

**Needham Finance Committee
Minutes of Meeting of August 23, 2010**

Mr. Zimbone, chair, called the meeting of the Finance Committee to order at approximately 7:03 p.m. in the Media Center at Pollard School.

Present from the Finance Committee: Richard Zimbone, Chair
Matthew Borrelli, Vice Chair
John Connelly, Richard Creem, Richard Lunetta, Richard Reilly,
Steven Rosenstock, Michael Taggart, Lisa Zappala

Also Present: Kate Fitzpatrick, Town Manager
David Davison, Assistant Town Manager – Finance Director
John Bulian, Chair, Board of Selectmen
Denise Garlick, Vice Chair, Board of Selectmen
Mary Elizabeth Weadock, Council on Aging Member, and Senior Center
Exploratory Committee Member

Citizen Requests: There were no citizen requests to address the Finance Committee.

Approval of Minutes

Mr. Zimbone asked for comments or corrections for the June 23, 2010 minutes that had been previously distributed.

MOVED: By Mr. Reilly that the Minutes of June 23, 2010, be approved as submitted. Mr. Borrelli seconded the motion. There was no further discussion. The motion was approved by a vote of 9-0.

Pro Forma Budget Presentation by Finance Director

Mr. Davison handed out a document, “Town of Needham General Fund Revenue and Expense FY 2010-FY2016 Pro Forma,” which looks at trends and past actions of the Town at a macro level and carries them forward over the next 5 years, based on certain stated assumptions. Mr. Davison indicated that he tends to use a conservative approach when forecasting revenue and to estimate expenditures on the high side in order to ensure the ability to balance the budget. He used the immediately preceding three years of budgets adopted by Town Meeting and made changes based on certain assumptions.

The Reserve Fund was based on a formula of 1.4% of the budget, excluding debt, OPEB, and retirement, which, as fixed costs would not draw from the Reserve Fund. . In response to a question from Mr. Borrelli asking whether the past Reserve Fund appropriations have been consistent with this formula, Mr. Davison stated that this is the expectation of what will happen, though the appropriations have come in both lower and higher in the past, but close to this formula.

Ms. Zappala asked what was included in the 3.25% increase in the School Department salary line. Mr. Davison explained that 2.7% was attributable to step increases, 0.25% to cost of living increases, and 0.25% to incentives.

Mr. Rosenstock expressed concern about the town's increasing RTS contribution. He noted that fees used to be based on usage of the RTS, and that those fees have been decreased and now the town is paying more. He understood that the RTS was supposed to become independent. Mr. Davison stated that the state requires the RTS to balance its budget in order to become independent, but that there has been a drop-off in usage and in recycling revenue, plus other demands placed on the RTS that are outside their control. Hazardous waste collection day used to be covered by grants which are no longer available, so that cost must come from the RTS budget. Mr. Borrelli asked whether the long term plan is to make the RTS independent. Mr. Davison replied that for purposes of the pro forma, he uses the past to forecast expenses, and does not try to determine what will happen.

In response to Mr. Davison's report that the Town received \$13,000 under the state's Quinn program, Mr. Creem stated that he had thought the Quinn program was unfunded by the State, and asked what the \$13,000 represented. Mr. Davison replied that the program was funded by a certain amount, and then the agency that administered it gave out money according to requests and eligibility. It was approximately 10% of the amount the town received previously.

Mr. Reilly stated that it appeared that overall personnel costs were in the range of 77% of the total budget. He asked how that compared to comparable towns. Mr. Davison replied that one cannot compare entire operating budgets because of the inherent differences, but he does often compare parts of the town budgets to similar parts of other towns' budgets. For a community of similar size, the costs are in line.

Mr. Davison also handed out a document "Town of Needham Post Employment Benefits Analysis July 1, 2009" which helped to estimate the costs today of funding the future retirement programs. It captured the costs not only of paying current obligations but meeting other unfunded needs. There is an increase, but not as much as might have been as steps have been taken to keep these increases reasonable. It was agreed that this analysis would be discussed at a future meeting, once the committee had time to review the document.

