

**Needham Finance Committee  
Minutes of Meeting of March 2, 2011**

The meeting of the Finance Committee was called to order by the Chair, Richard Zimbone, at approximately 7:01 pm in the Charles River Conference Room at the Public Services Administration Building (Temporary Town Hall.)

Present from the Finance Committee:

Richard Zimbone, Chair; Matthew Borrelli, Vice Chair

Members: John Connelly (arrived 7:35 pm), Richard Creem, Richard Lunetta, Gary McNeill, Richard Reilly, Steven Rosenstock, Lisa Zappala (arrived 7:05 pm)

Also Present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Director of Finance

Richard Merson, Director of Public Works

Robert Lewis, Assistant Director of Public Works

Louise Miller, Assistant Purchasing Agent / Office Manager, DPW

Anthony DelGaizo, Town Engineer

**Citizen Requests**

No citizens requested to speak.

**Approval of Minutes**

MOVED: By Mr. Reilly that the minutes of February 9, 2011, be approved as most recently distributed. Mr. Lunetta seconded the motion. There was no further discussion. The motion was approved by a vote of 7-0 (Ms. Zappala and Mr. Connelly had not yet arrived.)

MOVED: By Mr. Reilly that the minutes of February 16, 2011, be approved as most recently distributed. Mr. Borelli seconded the motion. There was no further discussion. The motion was approved by a vote of 7-0 (Ms. Zappala and Mr. Connelly had not yet arrived.)

**Discuss, Vote as Appropriate: March Special Town Meeting Warrant Article 2:  
Restoration of Charles River Treatment Facility Well**

Mr. Merson introduced the article and stated that the project will be broken down into two parts, and the article will be amended from \$300,000 to \$187,000. However, he stated that the ultimate cost of the project is expected to be almost double the original projected amount. He circulated a packet of information with a DPW memorandum and two letters from Camp, Dresser & McKee (CDM) addressing the Charles River Well #1. Mr. Merson discussed the Charles River Well (Well #1), its history, and how it was constructed. It is one of three wells at the Charles River Facility. MWRA water is used a back-up source for high usage times and emergency needs.

The DPW planned to do redevelopment work on the wells on a rotating maintenance schedule. In December 2010 during such work, equipment being used in the well jammed and Well #1 partially collapsed. State regulations would allow the Town to drill a well within a 50-foot diameter of the old well and be considered the same well for regulatory purposes. The process of drilling an entirely new well is a very lengthy process. They hired a consultant in January. Because the state is concerned about the amount of water being drawn from the Charles River basin, they realized they needed to keep the same well or risk losing the authority to draw the same amount of water. The drill company has made failed attempts to retrieve the equipment. The company gave quotes of \$250,000 to \$350,000 to do the redevelopment and repair work on the old well.

Because Well #1 was the Town's primary well and MWRA water costs almost four times more than the Town's own water, they feel the need to move quickly on this project. They explored whether to rehabilitate the old well or drill a new well nearby. In addition to regulatory issues, there is the risk that the repaired well would not regain full capacity, which would mean that a satellite well would need to be constructed. This hybrid option would cost about the same as the new well.

Mr. Rosenstock asked whether the DPW questioned the \$137,000 estimated cost of engineering for the new well and the large contingency levels in the CDM estimates. Mr. Merson replied that well construction involves much more uncertainty than vertical construction above ground or horizontal construction, so higher contingencies are needed. Ms. Miller stated that the contingency is needed also because the estimate allows for two test drills, but if nothing is yielded, further tests will be needed.

Mr. Zimbone asked for comparative information about the costs of drilling during PSAB project. Mr. Rosenstock stated that he feels the level of contingency does not make sense, and expressed concern about the CDM. Mr. Merson stated that he understands concerns people have had with CDM in the past, but CDM has faster access to the necessary information and time is an important factor. Mr. Zimbone pointed out that approximately 40% of the estimated costs are soft costs.

