

**Needham Finance Committee
Minutes of Meeting of May 1, 2024**

To view a recording of the meeting on YouTube:
<https://youtu.be/xrCfHT4-4rU?si=gNZaeDstbOukmDfI>

The meeting of the Finance Committee was called to order by Chair Carol Smith-Fachetti at approximately 7:04 pm in the Great Plain Room at Needham Town Hall, also available via Zoom teleconferencing.

Present from the Finance Committee:

Carol Smith-Fachetti, Chair ; John Connelly, Vice-Chair
Karen Calton, James Healy, Barry Coffman
Absent: Paul O'Connor

Others Present:

David Davison, Deputy Town Manager/Director of Finance
Molly Pollard, Finance Committee Executive Secretary
Kate Fitzpatrick, Town Manager
Heidi Frail, Select Board | HONE Committee
Marianne Cooley, Select Board
Ken Buckley, Citizen

Citizen's Request to Address the Finance Committee

None

Approval of Minutes of Prior Meetings

- MOVED: By Mr. Healy that the minutes of meeting January 17, 2024, be approved as distributed, subject to technical corrections. Mr. Connelly seconded the motion. The motion was approved by a vote of 5- 0 at approximately 7:07pm.
- MOVED: By Mr. Healy that the minutes of meeting January 31, 2024, be approved as distributed, subject to technical corrections. Mr. Connelly seconded the motion. The motion was approved by a vote of 5-0 at approximately 7:08pm.
- MOVED: By Mr. Healy that the minutes of meeting February 21, 2024, be approved as distributed, subject to technical corrections. Mr. Connelly seconded the motion. The motion was approved by a vote of 5-0 at approximately 7:08pm.
- MOVED: By Mr. Healy that the minutes of meeting February 28, 2024, be approved as distributed, subject to technical corrections. Mr. Coffman seconded the motion. The motion was approved by a vote of 4-0 at approximately 7:09pm.

MOVED: By Mr. Coffman that the minutes of meeting March 6, 2024, be approved as distributed, subject to technical corrections. Mr. Healy seconded the motion. The motion was approved by a vote of 5-0 at approximately 7:09pm.

MOVED: By Mr. Coffman that the minutes of meeting March 13, 2024, be approved as distributed, subject to technical corrections. Mr. Healy seconded the motion. The motion was approved by a vote of 5-0 at approximately 7:10pm.

MOVED: By Mr. Healy that the minutes of meeting March 27, 2024, be approved as distributed, subject to technical corrections. Mr. Coffman seconded the motion. The motion was approved by a vote of 4-0 at approximately 7:10pm.

MOVED: By Mr. Healy that the minutes of meeting April 3, 2024, be approved as distributed, subject to technical corrections. Ms. Calton seconded the motion. The motion was approved by a vote of 5-0 at approximately 7:11pm.

MOVED: By Mr. Healy that the minutes of the Executive Session of the meeting April 3, 2024, be approved as distributed, subject to technical corrections. Mr. Coffman seconded the motion. The motion was approved by a vote of 5-0 at approximately 7:11pm.

MOVED: By Mr. Healy that the minutes of meeting April 10, 2024, be approved as distributed, subject to technical corrections. Mr. Coffman seconded the motion. The motion was approved by a vote of 4-0 at approximately 7:11pm.

Mr. Coffman noted that on the April 24, 2024 minutes that the word “near” needed to be removed from page 5 in the second paragraph during the Pollard discussion.

MOVED: By Mr. Connelly that the minutes of meeting April 24, 2024, be approved with the change noted by Mr. Coffman above, subject to technical corrections. Mr. Healy seconded the motion. The motion was approved by a vote of 5-0 at approximately 7:12pm.

Reserve Fund Transfer Request

Documents: Request for Reserve Fund Transfer

MOVED: By Mr. Healy that the Finance Committee recommend adoption of the reserve fund transfer request in the amount of \$28,930 for a traffic study to assist in the HONE Committee work. Mr. Coffman seconded the motion. The motion was approved by a vote of 5-0 at approximately 7:14pm.

Mr. Healy requested Mr. Davison provide the committee with a document detailing the balances of the various town funds prior to Town Meeting, to which Mr. Davison agreed.

Annual Town Meeting Articles

Establish Elected Official's Salaries (Article 3)

Documents: FY24 Town Clerk Salary Information, Email From: Ms. Fitzpatrick To: Personnel Board Subject: Elected Officials' Salary

This article has been previously discussed.