Proposed changes to Town Hall Balcony

Mr. Zimbone stated that the PPBC proposed a change to the renovation work on the balcony area in the Town Hall project. It represents a significant change in scope, adding over 100 seats and costing \$350,000 - \$500,000. It was discussed by the PPBC and the CPC. The Board of Selectmen voted to go forward with the proposal. The Planning Board has not weighed in. This issue is on the agenda in order to talk about the process, not necessarily the specifics of the project. The Finance Committee does not normally get involved in such an issue, but this involves a large change in expenditure and significant change in scope. It not a typical change made by the PPBC.

Ms. Fitzpatrick stated that the Town Hall project was controversial and to keep funding possible, renovation of the balcony was a piece that had been cut out. Once the general contractor's project bid came in well below the architect's estimate and the second floor space was opened up, George Kent, Chair of the PPBC, asked that the town reconsider the idea of closing off the balcony because of accessibility issues. Without the change, the balcony could be used by staff, but not by the general public. The PPBC felt that the balcony renovation would expand the use of the building and that the job would not be complete without doing it. There is only a narrow window to accomplish this while the building is opened up. The estimated cost of \$350,000-\$500,000 depends on whether the stairs need to be redone, as the risers and treads do not meet current code, and includes breaking through one wall, fixed seating, and structural changes to the existing balcony to accommodate wheel chairs. Because of the low bid by the general contractor, there is a \$4 million contingency in the budget and the major structural issues that will have to be funded out of the contingency have already been identified.

Mr. Bulian reported that he, Mr. Borrelli, Mr. Creem, and others had taken a tour of the building and that this would be money well spent. Mr. Kent presented his reasoning to the Board of Selectmen, and because he and his committee are so reliable, the Board voted unanimously to move forward with the change. Mr. Bulian came to hear any comments from the Finance Committee. Mr. Zimbone asked whether the BOS discussed whether it might be better for the town if the \$350,000 - \$500,000 were turned back at the end of the project. Ms. Fitzpatrick noted that the figures do not represent cash, but the amount of debt. The Town does not issue debt that is authorized but unneeded. 80% of the cost of the scope change would come out of the CPA's bonding capacity. Mr. Bulian noted that the BOS needed to quickly make a decision on the project given the tight timeframe, and did not have the time to check in with other boards and committees. They did discuss the concern about this type of change happening in the future without more consideration.

Mr. Creem stated that he supports the project because of the increased flexibility that would be brought about by making a significant part of the infrastructure of the building usable. At a recent PPBC meeting, he confirmed with the architect that the additional seating capacity would require no change to the building's plumbing infrastructure. An additional 100+ persons in the auditorium might tax the HVAC system on the hottest summer days, although this does not appear to be a significant issue given the fact that the Auditorium would generally be used for major events only when town offices are closed. He would like to go on record as favoring the project.

Mr. Borrelli disagreed, believing that the project is not well considered. After taking the tour, he thought many seats would have obstructed views and that parking could be a problem. He wished more time was taken and more people involved before making this expenditure. He also would have preferred that private funding be used instead of public monies.

Mr. Rosenstock felt that the change should have been funded 100% through the CPC rather than applying the 80% CPC funding formula from the rest of the project. Ms. Fitzpatrick said that that was not feasible because looking at the bids one could not determine where the savings over expected costs came from. To the extent the savings covers this cost, the only way to

reasonably pay for it, is using the same formula. Mr. Reilly expressed concern about the idea that this is being covered by savings and thus not costing anything. Mr. Rosenstock was concerned that the town had considered the balcony renovation earlier and had decided against it. Ms. Fitzpatrick stated that the PPBC sought to cut out everything not absolutely necessary to make the project workable, and that this balcony issue was not specifically decided against.

Mr. Lunetta commented that the project seems right since otherwise it is likely in a few years that someone will be back to renovate to regain the unused space. Mr. Taggart agreed, but noted that it should have been part of the original project and that he would prefer not to change the scope of a project in process. Mr. Connelly agreed that it would have been better to include it before, but that there does seem to be money now. He was also concerned that two projects in a row have significantly overestimated costs, leading the town into issues like this. He felt the town should push harder for more accurate estimates to avoid these types of questions.