Mr. Borrelli noted that the two estimates for the new construction contained different numbers, though the bottom line was the same. Mr. Merson stated that in preparation for the March Special Town Meeting, they chose to seek the funds for just initial needs rather than for the entire project. This article covers Phase 1 of the project. Mr. Reilly stated that he felt the contingency levels were too high. He also questioned whether it is appropriate that the contingency was applied to overhead and profit as well as hard costs. Ms. Zappala stated that she felt it is important that Town Meeting members understand that this is only the first phase of the project and that there will be a request for an additional \$400,000.

Mr. Reilly asked about the cost relating to the abandonment of the old well if they will be replacing rather than repairing it. Mr. Merson stated the cost of retrieving the equipment and filling the well is around \$5,000. Mr. Zimbone asked whether they considered whether Layne Christensen Company, which had worked on the well, might be liable for damaging the well. Mr. Merson stated they had looked into that issue, and found no abnormalities in the company's

work. Mr. Lewis added that they reviewed videos taken of the inside of the well during that work.

Mr. Zimbone asked if the Committee was ready to vote on the article. Mr. Connelly stated that he felt there had not been sufficient time to consider the issue. He stated he needed more time to read through the information that was handed out at this meeting. He would also like a breakdown of Phase 1 and Phase 2 of the project showing the work being done, when it will be done, and by whom. He felt that information should have been included in the original submission. Mr. Creem agreed that he would like more time to consider the information. He also stated that the Committee often chooses to allow an article to be moved on by the proponent before voting. Mr. Zimbone asked the DPW to provide details of how they arrived at the estimates, as well as the costs of the test drilling during the PSAB project.

### **Discuss, Vote as Appropriate Draft Annual Town Meeting Warrant Article: Appropriate the FY2012 Sewer Enterprise Fund Budget**

Mr. Connelly presented the budget and explained that the changes from the prior year are primarily related to the allocation the drains program to the Sewer Enterprise Fund budget. Mr. Rosenstock asked about the \$143,770 that was moved from Water Enterprise Fund salaries into the Sewer Enterprise Fund salaries, and why the number of FTEs in Water was increasing at the same time. Mr. Davison explained that the Town looked at the staff in each budget and determined what percentage of employees' time in Sewer is drains work, and what % of employees' time in Water is drains work. In prior years, they reduced the salary requests for the Water and Sewer Enterprise Funds by the amounts that represented drains work, and increased the DPW general operating budget by the total amount of drains work. This year, instead, they are taking all of the drains work and managing it through the Sewer Enterprise Fund. Since the drains work is still a general fund operation, they calculate the salaries of people doing drains work from the Water and Sewer Enterprise Funds, and add expenses relating to that work, and appropriate that amount from the general fund into the Sewer Enterprise Fund. Previously, the FTEs representing drains work had been shown in the DPW general fund budget, but now they have been shifted to the Water and Sewer budgets, so those figures have increased. The number of FTEs in the DPW has dropped significantly: 2 positions were eliminated, and 4.3 FTEs corresponding to drains work were reallocated to the Water and Sewer Enterprise Funds.

Mr. Davison stated that there was another change made to the Sewer Enterprise Fund budget since the Town Manager's budget was printed. The MWRA assessment figure was updated. Previously, they had used the FY2011 number, but now the FY2012 MWRA assessment has been received, and it is higher than the current year appropriation. Mr. Reilly asked why the increase in the assessment was so high. Mr. Davison stated that the assessment reflects an increase in water usage combined with the higher reliance on MWRA water due to the collapse of Well #1. Also, the MWRA's calculation was based on water usage in calendar year 2010, which included a dry summer. Mr. Merson added that at the end of 2010, two of the wells were offline, increasing consumption from the MWRA.

Mr. Rosenstock asked about the decrease in expenses of almost \$60,000. Mr. Davison stated that the Town Manager reduced the Water Enterprise Fund budget by \$58,409 after the Finance Committee pointed out that electricity costs were running lower than projected.

MOVED: By Mr. Borrelli that the Finance Committee recommend adoption of the Draft Annual Town Meeting Warrant Article entitled Appropriate for FY2012 Sewer Fund Budget. Mr. Reilly seconded the motion. There was no further discussion. The motion was approved by a unanimous vote of 9-0.

