

Needham Finance Committee
Minutes of Meeting of April 9, 2025
To view a recording of the meeting on YouTube:

<https://www.youtube.com/playlist?list=PL3PRZZjHC3yFvWuO8IwFGgK3KaPYkTyxK>

The meeting of the Finance Committee was called to order by Chair Carol Smith-Fachetti at approximately 7:01 pm in the Great Plain Room at Needham Town Hall, also available via Zoom teleconferencing.

Present from the Finance Committee:

Carol Smith-Fachetti, Chair

Barry Coffman, Ali Blauer, Paul O'Connor, Joe Abruzese, Tina Burgos

Absent:

John Connelly, Vice Chair

Others Present:

David Davison, Deputy Town Manager/Director of Finance

Molly Pollard, Finance Committee Executive Secretary

Cecilia Simchak, Assistant Director of Finance

Anne Gulati, Assistant Superintendent for Finance and Operations

Artie Crocker, Vice Chair of the Planning Board

Ellyse Glushkov, Treasurer

Kate Fitzpatrick, Town Manager

Katie King, Deputy Town Manager

Myles Tucker, Support Services Manager

Heidi Frail, Vice Chair of the Select Board

Lee Newman, Director of Planning and Community Development

Justin Savignano, Assistant Town Engineer

Tim McDonald (via Zoom), Director of Health and Human Services

Henry Haff (via Zoom), Director of Design and Construction

Kathy Reyes, Green Needham

Rob Fernandez, Green Needham

Citizen Request to Address the Finance Committee

None

Approval of Minutes of Prior Meetings

MOVED: By Mr. Coffman that the minutes of meeting April 2, 2025, be approved, as distributed and subject to technical corrections. Ms. Blauer seconded the motion. The motion was approved by a vote of 6-0 at approximately 7:02pm.

Annual Town Meeting Warrant Article Discussions

ARTICLE 11: APPROPRIATE FOR FINANCIAL APPLICATIONS

Documents: Financial Systems Presentation

Ms. Gulati stated that the request pertains to the replacement of the town's enterprise resource planning (ERP) software, which manages financial applications, utility and tax billing, accounting, and several other town functions. The town is seeking a new system due to performance issues. She identified three main problems. First, the tax and utility billing functions are handled by three separate third-party systems that are not integrated with the town's general ledger, creating inefficiencies and interoperability challenges, such as multiple logins, platforms, and extensive manual data reconciliation. Data loss during import, reliance on third-party workarounds, and incompatibility with online payment processors were also cited.

Ms. Gulati described a second problem specific to the tax and utility billing application, noting it is a small system that often fails to produce accurate data, requiring treasury staff to manually correct payment applications and reconcile discrepancies. She said the Treasury Office often depends on the vendor for assistance with routine tasks, with significant delays in response time. The third issue she addressed is the system's design and age. Originally implemented in 2014, it is targeted at school districts and smaller communities and lacks modules for integrated tax and utility billing. It limits automation of functions such as onboarding, payroll, procurement, and accounts payable, resulting in continued use of paper-based and offline processes. Ms. Gulati noted that the system assumes centralized data entry by a small number of users, which is inefficient for a larger, more complex town with many departments. She emphasized that the current system prevents improvement in financial transparency and accuracy, continues to burden the Treasury Office, and is no longer suited to the town's size or future needs.

Ms. Gulati recommended replacing the system with a fully integrated ERP that eliminates the need for third-party applications and supports functionality appropriate for Needham's complexity.. The first phase of implementation would replace the tax and utility billing components and the general ledger, followed by human resources and payroll, then remaining ERP functions. She explained that the town would maintain dual systems during the phased transition. The total request is just under \$2 million, with approximately \$1.4 million from free cash and about \$600,000 from the tax levy. This cost includes one-time conversion and ongoing fees. The final cost will depend on the procurement process. Ms. Gulati stated that recurring funding would be covered by reallocating current system maintenance funds. She provided a cost breakdown, estimating \$700,000 annually for licenses and fees and \$1.9 million for conversion.. She noted rising software costs and the potential need for adjustments during implementation if costs increase. The town received a \$100,000 state grant and has \$500,000 in town and school budgets for ongoing costs.

