

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

The meeting of the Finance Committee was called to order by the Chair, Matthew Borrelli, at approximately 7:03 pm in the Selectmen's Chambers, Town Hall.

Present from the Finance Committee:

Matthew Borrelli, Chair; Richard Reilly, Vice Chair

Members: John Connelly, Richard Creem, Richard Lunetta, Gary McNeill (arrived 8:30 pm), Steven Rosenstock, Lisa Zappala, Richard Zimbone

Also Present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Director of Finance

Gerald Wasserman, Vice Chair, Board of Selectmen; Chair, Green Communities Study Committee

Citizen Requests

No citizens requested to speak.

Finance Committee Updates

Mr. Borrelli stated that after careful consideration and speaking with several members of the Finance Committee, he had asked Mr. Connelly to present the Committee's position regarding Article 14, Appropriate for the Senior Center, to avoid any appearance of a conflict of interest.

Mr. Rosenstock stated that he had continued to struggle with the proposed financing plan for funding the Senior Center. He performed his own analysis of how capital funds were allocated over all the years that he has been involved in town government. He stated through his analysis he saw that since Mr. Davison began work as Finance Director for the Town in 2005, he has done a great job of using debt to pay for extraordinary expenses and relying on cash capital for recurring expenses. Mr. Rosenstock also reached the conclusion that the Town has not spent much money on extraordinary expenses. He noted that Mr. Davison's recent analysis based on the Facility Financing Summary showed that the Town could handle a \$2 million additional expense, but also showed that those types of expenses do not seem to come up. Mr. Rosenstock stated that based on his analysis, he is now in favor of the Senior Center article, and feels it is the right answer for the Town. He stated if there were a vote to reconsider, he would vote in favor of recommending the article.

Mr. Creem stated earlier in the day Reuters reported that the Federal Reserve slashed the forecast for national economic growth. Third quarter results showed economic growth, yet there is a continued weakness in business growth. He stated that the Finance Committee should be mindful of the national economic situation going forward.

Mr. Reilly reported that he is on a subcommittee of the School Department to determine long range plans for Mitchell and Hillside Schools. He stated that it would be difficult to justify significant expenses at the Hillside location for a number of issues including wetlands and limited access. He stated that the Town needs to find a two-school solution. However, the state financing entity generally allows projects to address only one school at a time. The committee is trying to figure out a solution within the one-school restriction if that is required, but also to build a strong case based on a two-school approach. A pre-feasibility study is expected to be launched in January.

Special Town Meeting Warrant Article 9: Amend the FY 2012 Operating Budget

Mr. Davison reported that the state has announced it would distribute \$106,761 to the Town. That number is final. He stated that Article 9 would thus be amended to add this amount to the Reserve Fund budget line. So the article will now state that the Reserve Fund line is changing to \$1,166,524.

MOVED: By Mr. Rosenstock that the Finance Committee recommend adoption of Special Town Meeting Warrant Article 9: Amend the FY 2012 Operating Budget, as amended, with Reserve Fund appropriation changing to \$1,166,524. Mr. Zimbone seconded the motion. There was no further discussion. The motion was approved by a vote of 8-0. (Mr. McNeill had not yet arrived.)

Special Town Meeting Warrant Article 8: Adoption of Stretch Energy Code

Mr. Borrelli stated after last week's meeting, he sought more information to determine the cost/benefit relationship. He stated that he feels that the Committee should consider how the Stretch Code would affect the whole town, including the taxpayers, the businesses, and the Town itself. He stated he wanted to consider all information about becoming a Green Community because grant money is available only if all steps are met.

Mr. Borrelli stated that he asked for vehicle fuel efficiency and cost information from the DPW, though he had not yet received an answer. He also asked for information from Devra Bailin about the possible effect on business development. He referred to an email from her stating that larger businesses would likely not be affected, but that smaller businesses could find it to be a deterrent. Mr. Borrelli stated that he also tried to determine, based on information from building permits, what the Stretch Code would cost the residents of Needham, using the additional 2-4% cost stated in the Green Communities Study Committee report.