**Discuss, Vote as Appropriate Draft Annual Town Meeting Warrant Article: Appropriate the FY2012 Water Enterprise Fund Budget**

Mr. Connelly stated that, like the Sewer Enterprise Fund budget, the Water Enterprise Fund budget changed because of the reallocation of drains work in the FY2012 budget. Mr. Reilly added that the MWRA assessment was updated for the same reasons previously discussed.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of the Draft Annual Town Meeting Warrant Article entitled Appropriate for FY2012 Water Fund Budget. Mr. Creem seconded the motion. There was no further discussion. The motion was approved by a unanimous vote of 9-0.

**Discuss, Vote as Appropriate Draft Annual Town Meeting Warrant Article: Appropriate the FY2012 RTS Enterprise Fund Budget**

Mr. Connelly stated that the RTS budget had been discussed at an earlier meeting (January 10.) Mr. Borrelli reminded Mr. Merson that the Finance Committee had submitted requests for information that were still outstanding. Mr. Reilly stated that the Committee asked for statistics on certain costs. He expects questions to be raised at Town Meeting, and he would like a good record to support the budget. Mr. Borrelli further requested that Mr. Araya attend a subsequent meeting to discuss the RTS budget in further detail.

Mr. Rosenstock stated that there needs to be a plan to get the level of retained earnings in conformance with the Town's policy. Mr. Davison stated that, based on Finance Committee input, the Town Manager decided to fund both RTS capital articles through debt rather than retained earnings. The amount of retained earnings is now projected to be \$200,000, which conforms with the policy that retained earnings should not be less than 15% of the revenue of the prior year. Spending \$86,000 for the RTS Construction Equipment from retained earnings would have dropped the retained earnings below the policy level. To avoid this problem, the expense was shifted to debt. In response to a question from Mr. Rosenstock, Mr. Davison stated that the change in the rate structure should create more revenue, which will allow the Town to estimate higher for FY2013. The law does not allow the Town to estimate higher than the previous year's retained earnings. Mr. Davison stated that a reduction was made to the operating budget in order to allow the revenue stream to catch up. Mr. Rosenstock asked if everything remains static, would the projected revenue exceed \$200,000? Mr. Davison replied yes. Mr. Davison stated that to determine the target 15% of Enterprise Fund revenue, money from the

general fund is not counted. The RTS revenue is in the range of \$1.3-\$1.4 million, so \$200,000 is approximately 15%.

Mr. Zimbone asked that the RTS data be organized and compiled for the Committee to consider before it can vote.

**Discuss, Vote as Appropriate Draft Annual Town Meeting Warrant Article: Appropriate for RTS Construction Equipment**

Mr. Reilly stated that this article to appropriate \$86,000 to replace a 1992 Skid Steer Loader with a forklift. The equipment has already been discussed. The original request was for the expenditure to come from retained earnings, but now the Town plans to use debt.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of the Draft Annual Town Meeting Warrant Article entitled Appropriate for RTS Construction Equipment for \$86,000. Mr. Lunetta seconded the motion. There was no further discussion. The motion was approved by a unanimous vote of 9-0.

**Discuss, Vote as Appropriate Draft Annual Town Meeting Warrant Article: Appropriate for RTS Large Specialty Equipment**

Mr. Merson reported that the RTS planned to purchase a new semi-tractor to replace a 2001 semi-tractor. The \$152,000 cost would be financed with debt.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of the Draft Annual Town Meeting Warrant Article entitled Appropriate for RTS Large Specialty Equipment for \$152,000. Mr. Borrelli seconded the motion. There was no further discussion. The motion was approved by a unanimous vote of 9-0.