Ms. Zappala noted that the town has known about the extra money for a long time, and that the town needs to do better to consider issues like this earlier in the process. She felt the town should not cut the scope of a project to save money, then add scope later. The whole process should be more carefully considered.

Mr. Bulian commented that the PPBC wants to protect its projects by erring on the high side. It is very difficult to find more funding once a project has started. It is better to debate extra funds than a shortfall.

Mr. Zimbone stated if the project did not have excess contingency funds available, this scope change wouldn't be discussed. He is concerned that the funds could be needed later for other capital projects, such as the Senior Center or the Pollard roof. Mr. Zimbone felt that we should be asking whether it would be better to save the CPC borrowing capacity for another project or other uses, such as the purchase of additional open space. Mr. Zimbone also expressed concerns similar to Mr. Connelly's as to why there is such a big discrepancy between the estimated costs and the actual bids. He expressed the opinion that the economy is different now and that contractors are tightening their bids. Architects do not appear to be taking that into account when developing cost estimates. He felt that we need to question architects more on cost estimates, especially as the senior center project discussion continues.

MOVED: By Mr. Creem that the Finance Committee support the proposed change to the Town Hall balcony. Mr. Lunetta seconded the motion.

Discussion: Mr. Rosenstock stated that he felt the committee should not take this vote, and should not vote on how other committees make decisions, though he did appreciate their coming in to discuss the issue. Mr. Creem stated that he had intentionally used the term "support" in his motion rather than "approve." He said that the Historical Commission and the Community Preservation Commission have made similar votes. Mr. Borrelli stated that the Finance Committee is being asked their opinion of a vote already taken, and that they should not vote. Mr. Connelly and Mr. Taggart agreed with Mr. Rosenstock and Mr. Borrelli. Mr. Lunetta stated that he seconded the motion because he felt that it is important that the Finance Committee take

a stand in support of the proposal. Mr. Reilly noted that the minutes would reflect the committee's position, and that a vote was unnecessary.

Mr. Creem subsequently withdrew his motion.

Mr. Zimbone stated that the minutes would reflect how the committee felt about the changes to the scope of the Town Hall project and agreed that a formal vote was not required in this situation. Mr. Zimbone however did express his concern that going forward major capital project scope changes should receive more discussion among the many town committees, particularly when the scope had been debated extensively prior to approval by town meeting.

Mr. Reilly stated that the committee should have a policy statement as to how to deal with significant changes to projects in the future. Mr. Connelly suggested having two cost estimates for projects as a check and balance against each other, but that the additional cost would need to be built in. In response to a question from Mr. Zimbone, Mr. Connelly stated that getting a second estimate could be done in a cost effective manner if the consultant were given all the pertinent information, and did not have to do much additional research.

Senior Center Update

Mr. Zimbone stated that Mr. Borrelli has been a part of the Senior Center Exploratory Committee, and will serve as a Finance Committee representative there. He also indicated that he would like to keep the senior center on upcoming agendas to keep the committee up to date.

Mr. Borrelli stated that the SCEC met a lot during the summer, and that sites have been added and removed from the list being considered. The Emery Grover Building Study was completed (a copy was distributed to all of the members.) The SCEC met with the Council on Aging which said they would like 20,000 square feet of space to fit their needs, but would consider options for less space if necessary.

The SCEC added the following sites: the Heights MBTA Station, Stephen Palmer Building, Wingate and Emery Grover. The MBTA lot is not fully used, so it would be possible to erect a 20,000 sf building on that site. The issue is how to acquire the property. The MBTA would consider parting with the land.

The fact that Stephen Palmer Building has a lease until 2027, along with other considerations, led the SCEC to eliminate that building from consideration.

There was concern by the SCEC with the acquisition and development of this parcel and issues around the cost and timeline of the project at this site. This reasoning along with other issues led the SCEC to eliminate the site from consideration. The Emery Grover Building is somewhat promising, though it would provide only 17,760 sf of space, and 72 parking spaces with 10 additional on the street. There is a proposal to have employees park nearby and walk over, which would free up additional spaces. However, there are access issues, limited expansion potential, and neighbors have expressed traffic concerns. Its proposed cost is \$8.6 million

including the rehab. It is estimated that CPA funds would cover around \$2.5 million of the project cost.

