

**Needham Finance Committee
Minutes of Meeting of October 20, 2010**

Mr. Zimbone, Chair, called the meeting of the Finance Committee to order at approximately 7:04 p.m. in the Charles River Conference Room at the PSAB Building (temporary Town Hall).

Present from the Finance Committee:

Richard Zimbone, Chair; Matthew Borrelli, Vice Chair

Members: Richard Creem, Richard Lunetta, Steven Rosenstock, Lisa Zappala

Also Present:

David Davison, Assistant Town Manager/Director of Finance

David Tobin, Town Counsel

Mark Gluesing, Vice Chair, Community Preservation Committee

Lee Newman, Planning Director

Dawn Stolfi Stalenhoef, Vice Chair, Conservation Commission

Citizen Requests:

There were no citizen requests to address the Finance Committee.

Approval of Minutes

Mr. Zimbone asked whether there were any comments regarding the minutes from the meeting of October 13, 2010. Mr. Creem noted that after the meeting, the Town Manager advised him that Mr. Healy's statements regarding the costs of building a senior center at the Emery Grover site were incorrect, and that the figures cited by Mr. Creem, which appear in the Emery Grover Feasibility study dated August 6, 2010, remain accurate. Mr. Creem stated that Mr. Healy also confirmed this with him.

There were no further comments or corrections regarding the October 13, 2010 minutes that had been previously distributed.

MOVED: By Mr. Borrelli that the Minutes of October 13, 2010, be approved as submitted. Mr. Rosenstock seconded the motion. The motion was approved by a unanimous vote of 6-0.

Discuss and Vote as Appropriate Draft Special Town Meeting Warrant Article 15: Amend Community Preservation Fund Reserves

Mr. Gluesing explained that the Community Preservation Reserve allocations presented at the Annual Town Meeting were based on estimates of contributions from the state. The actual contributions are not known until October, so these adjustments are needed. The state's contribution was higher than the Town had estimated. Ms. Zappala asked what percentage the state matched. Mr. Davison stated that it was approximately 27%. The state has several rounds of giving out matching funds, and the towns that collect 3% of property taxes under the CPA get an extra round of state contributions. Ms. Carey stated that the legislation requires that 10% of the

CPA revenue is put into each of the three reserve funds, and the Town is currently depositing 11% into each fund. The funds can be used for spending or savings. Last year, some money from the historical reserves was spent for Town Hall artifact preservation. Mr. Borrelli asked if this is why all the accounts were increasing \$1,200, and the annual reserve was jumping more. Mr. Gluesing reported that they were limiting the appropriations for the housing, historic, and open space reserves to 11%, and putting the rest in the annual reserves because that can be spent on recreation such as maintaining trails. Before Town Meeting, the Town estimates how much CPA money will be coming in, and then must make the allocations to the different reserves of at least 10%. Mr. Davison stated that he recommended the 11% contribution to those accounts in order to leave some margin of error, though the CPC had discussed 10.5%. Mr. Davison stated that they aimed for 10.5% last year, and almost came up short. The surcharge is added to the tax bills, but the actual amount is not known until the bills are actually printed because the money is based on actual calculations on each bill. Mr. Gluesing stated that the Community Preservation Committee chooses to be cautious, as it does not want to underfund.

MOVED: By Mr. Rosenstock that the Finance Committee recommend adoption of Draft Special Town Meeting Article 15: Amend the Community Preservation Fund Reserves. Mr. Borrelli seconded the motion. There was no further discussion. The motion was approved by a unanimous vote of 6-0.

Discuss and Vote as Appropriate Draft Special Town Meeting Warrant Article 3: Change of Property for Municipal Use

Ms. Stolfi Stalenhoeft presented the article, which would change the designation of 18,764 square feet of property at Ridge Hill from conservation to municipal use. The article would also authorize an easement on that property and on an additional 800 square feet of land under the jurisdiction of the Board of Selectmen for the purpose of installing and maintaining a cathodic protection system. This would provide corrosion protection for the gas lines, which is necessary to meet U.S. Department of Transportation regulations. Algonquin Gas, which installed the system, could have taken this easement through eminent domain. Instead, they have agreed to make a contribution of \$20,000 to the Conservation Trust Fund in exchange for granting the easement. Ms. Stolfi Stalenhoeft stated that the article has the support of the Conservation Commission. Mr. Davison stated that an appraisal of the property was not done, but that the underground system does not affect the use of the property, and the property is of limited market value because of the conservation designation, and because parts of it are wet land. Mr. Tobin stated that the work has already been completed.

