Ms. Miller seconded the motion. The motion was approved by a roll call vote of 9-0.

General Fund Cash Capital (CATH Generator, Energy Efficiency Upgrades)

Ms. Simchak stated that the article will fund a new fixed generator for the Center at the Heights. Design funds have been appropriated and that work is almost done. It will replace the current mobile generator with one that can run the full building. The CATH is a heating and cooling location during extreme weather. The portable generator will be relocated to the Library for backup power. The funding will cover the full construction amount.

Ms. Simchak stated that the energy efficiency upgrades are requested annually, and each year certain projects are identified. This year, the plans are to replace boiler #3 at the High School with a high efficiency boiler. The design is in place. The current boiler was not functional and is gone.

Rooftop Unit Replacement

Mr. Haff stated that there are 9 rooftop units at Broadmeadow and they have recurring problems, including the need to use a refrigerant which has been banned and is no longer available. The current units are powered with gas. They are planning to install an energy recovery system that is powered with electricity and that will improve the efficiency of any unit it works with and be much more efficient and reduce the use of natural gas. The Town is starting to transition away from gas. They will add some air source heat pumps which will allow them to avoid running the

boilers all summer to cool the building. They are currently planning to start with the Eliot School rooftop units in summer of 2023 and then replace the Broadmeadow units in 2024. \$818K has already been appropriated and another \$9 million is requested to cover the balance for the whole project. The contingency funding was based on only the hard costs. Mr. Coffman asked if there is an analysis of energy use showing the cost difference between the proposed system and traditional system to better understand the benefits. Mr. Haff stated that they looked at numerous options, including geothermal systems, but that was triple the cost. He stated that the engineering firm made the recommendation that they chose. Mr. Connelly asked for information that shows what options were considered and the recommendations. Mr. Dulong stated that he has a summary and can send out the requested information.

Mr. Connelly suggested that there may be economies of scale to hire a contractor to do both buildings in summer of 2024, including cost savings if they order all of the equipment at once. Ms. Simchak stated that the intent is to enter into one contract whether the project is completed in one year or two years. Ms. Lustig stated that they need to look into operational needs and whether they could close both buildings simultaneously since there are programs in the buildings in the summer. Mr. Reilly asked if they know the anticipated maintenance costs for the new systems since new equipment is more sophisticated. Mr. Dulong stated that they do have estimated maintenance costs for each building and it is not significantly different for current costs.

Mr. Levy stated that the cost for this work was estimated at \$5-\$6 million last year, and now it is \$9 million, and asked why it increased that much. Mr. Haff stated that it is due to material and labor cost escalation. He stated that these are feasibility estimates and that it is possible if there is a recession that they would go down. Mr. Connelly asked if there is cost escalation in the hard costs as well. Mr. Haff stated that there is, and that there is an additional year of escalation in the costs for the Broadmeadow School. If they can do that work in 2024 as well, the costs would be about \$250K less. Ms. Miller asked when the bidding would take place. Mr. Haff stated that it would be August. Mr. Connelly stated that he understands that this has taken a long time to analyze, and that ideally there would be a bid in had to ask for an appropriation at Town Meeting, but because of the fact this work needs to go on the summer, it needs to be presented now. He added that they will have a hard bid in October. If there is not enough funding in the initial appropriation for the whole project after they go out to bid, they will have to start with the Eliot project in the first summer. Ms. Miller requested that if there are better numbers before Town Meeting, that they be provided. Mr. Haff agreed.

MOVED: By Mr. Healy that the Finance Committee recommend adoption of Annual Town Meeting Article: Appropriate for Rooftop Unit Replacement in the amount of \$9,000,000. Mr. Reilly seconded the motion. The motion was approved by a roll call vote of 9-0.

Appropriate Opioid Recovery & Mitigation Funds

Mr. McDonald stated that under a settlement agreement between the state and pharmaceutical companies and pharmacies, Needham will receive funds from now through 2038 for opioid recovery and mitigation programs. The money will be provided in uneven amounts over time. His proposal would spend less in the first year, \$70K. He stated that they have received \$217K to date. Mr. Davison stated that all of the money received would be set aside for these purposes. The funds that have come in so far are in free cash. The state considers the funds to be General

Fund receipts. Legislation had been filed last year to make these funds accessible for the purposes designated in the settlement without appropriation, but the bill was never acted on. Ms. Miller asked if this amount could be set aside in a stabilization fund. Mr. Davison stated that would be allowed, but then the funds would need to be appropriated to spend them. The legislation proposed that the funds would come straight to the agency authorized to use the funds and would not need to be appropriated by another body.

MOVED: By Mr. Healy that the Finance Committee recommend adoption of Annual Town Meeting Article: Appropriate Opioid Recovery & Mitigation Funds in the amount of \$217,288. Mr. Reilly seconded the motion.

Discussion: Ms. Hairston asked who had been trained in harm reduction. Mr. McDonald stated that there have been targeted training sessions taught by public health nurses for nannies in town, and there was an open session that was attended mostly by high school parents. Mr. Hairston asked where the SAM box kits would be placed. Mr. McDonald stated that they would be placed around town the same way that AEDs are widely available in public places. Ms. Hairston questioned whether so many were needed in a town with so few overdoses. Mr. McDonald stated that the Police have seen overdoses and he feels the level or risk is unacceptable. He would like to see Naloxone kits everywhere. Because there are few overdoses, they will not need to be replaced often.

