

**Needham Finance Committee
Minutes of Meeting of March 20, 2013**

The meeting of the Finance Committee was called to order by the Chair, Richard Reilly, at approximately 7:30 pm in the Great Plain Room at the Town Hall.

Present from the Finance Committee:

Richard Reilly, Chair

Members: John Connelly (arrived 8:25 pm), Richard Creem, Gary McNeill, Louise Miller, Lisa Zappala

Also Present:

David Davison, Assistant Town Manager/Finance Director

Evelyn Poness, Town Collector/Treasurer

Dan Gutekanst, Superintendent of Schools

Anne Gulati, Director of School Financial Operations

Richard Merson, Director of Public Works

Robert Lewis, Assistant Director of Public Works

Tony DelGaizo, Town Engineer

Vincent Roy, Superintendent of Water, Sewer and Drains

Steve Popper, Director of Design and Construction, Public Facilities Department

Henry Haff, Project Manager, Public Facilities Department

Articles Discussed:

Article 3: Establish Elected Officials' Salaries

Article 12: Appropriate the FY2014 Water Enterprise Fund

Article 13: Continue Dept Revolving Funds

Article 38: Rescind Debt Authorizations

Article 39: Appropriate for General Fund Cash Capital

Article 40: Appropriate for Pollard Boiler Replacement

Article 42: Appropriate for DPW Complex Renovations

Article 44: Appropriate for RTS Construction Equipment

Article 45: Appropriate for Sewer Enterprise Fund Cash Capital

Article 46: Appropriate for Water Enterprise Fund Cash Capital

Article 47: Appropriate for St. Mary's Pump Station

Citizen Requests

There were no requests to address the Committee.

Request for Reserve Fund Transfer – Legal Department

Mr. Davison stated that \$67,500 is the Town Counsel's best estimate of the Legal Department's additional budgetary need for the balance of the fiscal year. He stated that costs are running beyond the reasonable estimates made when budgeting for FY13. He stated that the MDL (Microwave Development Laboratories) case relating to the plume under Hillside School was not anticipated, and has required significant work. In response to a question from Ms. Zappala, Mr.

Davison stated that the case has settled, but there is an ongoing issue in which the Town has asked the Attorney General to continue regulatory actions. He stated that most of the costs in this matter have already been incurred, and are estimated to be \$25,000. Mr. Davison stated that there were also unanticipated FY13 legal costs associated with TripAdvisor amounting to approximately \$13,800. He added that there is an ongoing personnel matter involving an employee who was also an elected official who was suspended without pay for charges he claims are unconnected to his job. The matter has cost approximately \$36,000 in legal expenses. Mr. Davison stated that an additional \$7,500 was spent on the Falcone case. He stated that Town Counsel expects that \$67,500 is needed to cover the rest of FY13. In response to a question from Ms. Miller, Mr. Davison stated that the Legal Department budget would total \$297,500 for FY13.

MOVED: By Ms. Miller that the Finance Committee approve the request for a Reserve Fund Transfer in the amount of \$67,500 to the Legal Department to bring the total budget to \$297,500 for FY2013. Ms. Zappala seconded the motion. There was no further discussion. The motion was approved by a vote of 5-0. (Mr. Connelly had not yet arrived.)

Discuss and/or Vote Draft 2013 Annual Town Meeting Warrant Articles

Article 13: Continue Dept Revolving Funds

Mr. Reilly asked how the School Transportation Revolving Fund budget limit was determined. Ms. Gulati distributed a memorandum which provided details of the transportation program and details of the \$819,000 budget. She stated that the reasons for the cap are the statutory limit of \$819,000, and the actual costs of the fee-based expenses which total \$871,000. She stated that the transportation cost is \$549,000 after applying the subsidy from the operating budget. To be conservative, the full statutory limit of \$819,000 is authorized in the warrant article. Ms. Miller noted that several years ago, the Finance Committee requested that the article include the full statutory limit.

Ms. Gulati described efforts being made to control transportation costs including using in-house charter buses, and joining a SPED transportation network where costs were renegotiated from a 5% down to a 1% increase for FY14. She stated there was significant cost avoidance, \$132,000, by bringing the SPED van system in-house. Mr. Creem stated that a survey showed that Needham pays a premium for regular bus transportation compared to other towns. He asked whether Needham pays such a premium for SPED transportation, and if not, whether the Town could argue that there is no justification for a premium for regular buses. Ms. Gulati stated that she feels that for SPED transportation the Town has good rates compared to other districts, in part because of the high number of riders. She stated that with regard to the regular buses, the School Department is at the mercy of the bidders to some extent. Dr. Gutekanst stated he is hoping that there will be more competition because there is one SPED transportation provider is planning to expand into regular busing. He noted that Ms. Gulati spends approximately 25% of her time dealing with transportation issues and focusing on controlling the costs. Ms. Miller stated that the Town does not need to renew the contract if the Town is paying a premium. Ms. Gulati stated that she intends to rebid the contract and not to renew for years 4 and 5.

Ms. Zappala stated that Mr. Zimbone could not attend the meeting, but she wanted to point out that his goal is to reduce transportation costs in order to free up operating funds for more teachers. Mr. Reilly asked that the School Department consider Mr. Zimbone's suggestion of instituting a transportation fee formula based on a percentage of cost, so that as costs increase, the fee will increase with the costs.

[Note: this article was voted later with no further discussion after Mr. Connelly arrived.]

MOVED: By Ms. Miller that the Finance Committee recommend the adoption of 2013 Annual Town Meeting Draft Warrant Article 13: Continue Dept Revolving Funds. Ms. Zappala seconded the motion. The motion was approved by a vote of 6-0.