**Discuss, Vote as Appropriate Draft Annual Town Meeting Warrant Article: Appropriate for Sewer Enterprise Fund Cash Capital**

Mr. Connelly reported that the Sewer Enterprise Fund Cash Capital request of \$825,000 consists of three parts: Core Fleet Replacement for \$65,000, which is part of the ongoing vehicle replacement program; Large Specialty Equipment for \$185,000; and Sewer System Rehabilitation, the largest expense, for \$575,000, as part of the continuing infiltration and inflow (I/I) removal program. Mr. Reilly asked how much the Town spends on I/I each year. Mr. Davison stated that p. 2-22 of the Capital Improvement Plan shows the expenses from FY2007-FY2012. The plan shows that some expenditures are paid from cash, and the larger amounts financed through debt. Mr. Reilly asked how the \$575,000 figure was arrived at. Mr. Merson stated that p. 7-12 and 7-13 show that the funds cover the work in areas 16-22 of the program.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of the Draft Annual Town Meeting Warrant Article entitled Appropriate for RTS Sewer Fund Cash Capital for \$825,000. Ms. Zappala seconded the motion. There was no further discussion. The motion was approved by a unanimous vote of 9-0.

**Discuss, Vote as Appropriate Draft Annual Town Meeting Warrant Article: Appropriate for Water Enterprise Fund Cash Capital**

Mr. Connelly reported that this article contains requests for four items totaling \$864,000 to be paid from retained earnings: Core Fleet Replacement for \$68,500; Filter Media Replacement for \$70,000; SCADA System Upgrade for \$40,000 and Water System Rehabilitation for \$684,500. The Water System work plan is contained in the capital plan.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of the Draft Annual Town Meeting Warrant Article entitled Appropriate for RTS Water Fund Cash Capital for \$864,000. Mr. Lunetta seconded the motion. There was no further discussion. The motion was approved by a unanimous vote of 9-0.

**Discuss, Vote as Appropriate Draft Annual Town Meeting Warrant Article: Appropriate for Public Works Infrastructure Program**

Mr. Reilly stated that the plan had been to appropriate \$1.3 million for this program, but that \$200,000 was moved out, so the article proposes \$1.1 million for the program. Previous budgeted amounts were: \$1 million in FY08, \$820,000 in FY09, \$875,000 in FY10, \$1.236 million in FY11. This expense tends to be residual in nature, and is based on money available after allocations have been made to other projects. Mr. Merson stated that the request had been larger last year because drainage work had been rolled into it, but now brook and culvert work is elsewhere.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of the Draft Annual Town Meeting Warrant Article entitled Appropriate for Public Works Infrastructure Program for \$1.1 million. Mr. Borrelli seconded the motion. There was no further discussion. The motion was approved by a unanimous vote of 9-0.

**Discuss, Vote as Appropriate Draft Annual Town Meeting Warrant Article: Appropriate for Booth Street Reconstruction**

Mr. DelGaizo stated that Booth Street is part public and part private. The private section does not meet the construction standards to be a Town road. The Town needs to determine how the road must be improved to meet the necessary standards to become a public street. The work will be considered a betterment. The Town needs this funding to fix the street. The abutters will be assessed, based on frontage, for 100% of the cost. After that, the street can be accepted as a public way. In response to a question from Mr. Zimbone, Mr. Merson stated that cost for abutters will be assessed about \$10,000 per residence. Mr. Merson added that liens are placed on a property if an assessment is not paid. Mr. Davison added that the Town must build before it can assess the residents because actual costs must be used to determine the assessment. The individuals can pay in full, or amortize over years along with the Town's debt.

Mr. Connelly asked whether the work was contracted out. Mr. DelGaizo stated that the design work is done in-house, but the construction work will be done by one of the Town's a` la carte

contractors who have set prices. The Town expects to seek street acceptance in May 2012. In response to a question from Mr. Connelly, Mr. DelGaizo stated that there is a 15% contingency built into the \$125,000 requested in the article. Mr. Creem asked if there were any water or sewer improvements needed during this project. Mr. DelGaizo stated that there were only drainage needs. Mr. Creem asked whether the property values would increase. Mr. Davison stated that they may or may not, but the owners could add the assessed cost for the betterment to the cost basis for the property. Mr. Borrelli asked if there was still an outstanding bond for the completion costs and it was stated that no bonding information is readily available.

MOVED: By Mr. Borrelli that the Finance Committee recommend adoption of the Draft Annual Town Meeting Warrant Article entitled Appropriate for Booth Street Reconstruction for \$125,000. Ms. Zappala seconded the motion. There was no further discussion. The motion was approved by a unanimous vote of 9-0.