Mr. Abruzese asked whether moving to a cloud-based system would reduce the town's IT costs. Ms. Gulati explained that while the town would no longer incur server costs, it would still require the same level of IT staffing. She noted that cloud-based systems typically have annual

licensing fees, which tend to be more expensive than one-time purchases plus maintenance, accounting for the budget increase. Mr. Davison added that the current systems are already cloud-based.

Mr. Abruzese then asked whether all historical data would be converted and if the old system would be decommissioned. Mr. Davison responded that recent data would be converted for active use, older records would be archived according to public records laws, and the old system would be decommissioned once the new system is fully operational and reliable.

Ms. Blauer asked about the procurement and vetting process to ensure the new system avoids the issues faced by the current one. Mr. Davison explained that they would use a Request for Proposals (RFP), which allows the town to evaluate more than just price, unlike in 2014 when they chose the lowest bidder. The new process will involve hands-on testing, site visits to current users, and a focus on support and usability. Ms. Blauer followed up, asking if the RFP would include a support clause to ensure long-term product evolution. Mr. Davison confirmed that lessons learned would inform the RFP, with minimum support standards and customer feedback as part of the vetting.

Mr. Coffman stressed the importance of addressing this history up front in any Town Meeting presentation. Mr. Davison agreed, explaining that the earlier system met the town's needs at the time and was selected with cost constraints in mind. He acknowledged that the piecemeal approach used in the past contributed to its shortcomings and that the current proposal takes a more comprehensive approach.

Ms. Blauer asked why an RFP process can now be used to avoid selecting the lowest bidder, unlike previously. Mr. Davison clarified that the earlier choice was based on available proposals, and while one option was more expensive, the selected system was considered most appropriate given the town's budget and needs at the time. She then asked whether there's a risk that no suitable proposals will emerge. Mr. Davison said they are aware of vendors in the market, including a major player whose costs are reflected in the current budget estimates.

Ms. Smith-Fachetti asked for clarification about the recurring costs and whether centralizing operations might eventually create budget efficiencies. Ms. Gulati said the current budget is about \$200,000 lower than the projected annual cost of the new system. Ms. Smith-Fachetti then asked whether decommissioning the old system and reducing paper and third-party dependencies might yield cost savings. Mr. Davison responded that the system is a necessary tool rather than a cost-cutting measure. He noted that over time, automation has helped avoid increasing staff levels, and the new system would help the town respond more efficiently to regulatory changes. Ms. Gulati added that they expect gains in efficiency, particularly through reduced reconciliation work and more integrated processes, which would save time even if not immediately reflected in personnel cuts.

Ms. Blauer asked whether there are other systems the town uses for citizen data or other functions that won't be integrated into the new platform. Mr. Davison clarified that while the

financial side would be fully integrated, many departmental subscription services are niche and wouldn't be incorporated. For example, the dog licensing system, the water treatment plant's monitoring system, and the Park and Recreation registration system would remain separate. Ms. Gulati added that while not everything would be integrated initially, modern systems often include capabilities to replace many current third-party applications.

Mr. Coffman asked if there was a specific system the team was considering. Ms. Gulati mentioned that many Massachusetts communities use a product called Munis but noted that while the town's cost estimates were based on one of the larger systems, they won't know which vendors will respond until the RFP process plays out.

Ms. Blauer then asked how the new system would benefit residents. Ms. Glushkov responded that the goal is to improve resident satisfaction through features such as direct online payments, alerts to mobile devices, and a resident portal for viewing and paying bills. The system would allow residents to access all bills—including taxes, utilities, and public safety—on one integrated platform, with searchable records and downloadable PDFs.

Ms. Smith-Fachetti asked whether these improvements would be realized by 2027. Mr. Davison confirmed that the tax and utility modules will hopefully be converted by 2027. Mr. O'Connor asked whether outside consultants would be involved in the transition. Mr. Davison and Ms. Gulati explained that the budget includes funding to hire three staff members to assist with the conversion and implementation, and the vendor would also assign specialists to support the process.

Mr. Coffman emphasized the importance of clearly explaining the town's reasons for switching systems—why the current system was chosen and why the new one is necessary now. Ms. Smith-Fachetti added that Town Meeting members would want reassurance that the town wouldn't outgrow this system in just five years. Mr. Davison acknowledged that while it may not be future-proof forever, cloud-based systems have the advantage of continual updates included in the licensing fee. Ms. Blauer noted that many enterprise resource planning (ERP) providers are increasingly forward-thinking, offering APIs and modular expansions that allow systems to evolve without requiring base-level data changes. She said it's realistic to expect the town could use a well-chosen ERP system for decades. Mr. Davison agreed but pointed out that municipalities face frequent changes in laws and reporting requirements, which adds complexity. He also noted that unlike private entities that operate on one or two financial calendars, Needham operates on three, further limiting the pool of suitable providers.

