

**Needham Finance Committee  
Minutes of Meeting of October 5, 2011**

The meeting of the Finance Committee was called to order by the Chair, Matthew Borrelli, at approximately 7:04 pm in the Charles River Conference Room at the Public Services Administration Building (Temporary Town Hall.)

Present from the Finance Committee:

Matthew Borrelli, Chair; Richard Reilly, Vice Chair

Members: John Connelly, Richard Creem, Richard Lunetta, Gary McNeill, Steven Rosenstock, Lisa Zappala, Richard Zimbone

Also Present:

Jamie Brenner Gutner, Executive Director, Council on Aging

Colleen Schaller, Council on Aging Board Member

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Director of Finance

**Citizen Requests**

No citizens requested to speak.

**Approval of Minutes**

MOVED: By Mr. Reilly that the minutes of the Finance Committee meeting of September 7, 2011 be approved as circulated. Mr. Creem seconded the motion. There was no further discussion. The motion was approved by a vote of 9-0.

**Special Town Meeting Warrant Article 18: Appropriate for Senior Center**

Mr. Borrelli stated that the Committee would not vote on the article at this meeting as the PPBC still has questions regarding the cost estimates. Mr. Borrelli asked Mr. Creem to provide a synopsis of the PPBC discussion.

Mr. Creem stated that the PPBC discussed a memorandum from Bargmann estimating Senior Center construction costs to be \$8,934,000. He stated that the new estimates were based on construction documents which are 90% completed. As part of the estimate exercise, Bargmann engaged two firms to each prepare a mock bid as a hypothetical general contractor. The two bids were remarkably close in total, though they were based on different methodologies. One change from earlier estimates was because the Planning Board now seeks to address drainage across the entire property. Prior estimates assumed there would be no grading work in the MBTA parking area. However, there is concern that the MBTA runoff goes into Rosemary Lake. Mr. Creem stated that the PPBC considered a list of areas of proposed savings in the memo that was distributed, and decided whether to accept them. The Committee relied on a list of criteria such as whether the change would compromise the structure or design, or whether the item could be

restored later if additional funds were to become available. The PPBC determined that since the Town Financing Plan showed that \$8.5 million is available for this project, that figure should be a hard cap. They also discussed fundraising possibilities. Mr. Creem stated that the PPBC is refining the estimate, and plans to present it to the Selectmen next week. Mr. Creem stated that the PPBC came close to agreeing to a sufficient number of reductions to reach the goal.

Ms. Schaller reported that a new memo has already been written that meets the amount of reductions needed. She added that she has started fundraising calls and has received some verbal commitments from donors, though they do not want to give until they are sure the building project will be going forward. The campaign would start the day after Town Meeting.

Mr. Connelly stated that the biggest increase appears in the electrical costs and asked whether that was addressed. Mr. Creem stated that there was only a cursory discussion of those costs at the PPBC meeting. Mr. Davison stated that there was not an increase, but a change of accounting. In this estimate, the electrical and technology costs are combined, so that other areas have decreased. Mr. Connelly stated that he did not see decreases elsewhere though estimates for site work and utilities has decreased somewhat. Mr. Borrelli suggested that issue be raised with Mr. Popper and Mr. Kent at the at the next Finance Committee meeting. Mr. Rosenstock noted that the lighting efficiency was being reduced. He stated that construction cost savings should not be made that result in an increase in operating costs later.

Mr. Borrelli asked if the MBTA could cover the costs of the additional drainage work needed in the parking lot. Ms. Fitzpatrick stated that the lot is owned by the Town, and the MBTA has an easement for 85 parking spaces, so it is the Town's responsibility. She stated that as the design was done, it was found that there was no way to reasonably site the building on the lot to allow for drainage without affecting the entire parcel. The law requires that the Town address all the grading on the parcel. Mr. Reilly stated that this is causing a reduction in the contingency amount. He noted that if there are additional construction costs, this amounts to a fictitious savings. Mr. Zimbone noted that as the project moves forward, the estimates should be more accurate and less contingency is needed. Mr. Connelly stated that changes orders usually amount to approximately 5-10% of total costs. He stated that if there is a tight contingency, then the Town needs to be tight with any change orders.

### **Special Town Meeting Warrant Article 8: Collective Bargaining Agreement – Needham Independent Town Workers**

Mr. Rosenstock recused himself from the discussion, stating that his spouse is a member of the bargaining unit.