**Discuss, Vote as Appropriate Draft Annual Town Meeting Warrant Article: Appropriate for Non-Betterment Street Acceptance – Farley Pond Lane**

Mr. DelGaizo stated that this proposal is not a betterment, so there is no charge-back to residents. Farley Pond Road was constructed in approximately 1986 with a sewer grinder system. The houses had individual force mains. Town Counsel advised the Town if the Town accepted the road, then it accepted the force mains, so the road was not accepted. Recently, there was problem with the Richardson Drive pump station, uphill from Farley Pond Road. The new sewer line now goes down Farley Pond Lane and across South Street. During the sewer construction, the residents all paid to get tied into the sewer, and to have to road repaved. They received a sewer betterment, and have asked for the street to be accepted. Mr. Merson stated that all the underground issues have been eliminated.

The issue was raised whether there is a cost implication for the Finance Committee to consider. Mr. Davison stated that the state Chapter 90 funding formula considers the amount of accepted roads in Town for reimbursement of eligible roadway projects.

MOVED: By Mr. Rosenstock that the Finance Committee recommend adoption of the Draft Annual Town Meeting Warrant Article entitled Non-Betterment Street Acceptance – Farley Pond Road. Ms. Zappala seconded the motion. There was no further discussion. The motion was approved by a unanimous vote of 9-0.

**Discuss, Vote as Appropriate Draft Annual Town Meeting Warrant Article: Layout of Great Plain Avenue**

Mr. DelGaizo stated that as a result of the Town's plan to swap parcels with the MBTA, the Town owns a small strip of land between the parking lot and Great Plain Avenue that is parallel to Great Plain Avenue. The article widens the legal description of Great Plain Avenue to include that property. Ms. Fitzpatrick stated that it gives the MBTA road frontage without giving them the sidewalk. Mr. Zimbone asked whether there was a financial implication. Mr. Davison stated that there is not a revenue stream, but insures that people have access to the train.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of the Draft Annual Town Meeting Warrant Article entitled Layout of Great Plan Avenue. Ms. Connelly seconded the motion. There was no further discussion. The motion was approved by a unanimous vote of 9-0.

### **Finance Committee Updates**

Mr. Zimbone stated that the School Department sent an improved version of the frequently asked questions regarding the Pollard School modular and parking upgrade project to all Town Meeting members. The document was outstanding and should effectively answer many questions and diffuse much discussion on Town Meeting floor.

Mr. Zimbone also reported that the Needham Green Communities Study Committee met with Chip Laffey and Carys Lustig to discuss Town energy usage. The consensus was that it would be very difficult to achieve a 20% energy reduction needed to become a green community. The question was raised whether it might be better to act as a green community without formally adopting the programs and restrictions. Mr. McNeill added certain restrictions might not be desirable and that the committee was not sure if federal or state funds would be available to green communities. Mr. Connelly stated that sometimes restrictions lead to additional unwanted expenses. Mr. Zimbone stated that the committee also discussed the implications of being a green community for the Senior Center and other planned construction projects.

Mr. Borrelli stated that there is an upcoming school liaison meeting to discuss the proposed iPad pilot program.

### **Adjourn**

MOVED: By Mr. Rosenstock, that the meeting be adjourned, there being no further business. Mr. Lunetta seconded the motion. The motion was approved by a vote of 9-0, at approximately 9:04 p.m.

Documents: Memorandum from Vincent Roy and Louise Miller to Richard Merson re: Well #1 Capacity Restoration, February 28, 2011; Letter Report – Evaluation of Options for Charles River Well #1, Camp, Dresser & McKee, February 28, 2011; Letter: Two Part Appropriation for Option 2 – Well Replacement Charles River Well #1, Camp, Dresser & McKee, March 1, 2011; March Special Town Meeting Warrant; RTS Disposal Area Operations FY10, FY08 and FY08; 2011 Annual Town Meeting Warrant Draft dated 2.18.11; Proposed Annual Budget FY 2012, Office of the Town Manager, January 31, 2011; Capital Improvement Plan FY2012-FY2016, Office of the Town Manager, January 4, 2011

Respectfully submitted,

Louise Mizgerd  
Executive Secretary

*Approved March 14, 2011*