MOVED: By Mr. O'Connor that the Finance Committee recommend adoption of the Town Meeting Warrant Article 11: APPROPRIATE FOR FINANCIAL APPLICATIONS. Mr. Abruzese seconded the motion. The motion was approved by a vote of 6-0 at approximately 7:40pm.

Special Town Meeting Warrant Articles Discussion

ARTICLE 5: AMEND ZONING BY-LAW – FLOOD PLAIN DISTRICT

ARTICLE 6: AMEND ZONING BY-LAW – MAP CHANGE TO FLOOD PLAIN DISTRICT

Documents: FEMA Flood Plain Comparison Maps (2)

Ms. Newman stated that for Needham residents to be eligible for flood insurance, the town must meet National Flood Insurance Program (NFIP) requirements, which now include zoning compliance due to FEMA's newly issued maps, becoming effective in July 2025. She described the first article as adjusting zoning regulations to align with FEMA's requirements and the second as amending the zoning map to reflect elevation changes. Ms. Newman confirmed the state Department of Conservation and Recreation (DCR) reviewed and approved the proposed changes, pending adoption.

Ms. Smith-Fachetti asked about the economic effect of the changes. Ms. Newman responded that residents would not be able to obtain flood insurance if the changes were not adopted. Ms. Smith-Fachetti asked if more residents would now be required to purchase flood insurance. Ms. Newman said the floodplain line is changing slightly. Mr. Savignano clarified that elevations have shifted in various areas but overall changes are minimal. Ms. Blauer asked if there was a count of impacted residences. Mr. Savignano said he did not have an exact number but could look into it. Ms. Blauer asked if residents being newly added to the floodplain would be notified. Mr. Savignano explained that notification typically occurs through the insurance process and is not a function of the town. Ms. Smith-Fachetti and Ms. Blauer questioned whether the town intended to notify those now included in the floodplain. Mr. Savignano responded that the town does not participate in individual notifications.

Mr. O'Connor said most residents discover they need flood insurance during mortgage applications. Mr. Coffman noted the concern that residents may not be aware of their inclusion in a flood zone. Ms. Blauer asked whether any town-owned properties or buildings would be affected or if there were liability changes. Mr. Savignano stated some town-owned land, especially near the highway behind Valley Road, is affected but no town buildings or physical structures are impacted. Mr. Abruzese asked if changes to the floodplain would affect property assessments or tax revenues. Mr. Savignano said most affected parcels are undeveloped or already within the floodplain, so little change is expected. He added the revised areas are mostly wetlands or resource areas.

Ms. Blauer asked if any affected parcels are slated for capital projects or development. No projects were identified. She noted that noncompliance could remove the town from the NFIP. Mr. Davison stated that while property values might shift, the change would not impact overall tax collection or town finances.

Ms. Smith-Fachetti and the rest of the committee concluded that there appeared to be no economic impact warranting a Finance Committee position, but felt residents should still be informed.

MOVED: By Mr. Coffman that the Finance Committee take no position of the Special Town Meeting Warrant Article 5: AMEND ZONING BY-LAW – FLOOD PLAIN DISTRICT and Article 6: AMEND ZONING BY-LAW – MAP CHANGE TO FLOOD PLAIN DISTRICT due to their de minimis effect on town finance. Ms. Blauer seconded the motion. The motion was approved by a vote of 6-0 at approximately 7:52pm.

ARTICLE 7: TOWN HALL SATURDAY HOURS

Mr. Davison explained that the town clerk is requesting the removal of a previously adopted section that considered Saturdays as holidays, allowing Town Hall to remain closed on those days. This created confusion around voter registration deadlines, particularly because state law designates the final day to register to vote as the Saturday ten days before an election. Mr. Davison stated that while Town Hall has remained open on those Saturdays, the language had led to uncertainty, especially regarding whether the rule applied only to state and national elections or also to local and special elections. The goal is to address this uncertainty.

Mr. Coffman asked if the vote was to recommend staying open. Mr. Davison confirmed that it is already open for voter registration ten days before any election. Ms. Blauer sought clarification that this is not a change to actual hours or days open, but just a clarification of language. Mr. Davison confirmed.