Ms. Fitzpatrick stated that the contract is consistent with the terms discussed in an executive session in June. There is a 0% general wage increase in FY 2012, a 2% increase in FY2013 and a 2.5% increase in FY2014. If everyone transfers to rate-saver health insurance plans, there will be a 1% salary increase effective January 1, 2012. This is consistent with the contracts for Public Works and Schools. Since those unions signed in June, they received a 1% increase as of July 1, 2011. The agreement also contains a \$500 one-time payment, which is not part of wages going forward. The maximum retirement matching contribution was increased from \$500 to

\$1000. Not all participate. It is not pensionable, and will not increase legacy costs going forward. Ms. Fitzpatrick noted that the Town is working hard to contain increasing legacy costs. Mr. Reilly asked whether the rate-saver health insurance savings offsets the 1% salary increase. Ms. Fitzpatrick stated that the Town's goal was to share half of the savings of the new plans with the employees. A 1% increase is half of the savings across Town, though it is not necessarily half of each bargaining unit. Ms. Fitzpatrick stated that there is a 15% differential between the rate saver plans and other plans. Mr. Borrelli asked about the rate of increase of the various plans. Mr. Davison stated that the plans have been held to approximately a 7-10% increase. The blended rate of increase is in the single digits. Mr. Lunetta commented that is very low. Ms. Fitzpatrick stated that the rate of increase is basically the same in the different plans, but in the rate-saver plans the increase is on a lower amount. She stated that there are 44 employees in the unit. There are some vacation positions.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of November Special Town Meeting Warrant Article 8: Collective Bargaining Agreement – Needham Independent Town Workers. Ms. Zappala seconded the motion.

Mr. Creem requested that Ms. Fitzpatrick provide a summary sheet of the terms of the agreement.

The motion was approved by a vote of 8-0-1, with Mr. Rosenstock abstaining.

### **Purchase of Parcel of Land**

Ms. Fitzpatrick distributed a memo from Mr. Davison to the Board of Selectmen regarding the Land Purchase Financing Scenario and showed an aerial photo of the area. She stated that if a reserve fund transfer is approved, it will allow the Town to submit a deposit on the land at 37-39 Lincoln Street, which will hold it until the Annual Town Meeting in May. The property is important to increase parking in the business district. The Town is proposing to pay for the land by issuing a bond for \$650,000 to cover the cost of acquisition, demolition, grading and pavement. The Town would then increase permit fees to cover the cost of debt service. The fees are now lower than comparable fees and have not been increased in many years. Some money has been collected in a parking fund created by the Planning Board. It may be possible to use a parking meter fund.

Mr. Rosenstock asked if this is funded out of the Municipal Parking Program, would it still fall within the 3%. Mr. Davison confirmed that it would. He asked whether it would further decrease the Senior Center contingency. Mr. Davison stated that there is money from a project at Pollard that is not going forward, over \$1 million, so that this would not affect the Senior Center contingency allowance. Mr. Fitzpatrick added that there is no intent to take money from the roads program for this.

Ms. Fitzpatrick stated that the costs would be \$600,000 for the land, \$25,000 to hold the parcel, and \$50,000 for demolition. \$650,000 would be borrowed. \$25,000 is being requested now to come from the Reserve Fund. Mr. Connelly asked if efforts were being made to protect the nonrefundable deposit money. Ms. Fitzpatrick stated that the Town always tries to include

language to protect itself, but that the purchase must be passed by Town Meeting, and she is not sure it is possible to completely protect the deposit. Mr. Borrelli stated that the parcel seems expensive, and asked if there has been an appraisal. Ms. Fitzpatrick stated that the Town does have an appraiser.

There was some discussion of other nearby parcels. Mr. Creem requested that the discussion stay with the parcel in question, so that he would not need to recuse himself since the owner of certain adjacent property, the Community Council, has been a client of his law firm.

MOVED: By Ms. Zappala that the Finance Committee approve the Request for a Reserve Fund Transfer of \$25,000 to budget line 26 for a deposit on the parcel of land identified by the Town Manager. Mr. Lunetta seconded the motion.

Mr. Rosenstock asked the balance of the Reserve Fund. Mr. Davison stated that \$1,059,000 was appropriated in May. \$40,000 was transferred previously to Public Facilities.

The motion was approved by a unanimous vote of 9-0.