Mr. Reilly stated that he is presenting Article 8 at Town Meeting, and has found there are four important issues: (1) Whether the adoption of the Stretch Code would put Needham at a competitive disadvantage compared to other towns; (2) Whether the Stretch Code would constrain building projects in Town; (3) Whether ongoing receipt of grant money is necessary for the Finance Committee to support the Code; and (4) Whether the Stretch Code would adversely affect operating costs.

Mr. Reilly stated that with respect to issue (1), he felt that adopting the Stretch Code would not likely put Needham at a competitive disadvantage for either commercial or residential development since most nearby towns have adopted the code already, and those that have not would generally not be considered competitors of Needham. Mr. Reilly stated that with respect to issue (2), whether the Stretch Code would constrain business development within the Town, he reviewed the comments from Ms. Bailin that larger businesses would not likely be affected, but that smaller businesses could. He considered the fact that the Code would not apply to buildings less than 5,000 square feet, and found that that would mean there would be no impact on smaller businesses seeking to renovate within the building envelope. He also felt the impact would not likely be significant for a midrange business that would be seeking to do a \$200,000 project with an additional cost of \$6,000.

Mr. Borrelli stated that he calculated that the additional cost to residents and businesses would be around \$765,000, based on building permit information. Mr. Reilly used a different method and found the effect to be approximately \$620,000. Mr. Reilly stated that people who are borrowing the money will see energy savings offsetting the added costs over time. He felt that there would be more impact on new construction built using cash. Mr. Reilly stated that people who have to spend more on construction and then sell quickly thereafter will be impacted. Mr. Rosenstock noted that there is also the possibility that the assessed value of homes will increase since the construction costs will be higher.

Mr. Reilly next addressed issue (3): whether ongoing grant money is a reason to adopt the Stretch Code. He stated that the grant money could be a factor, but is not dispositive. The first year funding for a Green Community is essentially “a given” but it would probably be a couple years before any the Town might be eligible for further grants. The issue has been raised that subsequent grants might be need-based and therefore go to other towns. He stated that his sense is that there is no significant grant incentive to adopt the code beyond the first \$150,000 grant. Ms. Zappala stated that the Committee should not vote in favor of adopting the Stretch Code for the grant money alone. The Town should consider the risks of not getting the grant, and try to contain those risks, and should think about what would be done with that money and whether the Town would do something it would not otherwise do with the money.

Ms. Fitzpatrick stated that if the Stretch Code is adopted, the Town should be able to meet the other four requirements of becoming a Green Community. One requirement is zoning as of right for energy research and development. While the zoning does not specify that it does allow this as of right, it does not exclude it. With a letter from the Town Counsel stating that the required zoning is allowed, then the requirement is met. Since the Town Counsel has agreed with this position, and he only needs to write a letter to that effect. The second Green Community requirement is to have an expedited permitting process. The Town Counsel also agrees that the current Town By-Laws meet this requirement, and therefore only needs to write a letter confirming the point as well.

Ms. Fitzpatrick stated that a third additional requirement for becoming a Green Community is having a vehicle policy adopted by both the Board of Selectmen and the School Committee that requires the purchase of fuel efficient vehicles (as defined in EPA guidelines) when available and practicable. Ms. Fitzpatrick stated that Town Meeting has already asked the Town

administration to evaluate every new vehicle purchase and to consider fuel efficient vehicles where possible. Therefore, the Town is already close to meeting the necessary standards. Mr. Borrelli asked whether the fuel efficiency of the specified vehicles justifies the additional cost. Mr. Davison stated that a hybrid SUV costs about \$7,000 more. Ms. Fitzpatrick stated that because of the additional cost, fuel efficiency alone is not yet justification for purchasing those vehicles. She stated that one step the Town has taken recently for fuel savings is to drastically reduce the number of take-home vehicles. The fuel costs have decreased as the vehicles are driven less, but the mileage has decreased because of the type of driving. Ms. Fitzpatrick stated that the Town's vehicles are in the Fire, Police, Public Facilities, and Public Works Departments. Most of the Town's vehicles are exempt or meet the Green Communities' fuel efficiency requirements. Cruisers and emergency response vehicles are exempt. In response to a question from Ms. Zappala, Ms. Fitzpatrick confirmed that the fuel efficiency standards would apply only to new purchases. In response to a question from Mr. Reilly, Ms. Fitzpatrick stated that the required fuel efficiency standards would apply to all vehicles, but there are exceptions such as cruisers, heavy equipment, and buses. Mr. Wasserman added that if a vehicle is not exempt, there must be two or more competitive models available, or meeting the standards is not required.