MOVED: By Mr. Abruzese that the Finance Committee take no position of the Special Town Meeting Warrant Article 7: TOWN HALL SATURDAY HOURS. Mr. Coffman seconded the motion. The motion was approved by a vote of 6-0 at approximately 7:56pm.

ARTICLE 8: ACCEPT THE PROVISIONS OF M.G.L. CHAPTER 59 SECTION 5K – PROPERTY TAX PROGRAM FOR PEOPLE OVER THE AGE OF 60

ARTICLE 9: ACCEPT THE PROVISIONS OF M.G.L. CHAPTER 59 SECTION 5N – PROPERTY TAX PROGRAM FOR VETERANS

Mr. Tucker introduced two articles that would allow the town to establish a combined property tax work-off program for seniors and veterans, governed by Massachusetts General Law Chapter 59, Sections 5K and 5N. Section 5K applies to residents over age 60, while 5N is for qualifying veterans, with eligibility defined by state law. He explained that the town currently operates a senior work-off program, funded by warrant articles, with six participants. However, the veterans' work-off program, adopted in 2014 under the Valor Act, was never implemented. The goal now is to unify both programs under consistent eligibility and administrative criteria, and to expand access to both groups.

The proposed changes would offer eligible participants up to 125 hours of work per year at the state minimum wage, currently totaling \$1,875 annually. Mr. Tucker clarified this would not compete with full-time employee work. Instead, it would involve supplemental tasks like document scanning, photocopying, or classroom assistance—projects determined at the discretion of department managers, in collaboration with the Council on Aging (COA), which

would serve as the hub of the program. Participation is limited to residents with household incomes at or below 80% of the area median income (AMI), and the town is considering whether that threshold is too restrictive.

Mr. Coffman asked whether there is a cap on the program's total cost or number of participants. Mr. Tucker explained that while it would be funded through the overlay account and does not have a fixed cap, participation is at the town's discretion. Applicants could be placed on a waitlist if needed, and there's no obligation to provide work to every eligible individual. Additionally, Mr. Tucker noted that the revised program includes the option for a qualifying individual to designate someone else to complete the work on their behalf, a provision not included in the original 2014 vote but now allowed under updated state law.

Ms. Blauer asked who decides what jobs will be available. Mr. Tucker answered that the COA would work with department heads to identify suitable tasks. Mr. Coffman inquired about how the program is advertised. Mr. Tucker said they're working closely with the COA and the town's director of community engagement to promote the program through info sessions and direct outreach. Mr. Coffman added that having a list of available positions would be useful.

MOVED: By Mr. Coffman that the Finance Committee recommend adoption of the Special Town Meeting Warrant Article 8: ACCEPT THE PROVISIONS OF M.G.L. CHAPTER 59 SECTION 5K – PROPERTY TAX PROGRAM FOR PEOPLE OVER THE AGE OF 60 and Article 9: ACCEPT THE PROVISIONS OF M.G.L. CHAPTER 59 SECTION 5N – PROPERTY TAX PROGRAM FOR VETERANS. Mr. O'Connor seconded the motion. The motion was approved by a vote of 6-0 at approximately 8:07pm.

ARTICLE 10: AMEND GENERAL BY-LAWS – REVOLVING FUNDS

Documents: Revolving Funds Frequently Asked Questions

Mr. Davison explained the proposal to establish a new revolving fund, which would allow the town to set aside and reuse money received from energy rebates and energy efficiency improvements. He noted that to create such a fund under Massachusetts law, a bylaw must first be passed and approved by the Attorney General, and then the fund must be included in the annual town meeting budget before the fiscal year begins. As a result, this proposed revolving fund would not take effect until July 1, 2026, the start of fiscal year 2027. The fund would enable departments to reinvest rebates into new energy improvements rather than having them go into general revenue or free cash.

Mr. Coffman questioned why the town wouldn't simply continue depositing such funds into free cash and making energy investments through normal appropriations. Mr. Davison responded that while the town could do that, a revolving fund provides a more direct mechanism to reserve funds specifically for energy-related purposes, eliminating the need for separate appropriations each time.

Ms. Blauer inquired about the magnitude of annual rebates the town has received, to which Mr. Davison replied that the amounts vary, with recent years seeing between \$20,000 and \$30,000.