MOVED: By Mr. Rosenstock that the Finance Committee recommend adoption of Draft Special Town Meeting Article 3: Change of Property for Municipal Use. Ms. Zappala seconded the motion. There was no further discussion. The motion was approved by a unanimous vote of 6-0.

Discuss and Vote as Appropriate Draft Special Town Meeting Warrant Article 4: Conveyance of Property for Municipal Use

Ms. Stolfi Stalenhoeft stated that this article changes the designation of 345 square feet of property

off Mary Chilton Road from conservation to municipal use, and authorizes the Board of Selectmen to sell it. Algonquin Gas realized that of part of one if its buildings was built on a portion of Ridge Hill Reservation land, and it was not practical to move it. Algonquin Gas had the right to take the property by eminent domain. In exchange for this transfer, Algonquin Gas will make a \$50,000 contribution to the Conservation Trust Fund.

Mr. Rosenstock asked whether the Board of Selectmen needs to find other property to designate for conservation property to make up for this. Mr. Tobin explained that the state “No Net Loss” policy does require there to be a replacement of land that is changed from conservation use. If this issue gets to the Governor’s desk, the EOEA may come ask for some other conservation property. The Town owns sufficient property to make up for this 345 square feet plus the 18,764 square feet in Article 3. The Town is not offering the land at this point, since the property could be taken by eminent domain through the U.S. District Court. In that case, if Algonquin Gas takes the land, and pays damages, there would be no need to meet the no net loss provisions.

In response to a question from Mr. Zimbone, Mr. Davison explained that the Conservation Trust Fund is under the jurisdiction of the Conservation Commission and is used to further conservation interests such as payments not to build, or covering costs for immediate repairs to conservation land where no one has been immediately identified as responsible. It can be used for good faith money for land purchases or for deed restrictions. There was no expenditure from the fund in the last year. Money from the Conservation Trust is to be used solely for purchasing land or easements, in contrast to the Community Preservation Fund that can be used for purchasing or for maintenance such as trail work.

MOVED: By Mr. Lunetta that the Finance Committee recommend adoption of Draft Special Town Meeting Article 4: Conveyance of Property for Municipal Use. Ms. Zappala seconded the motion. There was no further discussion. The motion was approved by a unanimous vote of 6-0.

Discuss and Vote as Appropriate Draft Special Town Meeting Warrant Article 5: Home Rule Petition - Disposal of Conservation Land/Granting of Easement

Ms. Stolfi Stalenhoef stated that under the state constitution, the legislature must approve a change of use of conservation property. This article authorizes the Board of Selectmen to seek legislative approval of the changes in use of the property described in Articles 3 and 4. Mr. Tobin stated that the article allows the Board of Selectmen to file the bill in court, and if it is not approved, then Algonquin Gas will take the property rights by eminent domain.

MOVED: By Ms. Zappala that the Finance Committee recommend adoption of Draft Special Town Meeting Article 4: Home Rule Petition – Disposal of Conservation Land/Granting of Easement. Mr. Rosenstock seconded the motion. There was no further discussion. The motion was approved by a unanimous vote of 6-0.

Discuss and Vote as Appropriate Draft Special Town Meeting Warrant Article 13: Amend the 2011 Operating Budget

Mr. Davison distributed a memorandum to the Finance Committee addressing the proposed changes to the FY2011 Operating Budget. Mr. Davison stated that the article would transfer \$250,000 from the Town's Health Insurance appropriation to the Schools budget. That transfer is due to an agreement with the teachers' union that the teachers would switch to rate saver health insurance plans, and share the savings. The agreement had not yet been signed by the time of the Annual Town Meeting, so this adjustment could not be made to the at that time.

Mr. Davison explained that the article also would increase the Reserve Fund budget by \$200,000 to help build up operating budget contingencies and reduce the need for one-time money to be used for expenses. The Town had indicated at the May Town Meeting that if additional funds were became available in the fall, that they go to the Reserve Fund since the fund's budget had been reduced to balance the budget.