### **Special Town Meeting Warrant Article 16: Amend the FY 2012 Water Enterprise Fund Budget**

Mr. Davison stated that Articles 14, 15 and 16 all include FY 2012 budget amendments that were caused by the approval of the DPW workers union contract at the Annual Town Meeting. Article 16 has an increase of approximately \$6,000 in the personnel line because of the new contract. Article 16 also includes an increase of approximately \$5,000 in the MWRA assessment line because when the budget was approved, the assessment was an estimate. The final assessment was higher.

In response to a question from Ms. Zappala, Mr. Davison stated that the money will come from rates but not retained earnings because the retained earnings have not been certified. There will not be a rate increase.

MOVED: By Mr. Zimbone that the Finance Committee recommend adoption of November Special Town Meeting Warrant Article 16: Amend the FY 2012 Water Enterprise Fund Budget. Mr. Reilly seconded the motion. The motion was approved by a unanimous vote of 9-0.

### **Special Town Meeting Warrant Article 15: Amend the FY 2012 Sewer Enterprise Fund Budget**

Mr. Davison stated that the salary line is being increased by just under \$6,000 because of the union contract ratified at the Annual Town Meeting. The MWRA assessment line is reduced because the final assessment, which was not yet available when the budget was voted, was lower than the estimate.

MOVED: By Mr. Rosenstock that the Finance Committee recommend adoption of November Special Town Meeting Warrant Article 15: Amend the FY 2012 Sewer Enterprise Fund Budget. Ms. Zappala seconded the motion. The motion was approved by a unanimous vote of 9-0.

### **Special Town Meeting Warrant Article 11: Appropriate to Workers Compensation Fund**

Mr. Davison stated that at the May Special Town Meeting, the Town discussed its intention to restore the balance of the Workers Compensation Fund, since the balance had been diminished by claims over the years. The Town indicated that if funds became available, the Workers Compensation Fund should be replenished. The Town has identified two sources of non-recurring funds that would be appropriate. First, there was a refund from Medicare, which is a large part of Workers Compensation claims, because of pharmacies that were found to have overcharged public entities for prescription medication in the workers' compensation system. The Town will be receiving \$32,969 from Walgreens and proposes to put that back into the Workers Compensation Fund. Second, the Town is receiving over \$311,000 for a 2007 Medicare Part D premium refund. Neither source of funds is expected to recur. The Town proposes to add a total of \$344,288 to the Workers Compensation Fund.

Mr. Reilly asked whether they considered pre-funding OPEB liability with any of the funds. Mr. Davison stated that they did consider that course, and weighed it against adding to the Workers Compensation fund. Putting the money in the Workers Compensation Fund will restore it to the target level. The Town will be able to report to Standard and Poor's that the account is where it should be. Also, the OPEB funding is on a schedule that is being met.

MOVED: By Mr. Creem that the Finance Committee recommend adoption of November Special Town Meeting Warrant Article 11: Appropriate to Workers Compensation Fund. Mr. Rosenstock seconded the motion. The motion was approved by a unanimous vote of 9-0.

### **Special Town Meeting Warrant Article 13: Amend the FY 2012 Operating Budget**

Mr. Davison stated that changes were needed because of the collective bargaining agreement approved at the Annual Town Meeting. Three budget lines were affected by the agreement to move employees into rate saver health insurance plans in exchange for a 1% salary increase. The health insurance line has decreased because of the shift to new health plans. Also, funds were moved into the School Department operating budget and to the Public Works salary and wages line.

The Building Inspector expense and salary lines are being changed because there has been a change in the delivery method of weights and measures work. Previously, the Town had a part-time employee, but now the state will be providing the service for an annual fee. Approximately \$12,000 has been transferred from salary and wages to expenses.

Mr. Davison stated that the Article 13 will be changed from the current draft. The Debt Service line will be changed because of premiums received. The Reserve Fund may change because

there is a possible one-time distribution from the state representing the additional amount the Town would have received if the Governor's proposed budget had passed. That money is being distributed as a one-time, nonrecurring revenue source.

### **Special Town Meeting Warrant Article 14: Amend the FY 2012 RTS Enterprise Fund Budget**

Mr. Davison reported that the RTS Enterprise Fund personnel line will be changed to reflect the collective bargaining agreement approved at the Annual Town Meeting. However, the current draft of the warrant contains the incorrect amount and will be fixed.

### **Special Town Meeting Warrant Article 17: Appropriate for Payment of Unpaid Bills of Prior Years**

Mr. Davison stated that this article would allow for the payment of three bills received after the close of FY 2011. There were sufficient funds, but the law does not allow bills from a prior year to be paid with current funds.