She questioned whether the fund could eventually build up to a substantial amount, and if so, whether it could be used for larger capital projects like energy upgrades to the Pollard School. Mr. Davison clarified that while large-scale projects like Pollard are beyond the scope of this fund, it could potentially support things like upgraded electric vehicle chargers or lighting retrofits.

Ms. Smith-Fachetti emphasized that the purpose of the fund is to ensure that rebates received from energy efficiency projects are reinvested in similar projects, rather than being absorbed into general funds and potentially spent elsewhere. Mr. Haff provided a practical example from the Emory Grover project, where the town is receiving grants from Eversource that could be redirected to fund additional solar panel installations at a later phase, if the revolving fund existed to support that reinvestment.

The conversation then turned toward concerns over the size and variability of the funds. Mr. Coffman noted that this fund could differ from others in that it may require more frequent adjustments to its annual spending cap depending on the scale of projects. Mr. Davison confirmed that while spending ceilings are reviewed annually, adjustments are not typically needed.

Several members of the committee expressed reservations. While they appreciated the goal of reinvesting in energy improvements, they worried about reduced flexibility, particularly if large amounts of money became tied up in the fund. Mr. Abruzese noted specifically the town might miss opportunities to fund other high-priority projects, like an electric bus, if the fund's use was too narrowly defined. Mr. Davison reminded the committee that the town is not restricted from using free cash for such purchases, and the fund wouldn't preclude that option.

Ms. Blauer concluded by saying she would be more comfortable voting for the proposal if she could first review historical data showing recent rebate revenues and how that money might have been used. She requested a two-year lookback of inflows and potential uses. Mr. Davison agreed to provide the data, though he noted it would take time to compile.

The committee will revisit this topic at a future meeting.

ARTICLE 11: AMEND GENERAL BY-LAWS – PLASTIC FOOD AND BEVERAGE SERVICEWARE AND SINGLE-USE ITEMS

Ms. Reyes introduced this as a "Skip the Stuff" bylaw, which would require restaurants to provide single-use accessories like napkins and utensils only upon customer request. This would apply to both in-person and online orders, and full-service restaurants would be expected to use reusable items during dine-in service. Ms. Reyes emphasized the environmental benefits and cost savings for businesses, noting support from the local Chamber of Commerce.

Ms. Frail added that although the articles began as citizen petitions, the Select Board chose to take over sponsorship to align with town goals of supporting environmentally sustainable and economically thriving businesses. She explained that the Select Board's involvement would

allow better oversight and access to town resources for vetting the proposals. She clarified that the Select Board had not yet taken an official position on the articles but felt that bringing them to Town Meeting would allow for a fair discussion balancing economic and health concerns.

Mr. Fernandez noted that the proposed bylaws align with previous successful efforts to reduce single-use plastics, such as bans on plastic bags and polystyrene, both of which received strong Town Meeting support. Mr. Coffman asked who would enforce the bylaw, and Ms. Reyes responded that it would fall under the Board of Health, as with past regulations. Enforcement would be complaint-based. Ms. Blauer questioned whether the Select Board had taken a position and was told they had not, but had refined the articles for more oversight. When she asked about business support, Ms. Frail confirmed that the Chamber supported the “Skip the Stuff” article due to potential cost savings.

Ms. Smith-Fachetti asked whether the bylaw would require businesses to significantly change their delivery systems. Ms. Reyes explained that many platforms like DoorDash and Toast had already adapted to support customer opt-in options. For smaller businesses, the bylaw allows flexibility—if they cannot update their ordering platforms, they would simply not provide accessories unless requested in person. Mr. Coffman inquired how customers would know about this change, and Ms. Reyes compared it to selecting menu items during an online order.

Ms. Frail and Ms. Reyes both emphasized the reduction in litter and municipal cleanup costs as additional community benefits. Ms. Blauer asked whether the bylaw would have a large economic impact on businesses. Mr. Coffman and Ms. Smith-Fachetti felt it would likely be a slight positive. Ms. Blauer also asked whether there would be fines for non-compliance, and Ms. Reyes confirmed there would be. She cited a case study from a Brookline sandwich shop using Toast, which reported saving over 6,000 packaging items and thousands of dollars in six months by implementing similar changes.

Finally, Ms. Blauer asked how many complaints the Board of Health had received on prior plastic regulations. Mr. McDonald replied that there had only been two complaints in the last year, with one business simply finishing off its existing stock of materials. He clarified that enforcement is not currently burdening town resources.