Mr. Davison stated that the Snow and Ice budget is proposed to increase by \$200,000 because it has been under-budgeted every year. The initial \$200,000 budgeted is less than 2/3 of the average snow and ice spending in each of the last three years. This helps buffer the Reserve Fund, which keeps getting tighter. Mr. Davison surveyed other nearby towns and found that the total \$400,000 allocation for snow and ice for FY2011 is much closer to what other towns are budgeting per mile of road. The average annual cost of snow and ice removal had been approximately \$629,000 per year, after pulling out the highest and lowest years. In only 2 of the last 10 years would there have been a turn-back if \$629,000 were budgeted. In response to a question from Mr. Zimbone, Mr. Davison confirmed that this means the Town would have to budget \$400,000 for snow and ice removal going forward.

Ms. Zappala stated that she would be more comfortable if she felt the Town had more revenue, though she understands that Mr. Davison is conservative with revenue estimates. She asked how comfortable he was that this change will not decrease free cash. Mr. Davison stated that he would not want this money to go to another budget area. Mr. Davison stated that state aid was much higher than originally expected. This does not use the entire additional amount, however, as he expects a reduction in aid in January or February.

Mr. Rosenstock asked whether the \$464,848 that the article appropriates includes state revenue. Mr. Davison stated that it come from an increase in the bottom line of the general fund, mostly caused by the increase in state revenue. \$22,305 is a residual balance from finished projects at Eliot, Broadmeadow and Newman Schools. The money was not expected, and the Town was waiting to close out the projects and to receive money from the MSBA before determining the final figures. The \$7,645 transfer to the Public Facilities Department comes from unexpended appropriations from the May 2008 Town Meeting. The Town planned to build equipment sheds at two schools, and one was not built. This money was put into the Public Facilities capital line for items that don't otherwise meet the definition of capital. It is now planned to be used to build an equipment shed at Mitchell School.

Mr. Borrelli asked whether there would be any benefit to keeping the snow and ice budget lower. Mr. Davison replied that it would allow the Town to allocate a lower amount next year. Mr. Rosenstock added that the risk seems to be that there would be a mild winter and more money for free cash in two years versus using reserve money this year if the snow budget goes over. Ms.

Zappala said she might argue it would be better to add \$400,000 to the reserve fund. Mr. Creem noted that of the last ten years, snow and ice removal had come in below \$200,000 only in 2001, and it is hard to believe it could ever be that low again. Mr. Rosenstock stated that the downside to budgeting \$400,000 is that there is \$200,000 less to consider for operations when budgeting next year. Mr. Davison stated that Snow and Ice Removal is not an avoidable expense.

Mr. Zimbone asked where the additional \$60,000 for the school line is coming from. Mr. Davison replied that the general fund receipts were \$460,000 higher, so after the Reserve Fund and Snow and Ice allocations, there was \$60,000 left which was appropriated to the schools.

MOVED: By Mr. Creem that the Finance Committee recommend adoption of Draft Special Town Meeting Article 13: Amend the 2011 Operating Budget. Mr. Lunetta seconded the motion. There was no further discussion. The motion was approved by a unanimous vote of 6-0.

**Discuss and Vote as Appropriate Draft Special Town Meeting Warrant Article 17:
Appropriate to Capital Improvement Fund**

Mr. Davison supplied a hand-out. He stated that there are three situations that may lead to a contribution to the Capital Improvement Fund. The first situation is determined by a formula. To determine this Capital Improvement Fund contribution, he uses a formula where he takes a share of new growth tax revenue (90% of the average of new growth over the last 5 years) and subtracted that amount from the new total growth for the prior year. Then 10% of that value is contributed the fund. Mr. Zimbone asked if this formula was determined when the fund was created. Mr. Davison stated that he created the formula in 2004 when the fund was established, in order to capture extraordinary tax revenue growth to put in reserves rather than the operating budget. If the value turns out to be negative, then there is no contribution. It is not enforceable, but allows for some certainty.

The second situation where there is a contribution is from the sale of surplus equipment. That supply revenue is identified as money to be contributed to the Capital Improvement Plan. The third situation that calls for a contribution to the Capital Improvement Plan is where there is extraordinary surplus. If the Town deems revenue is extraordinary, that amount is put into reserves rather than the operating budget. This has not happened in several years.