MOVED: By Mr. Zimbone that the Finance Committee recommend adoption of November Special Town Meeting Warrant Article 17: Appropriate for Payment of Unpaid Bills of Prior Years. Mr. Lunetta seconded the motion.

Mr. Rosenstock asked why the bills were late, and the funds not encumbered. Mr. Davison explained that there had been a communication problem with the E.L. Harvey bill. In the case of the water chemical bills, the Town had thought that all of the bills had been received, and then received two bills late.

The motion was approved by a unanimous vote of 9-0.

There was discussion whether the Special Town Meeting warrant should have so many articles, and whether issues such as zoning amendments should be held until the Annual Town Meeting. Ms. Fitzpatrick stated that there has been some discussion about the size of the warrant. Some issues may not go forward, though she did not think any articles would be removed from the warrant. She commented that many of the zoning changes are needed to encourage business growth and allow projects to move forward.

### **Tropical Storm Costs**

Mr. Davison stated that the total storm costs were \$85,540. The costs were not as high as in some other areas. There will be no impact to the Reserve Fund and no need to request a Reserve Fund Transfer. FEMA is making money available to towns in Norfolk County for pre-storm preparation. The local area was not declared a federal disaster area, so there will not be reimbursement for post-storm costs. The Town will be making a FEMA filing, but will not know the reimbursement level until the end of the calendar year. The money will be considered a grant and will go to expenses. He expects approximately \$20,000 reimbursement. Mr. Borrelli asked about additional expenses from the storm. Mr. Davison stated that there were pump

rentals, other equipment rental, and road sign repairs. Mr. Borrelli asked for a breakdown of the costs.

### **Minuteman School Update**

Ms. Zappala stated that there is a meeting to discuss Minuteman School issues on October 17 at 7:00 pm at Pollard.

Ms. Fitzpatrick stated that there are 16 Minuteman School member communities. There is a pact that a member community can only get out of membership after a unanimous vote of the communities. Likewise, the only way to move forward with a capital project is by a unanimous vote. For 35 years, there has been no agreement, and no capital projects. However, recently there was agreement to fund a building design. They have prepared a MSBA proposal for 40% reimbursement. There is currently no legal mechanism to charge the communities of out-of-district students for capital. Currently, 35% of enrollment is out-of-district and will make no capital contribution. Meanwhile, some member communities have very few students attending Minuteman, and would be required to make a large capital contribution under the current arrangement. Legislative intervention is needed.

Another issue is that MSBA reimbursement rate is low because the Minuteman member towns are considered wealthy. The MSBA does not consider the number of out-of-district students that are coming from less wealthy communities. There has been discussion that the reimbursement formula needs to be changed. The School is considering whether it can persuade non-member communities that send students to become members, or to downsize the school and have the out-of-district students leave.

### **Finance Committee Updates**

Ms. Fitzpatrick stated that the final report on the energy assessments is due October 31. She has reviewed drafts and found them to be very high quality, and will provide very helpful reference data about the buildings.

Mr. Zimbone reported that the state Supreme Judicial Court has refused to further consider the appeal of Mr. Fanger's case against the Town, so the matter is closed. He stated that it cost the Town and the Golf Club \$300,000 total.

Mr. Borrelli stated that there was a meeting regarding the stretch code. There are issues regarding enforcement, and how tight buildings would need to be. The people in support of the stretch code cited benefits such as the Town being a leader, the decrease in reliance on fossil fuels, and that it would not cause substantial additional work for the building inspector. Mr. Zimbone stated that the incremental increased cost for construction would be 2-4% but there would be energy savings over time. Mr. Rosenstock noted that people always have the choice to make a building as energy efficient as they want. He asked what the townwide benefits of the stretch code would be. Ms. Fitzpatrick stated that the Town could receive grant money for municipal buildings if it is implemented.

## **Adjourn**

MOVED: By Mr. Zimbone, that the meeting be adjourned, there being no further business. Ms. Zappala seconded the motion. The motion was approved by a vote of 9-0, at approximately 8:57 p.m.

Documents: November Special Town Meeting Warrant, 10/5/2011 draft; Memo from Joel Bargmann, Bargmann Hendrie + Archetype Inc. to Steven Popper, dated October 3, 2011, Re: Construction Cost Estimates; aerial photo of Chestnut St business area; Memo from David Davison to Board of Selectmen, dated September 30, 2011, re: Land Purchase Financing Scenario

Respectfully submitted,

Louise Mizgerd  
Executive Secretary/Staff Analyst

*Approved October 19, 2011*