MOVED: By Mr. Coffman that the Finance Committee recommend adoption of the Special Town Meeting Warrant Article 11:AMEND GENERAL BY-LAWS – PLASTIC FOOD AND BEVERAGE SERVICEWARE AND SINGLE-USE ITEMS. Mr. O’Connor seconded the motion. The motion was approved by a vote of 6-0 at approximately 8:42pm.

ARTICLE 12: AMEND GENERAL BY-LAWS – BLASTIC PLASTIC KITCHENWARE

Ms. Reyes presented a proposal to ban black plastic containers and utensils, citing two main reasons. First, she explained that black plastic is typically made from recycled electronics, which may contain hazardous chemicals such as flame retardants and heavy metals. These substances can leach into food, particularly when the plastic is used with hot food. Second, she noted that

black plastic is not recyclable in Massachusetts due to the inability of laser sensors in recycling facilities to detect it. As a result, it contaminates other recyclables and must be discarded as trash, which increases disposal costs for the town.

Ms. Blauer asked why businesses currently use black plastic instead of white plastic. Ms. Burgos replied that some restaurants rely on suppliers like Restaurant Depot, which may not provide white plastic options. Ms. Frail added that black plastic is often preferred for its ability to hold hot or saucy foods, though she acknowledged the same concern about leaching when heated.

A question was raised about whether the Board of Health had taken a position. Mr. McDonald stated that the board had not yet voted but planned to discuss the issue at their upcoming meeting. Mr. Coffman and Ms. Frail noted that reusing and microwaving black plastic poses health risks. Ms. Reyes confirmed that microwaving any plastic is inadvisable.

Ms. Burgos expressed support for environmental goals but voiced concern that the proposed ban might be overly burdensome for small businesses, especially given current economic uncertainties and federal policy shifts. She recommended outreach to suppliers to request more accessible white plastic options and emphasized the need to support small businesses.

Ms. Reyes responded that contacting Restaurant Depot was on her agenda and referenced a previous successful effort to remove polystyrene from their inventory. Ms. Blauer asked whether any state-level legislation might provide broader support, and Ms. Reyes mentioned a plastic omnibus bill by Becca Rausch, though its status was unclear. Ms. Frail noted that the Select Board had discussed advocating for state-level action but recognized that such efforts take time. Meanwhile, they felt compelled to act locally due to resident concerns.

Mr. Coffman inquired about the number of restaurants affected. Ms. Reyes said 16 had responded to a survey, with about half expressing concern. It was noted that some concerns were about regulation in general, not necessarily about using black plastic. There was general agreement that obtaining clearer data on impacted businesses would be helpful.

The discussion ended with members agreeing to postpone a vote until the following week, pending the Select Board's decision and more detailed business feedback. Several members, including Ms. Smith-Fachetti and Ms. Blauer, acknowledged the health concerns of using black plastic, while still wanting to consider the economic impact on local restaurants. Mr. Fernandez shared that he had previously engaged with Restaurant Depot on a similar issue regarding aluminum water bottles, highlighting the challenge of driving demand for new products. Finally, Ms. Blauer suggested that a Board of Health recommendation—rather than a mandate—might also help businesses move away from black plastic due to health considerations.

The committee will revisit this topic at a future meeting.

ARTICLE 14: AMEND SPECIAL STABILIZATION FUND

Mr. Davison began by discussing the proposal to allocate a portion of the Rosemary Pool receipts into the athletic stabilization fund, which has been under discussion for some time. The goal is to

build a reserve to address known capital expenses related to the pool, such as permanent fixtures like the pool liner and umbrella structures—not large-scale investments. He noted that the Parks and Recreation Department estimates these expenses will total between \$325,000 and \$400,000 over the next five years.

Mr. Davison stated that the Rosemary Pool generally brings in around \$242,000 annually (excluding the COVID year), and allocating 40% of that—about \$97,000 per year—would accumulate roughly \$485,000 over five years, surpassing the projected expenses. The Parks and Recreation Commission supports this approach. Mr. Coffman confirmed that the contribution to the fund is defined as 40%, and Mr. Davison added that under state law, if not contributing 100%, the town must define a specific percentage, which must be no less than 25%.