The fund's current balance is \$476,969. The fund is designated for capital needs that are less than \$250,000 and appear in the Capital Improvement Plan and have been funded for three of the past five years. It is for times when there is a capital need, and no other money is available.

MOVED: By Mr. Creem that the Finance Committee recommend adoption of Draft Special Town Meeting Article 17: Appropriate to Capital Improvement Fund. Mr. Rosenstock seconded the motion. There was no further discussion. The motion was approved by a unanimous vote of 6-0.

**Discuss and Vote as Appropriate Draft Special Town Meeting Warrant Article 18:
Appropriate to Capital Facility Fund**

Mr. Davison reported that there is no recommendation for an appropriation at this time, as there is no funding source. The fund's current balance is \$731,481. The article is included in case there is money available after the other articles are voted at Town Meeting, then an appropriation could be made to this fund. This would require a motion to amend this article with a specific appropriation. Mr. Zimbone asked whether the article would be withdrawn if there is no amendment. Mr. Davison stated that Town Meeting could be asked to vote against it, or to take no action, or the matter could be referred back to the Board of Selectmen.

Discuss and Vote as Appropriate Draft Special Town Meeting Warrant Article 6: Authorize Elder Services Zoning Agreement

Mr. Tobin stated that there was a zoning change to create an Elder Services District. There was an agreement with Continental Wingate that there would be payments in lieu of taxes, for the same amount as the taxes would have been, if the property ever were to become untaxable. Prior to the Town Meeting vote, NHP Properties Business Trust bought the property and entered into an agreement with the Town regarding the payment in lieu of taxes. The Town waited until the Attorney General approved the zoning plan before asking Town Meeting to authorize this pilot agreement. This agreement is the same as the agreement with NHP except that it identifies the parties as Continental Wingate and WHC Needham, Inc. The previous agreement has been signed, so a separate agreement is needed for the additional parties. In the event that the property is sold to a tax-exempt entity, that entity would pay the amount equivalent to the taxes to the Town. It also provides for arbitration to resolve a dispute regarding the amount of taxation. The agreements would be recorded with the title and run with the land. Ms. Newman stated that the Planning Board anticipated this issue, and the Elder Services plan was conditioned on this agreement. There is no concern over who owns the land, as the restrictions stay in place. In response to a question from Ms. Zappala, Mr. Tobin stated that the property owner pays the commercial tax rate. This article would authorize the Board of Selectmen to enter into these agreements.

MOVED: By Ms. Zappala that the Finance Committee recommend adoption of Draft Special Town Meeting Article 6: Authorize Elder Services Zoning Agreements. Mr. Borrelli seconded the motion. There was no further discussion. The motion was approved by a unanimous vote of 6-0.

Remaining Articles

Mr. Zimbone stated that the Committee had taken no action on articles 11 and 18.

MOVED: By Mr. Creem that the Finance Committee make recommendations at Town Meeting for all Special Town Meeting warrant articles that had not been acted upon. Mr. Rosenstock seconded the motion. There was no further discussion. The motion was approved by a unanimous vote of 6-0.

Finance Committee Updates

Mr. Borrelli stated that he is setting up a meeting with the School Committee liaisons to discuss the Pollard parking project.

Mr. Creem stated that he walked through the Town Hall project with the PPBC, and it is progressing well. One issue raised at the PPBC meeting was that the exterior work is not going as fast as they had anticipated. They have had to use some contingency funds to heat the scaffolding area. Mr. Davison stated that the construction company expects to turn the building back over to the Town in July 2011, and the punch list will be completed during July and August.

Adjournment

MOVED: By Ms. Zappala, that the meeting be adjourned, there being no further business. Mr. Borrelli seconded the motion. The motion was approved by a vote of 6-0, at approximately 8:21 p.m.

Documents: Draft November Special Town Meeting Warrant dated October 15, 2010; Memorandum from Director of Finance to Finance Committee dated October 20, 2010; Capital Improvement Fund Funding Model showing proposed funding for November 8, 2010 Agreement Regarding Payment in Lieu of Taxes, May 10, 2010

Respectfully submitted,

Louise Mizgerd,
Executive Secretary

Approved November 3, 2010