Mr. Connelly explained that the materials provided by Ms. Fitzpatrick and it satisfied his outstanding concerns.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of Article 3: Establish Elected Official's Salaries. Ms. Calton seconded the motion. The motion was approved by a vote of 5-0 at approximately 7:15pm.

Fire Engine (Article 28)

Documents: 2024 Annual Town Meeting Amended Article 28: Appropriate for Fire Engine

Mr. Davison began by announcing that the committee had postponed voting on the funding for a new fire engine until free cash was certified, which now totals \$23.8 million. He explained the proposal to switch the funding source from debt to cash, specifically using \$1,275,000 from free cash. He clarified that a significant amount of this year's unusually high free cash (\$23.8 million), including an extra \$2.3 million carried over from last year, was due to unspent funds and budgetary savings.

Mr. Connelly and Mr. Coffman discussed why the \$2.3 million had not been allocated last year, with Mr. Davison explaining that there weren't enough desired expenditures, and some articles did not pass, causing funds to revert to the balance.

Mr. Healy prompted Mr. Davison to compare this year's free cash with previous years. Mr. Davison confirmed a substantial increase (about 37.2%) over last year's \$17.4 million, with similar figures the year before. Even accounting for the \$2.3 million carryover, this year's free cash was still significantly higher than historical levels. The turnback was similar to years previous but slightly increased.

Discussion continued with Mr. Davison detailing additional factors contributing to the high free cash, such as higher than expected permit revenue, particularly from a major hospital project, and increased excise revenue from vehicle sales, especially electric vehicles which have higher sticker prices. Interest income also saw a significant increase compared to the previous year.

Finally, Mr. Davison discussed how the Department of Revenue decides the portion of fund balance that can be appropriated, noting an increase in the allowable percentage from 59% to 66% this year, which he attributed to strong fiscal management and collections within the town. Mr. Davison also clarified that free cash primarily encompasses receivables, not just liquid assets. Mr. Davison explained that typically about 60% of the town's fund balance is certified as free cash, with recent figures ranging around 59-60.2%. This year, however, saw a

jump to 66%, which Mr. Davison does not expect to repeat next year, given that more funds were freed up this year, potentially reducing available funds next year.

Ms. Smith-Fachetti inquired about the financial impact of the increased certification, which Mr. Davison confirmed added \$2.4 million to free cash. Mr. Coffman asked about planning assumptions for warrant articles, with Mr. Davison stating he worked with an expected \$15 million in free cash estimates, anticipating it might reach near \$20 million.

Mr. Coffman explored the consistency of unspent funds across departments, inquiring if some departments return more funds than others consistently. Mr. Davison highlighted that variances in departmental turn backs are not consistent to any particular department year over year and turnback is highly influenced by personnel changes and unexpected costs.

Mr. Healy raised concerns about the sustainability of such high levels of free cash and questioned whether the town might be over-taxing its residents. He suggested considering a less aggressive tax increase than the customary 2.5% plus new growth, given the substantial unspent tax receipts reflected in the free cash amount.

Mr. Davison emphasized a fundamental requirement in tax levy management, stating that the tax levy must match appropriations; to reduce the tax rate, one must reduce appropriations accordingly.

Mr. Connelly responded to Mr. Davison's clarification by returning to Mr. Coffman's concern, suggesting a thorough review of all budgets, particularly the school budget, to identify any persistent unspent allocations year after year. Mr. Davison provided additional context by mentioning that this year any department with turn backs exceeding 4% of their budget is required to provide an explanation during their budget submission process. Upon prompting from Mr. Healy, Mr. Davison further explained that 2% -4% turnback is considered healthy.

MOVED: By Mr. Healy that the Finance Committee recommend adoption of amended Article 28: Appropriate for Fire Engine, where the appropriation will be entirely from free cash. Mr. Coffman seconded the motion. The motion was approved by a vote of 5-0 at approximately 7:35pm.

Quiet Zone Project (Article 30)

Mr. Healy expressed his previous opposition to a vote concerning the Quiet Zone project. He categorized his concerns into three areas: design, safety, and the feasibility of eventual construction. Despite his reservations about safety and the project's potential to fully achieve a quiet zone, as well as concerns about funding in competition with other capital needs he acknowledged the current stage of the project is just about design. Considering this, he stated he would support funding the design phase, which Article 30 proposed for \$750,000.

MOVED: By Mr. Healy that the Finance Committee recommend adoption of Article 30: Quiet Zone Project Design Work. Mr. Connelly seconded the motion.