Ms. Blauer questioned the variation in receipts in recent years, noting last year's drop and fewer season pass sales. Mr. Davison acknowledged the shift in user behavior toward day passes and confirmed their intent to increase revenues. Ms. Blauer asked whether allocating too much to the fund might limit flexibility, but Mr. Davison clarified that the athletic stabilization fund could be used for broader purposes if needed. Ms. Smith-Fachetti confirmed it's the same fund, not a new one, and the percentage could be changed by a town meeting vote.

There was discussion around the flexibility of the fund. Mr. Coffman asked whether it could be used for other athletic facilities, to which Mr. Davison replied affirmatively. They recalled a prior use for Memorial Park that stretched the definition but was allowable. Ms. Blauer expressed hope that increased pool revenue might later justify a lower contribution rate.

Mr. Coffman posed a hypothetical about establishing a revolving or enterprise fund solely for the pool. Mr. Davison responded that while this is legally possible, the pool doesn't operate as a profit-making entity. He explained the challenges of aligning revenue and expenditures due to the seasonal nature of collections and spending, with receipts often coming in before the fiscal year starts. Because of legal constraints around recreation revolving funds—where balances over \$10,000 must revert to the general fund—this setup is not ideal for pool operations. Mr. Coffman asked whether any municipalities operate on a calendar fiscal year, and Mr. Davison responded that the fiscal year is set by the state for all government entities in the Commonwealth.

MOVED: By Mr. O'Connor that the Finance Committee recommend adoption of the Special Town Meeting Warrant Article 14: AMEND SPECIAL STABILIZATION FUND. Mr. Coffman seconded the motion. The motion was approved by a vote of 6-0 at approximately 9:05pm.

Debt and Capital Plan Discussion

Documents: 2025 Debt Financing Outlook

Mr. Davison began by discussing debt financing and its role in funding four fiscal development projects under consideration for the FY26 appropriations—three slated for the Annual Town Meeting and one expected in October. He noted that these projects would stay within the 3–10% debt-to-revenue policy thresholds. He then shifted focus to the significant financial implications

of the Pollard School project, which is expected to request funding in October 2026. He pointed to page six of his memo, emphasizing that even if the town ceased all new projects and focused solely on paying down existing debt, the Pollard project alone would still push total debt above the 10% threshold for five years, from FY29 to FY33. Mr. Davison confirmed the magnitude by noting that debt service for the Pollard School would surpass the combined debt service of all current projects (general fund, excluded debt, water, sewer, and CPA) for several years. He reminded the group that municipal debt payments are structured with fixed principal payments and declining interest, akin to a mortgage.

Mr. Coffman asked about bond terms, and Mr. Davison stated the assumption was a 30-year bond with a 20% reimbursement from the MSBA, although not all expenses are eligible for reimbursement.

Ms. Blauer inquired whether MSBA funding depends on federal allocations. Davison replied that while federal cuts could affect the state's budget flexibility, MSBA has a dedicated revenue source (sales tax), so it is not directly tied to federal funding. He noted a greater concern is the rising cost of construction materials outpacing MSBA's revenue growth.

The conversation then shifted to modeling debt scenarios that include all proposed projects in the capital plan. Mr. Davison used different interest rates (5.5%, 6.25%, and 7%) and revenue growth rates (2.5%, 4%, and 5.5%) to understand the potential financial outcomes. When Mr. Coffman asked about current rates, Mr. Davison referred to a 20-year rate history in the report showing no bonds had exceeded 5%. He explained that while current rates have risen, they are still relatively low, and the town has been relying on short-term financing due to the incomplete status of major projects and the lack of sufficient scale for cost-effective bond issuance.

Mr. Coffman asked whether there is a dollar threshold to make bonding worthwhile, to which Mr. Davison replied affirmatively, giving an example of a short-term note for \$170,000 that attracted only one high-interest bidder. He explained that larger issuances spread out fixed costs better and attract more favorable rates.

Returning to the debt modeling, Davison explained that he used a conservative 6.25% interest rate and varying revenue growth rates. He noted that even small changes in growth significantly impact affordability; for example, a 3% increase on \$2 million yields twice the borrowing capacity of 3% on \$1 million.

Ms. Smith-Fachetti asked whether a scenario with 2.5% revenue growth and rising expenses might necessitate an operational override. Davison replied that his models did not include overrides and emphasized that the town had not had a general operational override since 2007, aside from a few project-specific ones. His analysis focused strictly on debt policy and revenue trends, helping determine which projects might need to be delayed.