Ms. Fitzpatrick stated that the other requirement for becoming a Green Community is a plan to reduce energy consumption in Town by 20%. The plan would need a 15% reduction with clearly identified steps plus other general measures to reach 20% total reduction. The energy consultant evaluated 8 of 12 Town buildings and identified steps to reach 12-13% savings. The consultant recommended using FY 2011 as the base year since that year had high energy usage, and because the plan needs to be done within five years, and it will take five years of work in the capital plan to achieve the steps. Mr. Reilly stated that one of the arguments against delaying the Stretch Code article until the May 2012 Annual Town Meeting was to lock in 2009 as the base year. Ms. Fitzpatrick stated that the Town is no longer seeking to pursue 2009 as a base year. Ms. Fitzpatrick stated that there are areas outside of the consultant's report such as traffic lights and street lights where the Town has plans to make energy saving changes. There are also other long-term projects already underway that could also be factored in. Ms. Fitzpatrick gave examples of recommended inexpensive energy saving changes with quick payoff such as programmable thermostats and energy savers on vending machines. Mr. Zimbone suggested that a \$150,000 grant could be used to pay for the recommended saving measures, or alternately to offset the additional expenses of HERS ratings.

Mr. Reilly asked the members to consider whether the Finance Committee should weigh the \$150,000 one-time grant to the Town against the cost to residents, which is presumably greater than \$150,000. Ms. Zappala stated that the Committee should be careful about concluding that the costs could be too high when we don't know what the savings would be under the Stretch Code. She stated that the Committee seems to want to protect individual interests and choices, and should focus on what it is actually considering.

Mr. Borrelli stated that there had been some urgency when the Town wanted to set 2009 as the base year for savings, but that has changed. Now with the consultant's report, there is a plan for saving energy. He asked whether it is necessary to adopt the Stretch Code which would require the Town to take these steps. Mr. Zimbone noted that to meet the Green Community

requirement, the Town needs to have a plan in place to save 20% and to make a good faith effort to achieve it. Once the grant is awarded, it would not be taken away if the goal is not reached. Mr. Wasserman added that the requirement is to have a plan, but there is no commitment to do any specific project. He also agreed that the Town should not assume any funding beyond the initial \$150,000. He stated that the grant funding comes from the state selling rights to CO₂ emissions, and should be ongoing. He also stated that there are currently 98 towns that have adopted the Stretch Code and 74 are designated Green Communities. He felt that there will be more money available at the beginning than later into the program. Mr. Borrelli asked if the Town waited to adopt the Stretch Code until June 2011, would there be less money available. Mr. Wasserman stated that the Town would be eligible for a grant a year later, and that there would be less transition time to prepare for the new code provisions. He added that the Town can opt out with a majority vote at Town Meeting. Ms. Zappala stated that she felt the \$150,000 would be important for the capital plan.

Mr. Reilly turned to issue (4), whether adopting the Stretch Code would adversely affect the operating costs of the Town. He stated that some training would be done by the state at no cost. He stated that there have been arguments that the HERS ratings will alleviate some cost to the Town. He asked whether Ms. Fitzpatrick had a sense whether the Building Inspector would rely on HERS ratings rather than doing independent analyses. She stated that the Building Inspector has been unequivocal that having an additional consultant in the design process, when the HERS rater is first involved, will help create more appropriate designs. The Building Inspector has said that he will rely on HERS ratings, but will not say that he would never do his own review, especially since the HERS ratings apply only to energy concerns. Mr. Zimbone stated that the Building Inspector said that, while the HERS ratings will have some effect, the Town will still need to do its own on-site inspections.