Discussion: Ms. Calton expressed her concerns about the project not addressing the train horn noise across the entire town, specifically the golf course. She noted

that solving this problem might be significantly more expensive and potentially leave the project incomplete. Ms. Smith-Fachetti clarified that the current study does not cover the golf course area, prompting Ms. Calton to emphasize the importance of transparency regarding the study's limited scope.

Mr. Coffman, another initially opposed member, recognized the merit in conducting the study to understand the costs and benefits thoroughly. Despite his skepticism about the project and concerns about budget constraints due to other essential projects, he saw the value in gathering all pertinent information.

Ms. Smith-Fachetti reiterated her support for the study and urged the presenters to clearly communicate to town meeting that this study won't resolve all noise issues, especially not those concerning the golf course area. Ms. Cooley confirmed that this limitation is mentioned in the FAQs and would be highlighted in the presentation.

Mr. Connelly mentioned he would be presenting for the committee and acknowledged the need to make the study's scope and limitations clear, especially since the warrant article itself does not provide that clarity.

The motion was approved by a roll call vote of 5-0 at approximately 7:46pm.

Authorize Select Board to Remove Restrictions (Article 41)

Documents: Draft: Memorandum of Agreement, 2024 Annual Town Meeting Information on Needham Housing Authority's Linden Chambers Project

Ms. Fitzpatrick explained that the Housing Authority had provisionally approved the bullet points of a memorandum of agreement (MOA), though the formal endorsement was pending due to the chair's family emergency and was not expected before Town Meeting.

Mr. Healy expressed a desire for the MOA to include specific percentages regarding the elderly and disabled allocations, and additionally expressed concern over the absence of a formal agreement. Mr. Connelly stressed the discomfort of proceeding without a formal commitment but acknowledged that the NHA would not be able to formalize this before Monday, so waiting to vote this did not make sense. Ms. Cooley suggested that the Select Board could agree not to pursue the deed restriction release until the MOA is signed. Ms. Cooley pointed out that the original commitment was only to present the bullet points by the town meeting, to which Mr. Healy disagreed.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of Article 41: Authorize Select Board to Remove Restrictions. Mr. Coffman seconded the motion. The motion was approved by a vote of 4-1 at approximately 7:53pm.

Citizen's Petition – Authorization to Expend Funds for Consultant for MBTA Communities Zoning (Article 46)

Mr. Healy initiated a discussion about a meeting between the Select Board and a citizens' group, led by Mr. Ajamian, aimed at bridging gaps over an independent infrastructure analysis. Ms. Frail reported on their recent meeting with Mr. Ajamian, describing his concerns as vague and

nonspecific despite the committee's efforts to understand his requests. Ms. Calton added that the process Mr. Ajamian suggested could not be fulfilled by passing this article.

Ms. Frail described the meeting with the article's proponents further. She clarified to them that local laws and regulations do not require the town to upgrade infrastructure to accommodate new developments, as these responsibilities fall on the developers. She reassured them that many of the necessary adjustments that concerned them, like changing a pipe size, could be incorporated into future projects as needed.

Mr. Healy expressed frustration that despite the willingness of some Finance Committee members to fund additional studies, the timeline constraints set by the MBTA communities' law and the Select Board's project scheduling were significant barriers. Ms. Frail responded that scoping and implementing a new project to satisfy the group's undefined requests would be an unreasonable addition to the town's existing commitments.

Mr. Healy articulated concerns about the town's response to Mr. Ajamian's requests for an independent infrastructure review. Ms. Smith-Fachetti suggested that it was the proponent's responsibility to clarify his needs, while Mr. Healy countered that the town should assist its citizens in such endeavors. Despite multiple meetings with various town officials and boards, Ms. Frail noted that Mr. Ajamian was unable to specify his needs, which made it challenging to address his requests adequately.

Ms. Cooley highlighted that the core issue seemed to be a desire for an independent verification of the town staff's work, which would mean reallocating resources from other planned activities and possibly hiring new consultants to redo completed analyses.

MOVED: By Mr. Coffman that the Finance Committee recommend not to adopt Article 46: Citizen's Petition – Authorization to Expend Funds for Consultant for MBTA Communities Zoning. Mr. Connelly seconded the motion.

Discussion: Mr. Connelly then discussed the procedural shortcomings of the proposed Article 46, emphasizing the lack of specifics regarding funding and execution, which made it difficult for him to support despite understanding the sentiment behind it. Ms. Calton echoed Mr. Connelly's procedural concerns but appreciated the active participation and advocacy from the community.