Ms. Blauer asked if the table includes all capital projects. Davison said it assumes 100% spending on every appropriation, and future decisions are affected by actual expenditures, turnbacks, and revenue growth. Mr. Coffman confirmed the table does not reflect the use of the

debt service stabilization fund. Davison agreed, stating it shows the unadjusted impact and helps evaluate when tools like the stabilization fund might be used to stay within thresholds.

Mr. Coffman suggested the group consider using free cash strategically, especially if surpluses exceed historical levels. Davison supported this idea and clarified that the town's free cash policies are planning tools rather than mandates.

They discussed the town's track record of staying within policy limits. Davison noted that they had only exceeded the 3% general fund debt threshold once in 20 years, and that decision was deliberate. Regarding the 10% total debt threshold, Ms. Blauer asked for clarification, and Mr. Coffman asked how rating agencies interpret these limits. Mr. Davison explained that agencies view compliance with internal policies positively. They are less concerned with excluded debt (voter-approved debt exclusions) since those reflect direct taxpayer authorization and are less burdensome on general fund operations.

Davison added that the agencies appreciate the town's transparency and advanced modeling. For example, in estimating tax impacts of new projects, the town uses conservative interest rate assumptions and models impacts using a single tax rate, even though Needham has a split tax rate, to avoid fluctuations caused by changes in valuation between residential and commercial sectors.

Davison concluded by highlighting the potential impact of the Pollard School project, stating that under a \$312 million project with the town financing about \$250 million at a 6.25% rate, the average single-family tax bill in 2032 would increase by approximately \$2,040, totaling about \$2,550 when combined with existing debt.

Ms. Blauer asked whether the financial burden of the Pollard School project—despite its significant cost—would affect the town's bond rating. Mr. Coffman and Mr. Davison clarified that while the financial impact is indeed significant for taxpayers, it doesn't directly influence the town's rating, and there are no real alternatives to undertaking large school projects. When Ms. Blauer brought up Lexington's \$700 million high school project, Mr. Davison explained that many towns face similar exclusions, and the scale and scope of modern school projects have grown rapidly in recent years.

Ms. Smith-Fachetti and Mr. Coffman pointed out that what a town chooses to include in its projects (like design choices and requirements) contributes to these rising costs.

On the topic of spacing out capital projects, Mr. Davison confirmed that doing so could lower the financial ratios, and while projects can be re-scheduled in the model, that depends on stakeholder decisions and inflation impacts. He emphasized that actual outcomes have historically been lower than the modeled projections due to conservative forecasting, which is necessary because of unexpected surprises—like the HVAC failure at the Newman School—that can spike costs unexpectedly.

Ms. Blauer questioned why the town had not prioritized funding the Debt Stabilization Fund earlier if it's now considered a vital tool. Mr. Davison and Ms. Smith-Fachetti responded that funds were unavailable or policy-limited in the past, and Mr. Coffman added that in years with teacher cuts, it's not politically feasible to put money into stabilization. Davison noted that there is now growing awareness of its importance.

Ms. Smith-Fachetti inquired whether renovations at High Rock factored into financial projections. Mr. Davison confirmed that the cost for retrofitting High Rock (back into an elementary school) is much lower than converting a high school, and the current capital plan includes a modest request for this purpose in 2027.

Toward the end, the conversation shifted to strategy and public messaging. Ms. Blauer mentioned previous town meeting reactions and emphasized the need to explain choices and limitations clearly. Smith-Fachetti added that the public needs to understand the need for prioritization—everything can't be done at once.

Finally, Ms. Blauer asked about how new items get added to the capital project list and how far ahead departments plan. Mr. Davison explained that the capital plan is typically five years out, and most items are known well in advance. However, priorities can shift, and departments sometimes push projects forward or backward depending on circumstances and staff advocacy.

Finance Committee Business

None

Adjournment

MOVED: By Mr. Coffman that the Finance Committee meeting be adjourned, there being no further business. Mr. O'Connor seconded the motion. The motion was approved by a vote of 6-0 at 9:40p.m.

Documents: Financial Systems Presentation, FEMA Flood Plain Comparison Maps (2), Revolving Funds Frequently Asked Questions, 2025 Debt Financing Outlook

Respectfully submitted,

Molly Pollard

Executive Secretary, Finance Committee