Mr. Borrelli stated he is still struggling with the cost/benefit results. He felt that the \$150,000 is not significant benefit for the restrictions imposed. Mr. Reilly stated that the Stretch Code provisions are going to be enacted by the state soon, so the Town is only signing on to an obligation that will be coming soon. If the Town waits, there will be more competition for the grants. Mr. McNeill stated that the Building Department needs more resources and the question should be whether the Stretch Code justifies the additional expense. Mr. Rosenstock stated that the issues at the Building Inspection department are separate from the Stretch Code. The underlying issues need to be resolved.

Mr. Borrelli expressed concern that the Stretch Code would cause an additional burden to the upcoming school construction projects. Mr. Reilly stated that as more communities become involved, it is unlikely that the state would be able to make unreasonable changes to it in the future. Mr. Wasserman stated that the Board of Selectmen has not discussed future versions of the Stretch Code, but if the provisions become onerous and affect development he felt they would be unlikely to continue with it. Mr. Creem stated that he did not find any undue negative financial implication to the Town. Mr. Creem stated that as a Finance Committee member he is comfortable supporting the Stretch Code. However, he added that he was not saying that he would support the article as a Town Meeting Member. He stated that the role of a Finance Committee member is different from that of a Town Meeting member. Town Meeting Members

take the broader view of the residents, but Finance Committee should take a narrower view and look at the impact on the municipal corporation.

MOVED: By Mr. Creem that the Finance Committee recommend adoption of Special Town Meeting Warrant Article 8: Adoption of the Stretch Code. Mr. McNeill seconded the motion.

DISCUSSION: Mr. Zimbone stated that since the Finance Committee's focus is narrow, it should not weigh the arguments about individual rights and imposing regulations for the common good. From a Finance Committee perspective, he agrees that there is good reason to move forward. Mr. Rosenstock stated that the Town Meeting presentation should mention that the Committee's recommendation is based on the value to the Town, but that the individual members may vote differently. Mr. Borrelli stated that as a Finance Committee member, he was looking at the possible additional \$150,000 and whether it is worth the additional hours for the Building Inspector at \$15,000 per year. Ms. Zappala stated that whether the net is \$135,000 or \$120,000, it is more money for the Town.

Mr. Borrelli stated that the Green Community requirement of fuel efficient vehicles does not allow as much flexibility as the Town's current policy and may increase costs. He is weighing the one-time grant of \$150,000 against the restrictions on the Town. He would rather wait until a cost/benefit analysis can be done. Mr. Connelly stated that he will vote against the Stretch Code as a Town Meeting Member. He stated that he has wrestled about how to vote on Finance Committee and has decided to vote against it. There has been much discussion of grant money, but he does not see that in Article 8. The issue is whether the Stretch Code should be adopted. It forces regulations where there should be choices. The building code should address life and safety issues, and the Stretch Code goes beyond that. He is also fearful of how the Stretch Code would be implemented by the Town's Building Inspector. He is concerned about confusion, delay, and increased costs. He feels that adding unnecessary regulations in this area will be more than problematic.

Mr. Lunetta stated that he would be in favor of the article both as a Town Meeting Member and a member of the Finance Committee. Mr. McNeill stated that he wished that the Stretch Code and HERS ratings were available earlier when he had done construction. He felt that the regulations would provide benefits that are not in place today.

VOTE: The motion to recommend adoption of Article 8 was approved by a vote of 7-2, with Mr. Borrelli and Mr. Connelly opposed.

Adjourn

MOVED: By Mr. Zimbone that the meeting be adjourned, there being no further business. Mr. McNeill seconded the motion. The motion was approved by a vote of 9-0, at approximately 8:55 p.m.

Documents: November Special Town Meeting Warrant

Respectfully submitted,

Louise Mizgerd
Executive Secretary/Staff Analyst

Approved December 14, 2011