Mr. Healy reiterated his disappointment, feeling the town had missed an opportunity to collaborate effectively with concerned citizens to find a satisfactory resolution.

Mr. Buckley, a proponent of the article, addressed the committee, first recognizing the validity of concerns regarding the process outlined in the article. He agreed the town faces challenges due to state deadlines, but the petitioners believe it's imprudent to move forward without more detailed examination of several substantive issues, for example the calculations concerning student-age child ratio appear to him to be problematic and inconsistent.

Expressing his concerns about the urgency imposed by the deadline, Mr. Buckley argued that the town might be rushing and not scrutinizing details thoroughly

enough, which could lead to impractical or flawed planning outcomes. His call for an independent study stemmed from a desire to have an unbiased review of the assumptions and models used by the town's consultant, RKG, particularly questioning their expertise in infrastructure, which is crucial for the town's development plans. He also noted the RKG website describes their involvement with the state to create the model being used to support these proposals.

The motion was approved by a roll call vote of 4-1 at 8:14pm.

High School Tennis Courts (Article 21)

Mr. Davison explained that this article was withdrawn.

Public Works Facilities Improvements Phase 1 Design (Art 32)

Documents: Appropriate for Public Works Facilities Improvements Phase 1 Design Amended Article, DPW Option #4 Phase I Fleet Management Jack Cogswell Building

Mr. Davison explained that a substitute motion would be presented at the town meeting. Initially, the project was to be funded partially by cash and partially by debt. However, the revised proposal aims to fund it entirely with cash. He highlighted a couple of reasons for this change: firstly, due to the withdrawal of funding for High School tennis courts, there is a small sum that needs to be reallocated and spent at this town meeting. Secondly, similar to previous appropriations like the high school tennis courts that used monies from overlay surplus to create a round number, it was deemed prudent to apply this financial approach again. Additionally, with the availability of certified free cash, Mr. Davison recommended avoiding new debt and instead financing the entire project with cash.

Mr. Connelly, seeking clarification, confirmed the total cash amount for the project would be \$2.3 million to which Mr. Davison confirmed.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of the motion to amend Article 32, that the entire amount of \$2.3 million be paid in cash in the categories set forth in the amended motion. Mr. Coffman seconded the motion. The motion was approved by a vote of 5-0 at approximately 8:19pm.

MOVED: By Mr. Healy that the Finance Committee recommend adoption of Amended Article 32: Public Works Facilities Improvements Phase 1 Design. Mr. Coffman seconded the motion. The motion was approved by a vote of 5-0 at approximately 8:20pm.

Capital Improvement Fund (Article 48)

Capital Facility Fund (Article 49)

Debt Service Stabilization Fund (Art 50)

Mr. Davison announced the withdrawal of these three articles from the town meeting to allow further analysis over the summer on funding and target level for stabilization funds, including a proposal to repurpose capital improvement funds.

Mr. Connelly sought confirmation that the earmarked funds for the high school project would remain available, ensuring no immediate financial reshuffling would occur. Mr. Davison confirmed.

The discussion evolved into a broader debate on financial strategy, particularly about preemptively allocating funds to the Debt Service Stabilization Fund. Mr. Healy cautioned against locking funds away without a clear understanding of future financial needs and impacts, and noted that doing so means other projects cannot be funded with free cash.

The committee agreed and made clear its intent to use the summer to refine their financial strategies, ensuring that future funding allocations are made with a comprehensive understanding of their potential impact across various town projects and services.

Finance Committee Updates

Mr. Healy made mention of several citizens reaching out about the tennis courts project, feeling like they got late or incomplete information, and stated his opinion that the town needs to do a better job communicating with its citizens.

Adjournment

MOVED: By Mr. Coffman that the Finance Committee meeting be adjourned, there being no further business. Ms. Calton seconded the motion. The motion was approved by a vote of 5-0, at approximately 8:31 p.m.

Documents: *Request for Reserve Fund Transfer, FY24 Town Clerk Salary Information, Email From: Ms. Fitzpatrick To: Personnel Board Subject: Elected Officials' Salary, 2024 Annual Town Meeting Amended Article 28: Appropriate for Fire Engine, Appropriate for Public Works Facilities Improvements Phase 1 Design Amended Article, DPW Option #4 Phase I Fleet Management Jack Cogswell Building*

Respectfully submitted,
Molly Pollard
Executive Secretary, Finance Committee

Approved May 13, 2024