Another alternative at the Emery Grover site was demolition of the Emery Grover building and constructing a new building at the site, which would cost about the same as two of the Greene's Field options. Appendix B, p. 1 of the Needham Senior Center Feasibility Study of June 18, 2010, shows a comparison of cost summaries of five 20,000 sf options being considered. There is cost information for Emery Grover in the separate study. The other option being considered, the Heights MBTA station, has no cost information available yet.

Ms. Zappala asked why the initial costs were expected to be \$12 million. Mr. Connelly stated that the \$12 million included soft costs, and these figures include only construction costs. Ms. Garlick noted that p. 71 of the June study shows both the hard and soft costs.

The SCEC has a draft document showing the strengths and weaknesses of the different sites. They will meet early in September, then hold a public hearing on the new sites, as they have done for each of the other sites. The SCEC plans to bring their recommendation to the Board of Selectmen in September (probably the 21st or 28th) and to ask them to reserve a space for a warrant article to be presented to the November Special Town Meeting.

Mr. Borrelli questioned whether the Finance Committee should examine these cost estimates in light of the earlier conversation about the recent overestimates in other projects. Mr. Rosenstock noted that we should take into account the fact that using Emery Grover impacts town operations, as the building is currently in use. It should also be considered whether some economy of scale could be achieved by consolidating the offices within the Town Hall or PSAB Building. Ms. Garlick commented that this has not been discussed by the SCEC, as it is premature. Ms. Fitzpatrick stated that the Schools have indicated a willingness to move.

Mr. Lunetta asked whether the SCEC has started focusing on one site as more interesting than the others. Ms. Garlick stated that four sites (six locations with the 3 different options at Green's) are still being considered, and members are not polarizing. Each site has strengths and limitations. She has a strong sense that the community favors a downtown location.

Mr. Zimbone asked whether the Finance Committee wanted to explore the need for 20,000 sf. Ms. Garlick noted that the June study shows what the space would be used for. Mr. Zimbone asked what would be different to need this amount of space. Ms. Garlick stated that the SCEC was careful to ensure there would be sufficient space, but did not question the specifics of the programs. Ms. Weadock stated that the Council on Aging determined that amount of space with consideration for future needs as the number of seniors is growing rapidly. Mr. Reilly agreed that the town should not shortchange the project, as no one wants to end up in a situation where there is a need to expand later. Mr. Connelly agreed, adding that there is limited time, and the committee should focus on what the town needs and can afford.

Finance Committee Fall Calendar

Mr. Zimbone stated that the Special Town Meeting will be November 8, 2010, and the warrant will close on September 28. The committee will need all of October to consider the articles. On September 1, the Finance Committee will focus on schools with a School Department budget update and hopefully the School Department's 5 year pro forma. We have no meeting scheduled on September 15. On September 22, the Town Manager will present her budget guidelines, Mr. Davison will present his Facilities Financing Plan, and the SCEC will update the committee on the Senior Center project. On September 29 the committee will meet to discuss the warrant articles. Also on September 29, the committee will discuss a proposed policy for handling minutes from executive sessions.

The Special Town Meeting warrant will go to print October 21, so any finance committee decisions must be completed before then for inclusion in the warrant.

Finance Committee Updates

Mr. Creem advised the committee that he will moderate a panel on the new open meeting law at the ATFC annual meeting on October 23 at the TriCounty Regional High School in Franklin. The panel will include a member of the AG's office and a Town Clerk. There will also be a panel on health insurance costs at the meeting. More details will be forwarded to the committee when available.

Adjournment

MOVED: By Mr. Connelly, that the meeting be adjourned, there being no further business. Mr. Reilly seconded the motion. The motion was approved by a vote of 9-0, at approximately 9:40 p.m.

Documents: Town of Needham General Fund Revenue and Expense FY 2010-FY2016 Pro Forma, Town of Needham Post Employment Benefits Analysis July 1, 2009, Needham Senior Center Site Feasibility Study June 18, 2010, Emery Grover Building Needham Senior Center Site Feasibility Study August 6, 2010

Respectfully submitted,

Louise Mizgerd,
Executive Secretary

Approved September 1, 2010