Mr. Connelly asked who would decide how the settlement funds will be used. Mr. McDonald stated that he has not yet made a strategic plan but there will be initiatives based on his understanding of needs and the state guidelines. Mr. Healy asked if it would be better to come back when there is a clearer plan of what he plans to do. Mr. McDonald stated that he has outlined a good first year plan, and wants to have deep community engagement for the rest of the \$217K. Mr. Healy stated that there needs to be further discussion of the use of all of the funds. Mr. Connelly stated that he has no issues with the goals, but the implementation needs more consideration. Ms. Miller noted that the \$217K goes to free cash, but it does need to be set aside for the specific purposes. Ms. Fachetti asked if there is a timing requirement for spending the funds. Mr. McDonald stated that there is a first fiscal report due next year showing how the funds were spent, what services were engaged, how they are addressing racial inequities and more. Mr. Healy stated that he supports addressing this crisis, but feels that there is not enough information to spend the \$70K. Mr. McDonald stated that he has proposed projects within the required spending categories and feels that they have the expertise in-house to carry out this part. Mr. Levy asked how the funds were decided. Mr. McDonald stated that it was based on population. Mr. Coffman stated that the question is how the funds should be spent to address Needham's specific needs. Mr. Healy stated that he would like to hear from the Board of Health, the Select Board, the Police and others. Mr. McDonald stated that he has consulted with Youth Services, Fire Department, Library and Board of Health. He does think that for the 15-year plan there should be broader discussions. He stated that Police and Fire receive Narcan through other programs. He has not received any requests for funds. Mr. McDonald asked what information is needed for next time. Mr. Connelly stated that he will contact him to discuss it.

MOTION TABLED: Mr. Healy requested that his motion be tabled. Mr. Connelly tabled the motion.

Set Annual Limits Revolving Funds

Mr. Davison stated that this is a recurring article to authorize spending limits for the revolving funds in Town. Most of the amounts have not been changed for FY24, except for the Health and Human Services accounts. He noted that these funds are not derived from taxes but come from the amounts that people pay to participate in fee based programs. Mr. Connelly asked how the vaccine program works. Mr. McDonald stated that the Town will pay for the vaccines up front, and then get reimbursed once they are administered. He stated that this amount needs to increase because the Covid vaccine is increasing to \$125 per vaccine. Mr. Reilly asked why the amount for the Aging Services Programs is decreasing. Mr. McDonald stated that the expected amount of spending is growing, but they have not needed to spend anywhere near the full amount so he has proposed to decrease the upper limit. Ms. Miller asked why change the amount since it is just an upper limit. Mr. McDonald stated that he was told to keep the overall sum of the limits the same so he adjusted this one downward. Mr. Davison stated that he had suggested keeping the total the same. Mr. McDonald stated that this pays for transportation services and there are almost no trips so few fees are generated. There is some funding in the operating budget for fuel and maintenance, so this fund is not used much. Ms. Miller noted that this article may be passed by unanimous consent at Town Meeting if it is explained well in the article information.

MOVED: By Mr. Healy that the Finance Committee recommend adoption of Annual Town Meeting Article: Set Annual Limits Revolving Funds as set forth in the warrant article. Ms. Miller seconded the motion. The motion was approved by a roll call vote of 9-0.

Request for Reserve Fund Transfer

Mr. Davison stated that this request seeks \$105,180 to be transferred to the Finance Department expense line. The departures of the IT Director and the Network Manager have left a need to bring in outside services to provide high level support. The Town is looking into alternative ways to provide technical support, and has reached out to the Schools for potential collaboration. They will get a consultant to examine whether separate IT for the Town and Schools is best. They are putting together the bid specifications and hope to have the actual costs within 4 weeks. The request is the cost of IT services for 4 months, which include after hours work for the Police. This is not for software applications but for managing the communications between the different technologies in Town.

Mr. Levy asked why they were seeking a Reserve Fund Transfer rather than amending the budget to use the salary savings for expenses. Mr. Davison stated that there is not enough time. Normally, he would make that adjustment at the May Special Town Meeting but he needed to get this done this week. He stated that there will be salary savings of approximately \$80K. Mr. Healy asked if the funds from the Town Manager's requests for Outside Recruiting and Temporary Staffing would have helped. Mr. Davison stated that those funds have different purposes. Ms. Miller stated that outside recruitment can be handled by a Reserve Fund Transfer.

MOVED: By Mr. Healy that the Finance Committee approve of the Reserve Fund Transfer Request to the FY23 Finance Department expense line in the amount of \$105,180. Ms. Miller seconded the motion. The motion was approved by a roll call vote of 9-0.

Updates

Mr. Davison stated that the Select Board plans to withdraw the Fellowship article from the Annual Town Meeting warrant. Mr. Healy asked if there has been any discussion of the Quiet Zone. The Town is seeking design funds at the Annual Town Meeting. Ms. Miller stated that it has not been brought before the Finance Committee.

Adjournment

MOVED: By Mr. Healy that the Finance Committee meeting be adjourned, there being no further business. Mr. Reilly seconded the motion. The motion was approved by a roll call vote of 9-0 at approximately 9:12 p.m.

Documents: 2023 Annual Town Meeting Warrant 2-10-23 draft; CPC Memorandum to Finance Committee 03-03-23; FY 2024 CPC Packet: DeFazio Playground Project; FY 2024 CPC Packet: Linden Chambers Redevelopment Project; FY 2024 CPC Packet: Seabeds Cook Preservation Project; CPA Plan 2014; CPA Plan 3-4-23; HHS Chart – Revolving Fund Changes; HHS Year 1 – Opioid Trust Fund;

Respectfully submitted,

Louise Mizgerd
Staff Analyst

Approved March 29, 2023