Article 39: Appropriate for General Fund Cash Capital (School Department)

Ms. Gulati stated that the Technical Director would like to use \$60,000 of capital funds originally identified for copiers to be used for technology infrastructure and equipment because of the need for using those funds during the summer. Ms. Gulati added that she is not sure of the amount of capital funding that would be available in November, but if there is additional funding, the School Department would spend \$35,000 on printers and copiers. Dr. Gutekanst pointed out that the federal sequester budget cuts have taken effect, so there is now a \$142,000 budget shortfall. He stated that there have also been four students recently identified for the SPED program with significant medical and mental health needs. He stated that there is some hope that Circuit Breaker funding will be higher than assumed in the budget which could decrease the budget gap. He stated that any SPED transportation savings would also be used to fill the gap. Ms. Gulati stated that the level of Circuit Breaker reimbursement will not be known until the state budget is finalized.

Request for Reserve Fund Transfer – Water Enterprise Fund

Mr. Davison noted that the request is for funds to be transferred from the Water Enterprise Fund's own reserve fund, not the General Fund Reserve Fund. He stated that the Water Reserve Fund has \$75,000 for FY13, and there have been no draws. He stated that there is a media replacement project underway for which Town Meeting appropriated \$70,000 for FY12. The project was delayed due to the collapse and repair of one of the Town wells last year. In December 2012, the contract was awarded for \$76,492. The additional funds were going to come from the Water Fund's capital line. However, during the project, the contractor discovered certain latches and nozzles had deteriorated, and needed replacement. The Town has a bid for the valves at \$11,210, plus a negotiated change order agreement with the original contractor adding conditions for \$13,550, for a total of \$24,760 additional needed funds. Mr. Davison stated that the work to change the filter media cannot be continued until additional funds are available. Waiting until Town Meeting would add to the costs. Mr. Reilly asked whether this would affect the FY14 Water Enterprise Fund cash capital in Article 46. Mr. Davison stated that it is now expected that the same issues will occur in the next filter media replacement, so the Water cash capital request for Filter Media Replacement is \$115,000 and not \$75,000. He stated that the Water Service Connection allocation was decreased from \$200,000 to \$160,000.

Ms. Zappala asked if there had been any contingency in the filter media replacement budget. Mr. Davison stated that there had been, but the project was done a year late, and the bids came in higher than the estimate, which had been provided by a contractor who had done previous work for the Town, but did not bid on this project. He stated that if any funds are not used, they will be returned to the Water retained earnings. There was discussion about the useful life of the nozzles. Mr. Roy stated that they will be replacing copper items with stainless steel which will increase the useful life.

MOVED: By Ms. Miller that the Finance Committee approve the request for a transfer from the Water Enterprise Fund Reserve Fund line 302, in the amount of \$30,000 to line 301C, bringing the total line to \$50,000. Mr. Creem seconded the motion. The motion was approved by a vote of 5-0. (Mr. Connelly had not yet arrived.)

Discuss and/or Vote Draft 2013 Annual Town Meeting Warrant Articles

Article 12: Appropriate the FY2014 Water Enterprise Fund

There was no further discussion.

MOVED: By Ms. Miller that the Finance Committee recommend the adoption of 2013 Annual Town Meeting Draft Warrant Article 12: Appropriate the FY2014 Water Enterprise Fund. Mr. Creem seconded the motion. The motion was approved by a vote of 6-0.

Article 39: Appropriate for General Fund Cash Capital (DPW)

Ms. Miller asked which of the DPW Small Specialty Equipment was not functional and needed replacement before work could be done. Mr. Merson stated that the leaf vac from 1963 was no longer serviceable. Mr. Lewis stated they could rent one if needed, though availability could be a problem for a seasonal piece of equipment. Ms. Miller stated that the new leaf vac would cost \$25,900, and would be needed before November to be used for the fall. Ms. Miller asked about snow equipment that needed replacing. Ms. Zappala stated that the Committee wanted to make sure that items were prioritized correctly considering the timing. Ms. Lustig stated that vehicle 6, a truck that is part of the Core Fleet, and 6A, the sander for snow and ice, need replacing. Mr. Lewis stated that if they are not replaced, they will rely on a contractor for the work. He stated that the Town has two contractors that have the necessary equipment. Ms. Miller asked about the 2-way radios. Ms. Lustig stated that the request is for 10 radios to replace radios that are not narrow-banded and not up for replacement, plus 6 additional radios to stock, in addition to 3 base radios. In response to a question from Mr. Reilly, she stated that the 6 stock radios would back up 40 total radios in use. She stated that the 35 portable radios being requested were to be used by staff that spends much time out of their vehicles in place of cell phones since service is not reliable in certain areas or in buildings. She stated that the portable radios would be used as follows: 12 for snow and ice, 13 for DPW staff, and 10 for staff in the Building Department and Public Facilities.

Mr. Reilly stated that he was not comfortable voting on Article 39 without a better understanding of the costs of renting or leasing a leaf vac. Mr. Davison stated that the leasing process does not make sense, since there are no tax advantages, and it is better to borrow with the Town's tax

exempt AAA rating than to borrow from a third party. In response to a question from Mr. Connelly, Mr. Reilly stated that he was considering swapping the items recommended in this article, not spending more on cash capital than the Town Manager recommended. Mr. Connelly stated that the prioritizations have already been made, and that he would be comfortable voting. Ms Miller asked whether the request for radios could be broken up so that some could be funded in May and the balance in November. Mr. Merson stated he would need to think about prioritizing the DPW radios.

Mr. Reilly noted that the cost of removing the gas tank at the Police Station is similar to the cost of the leaf vac, so that the timing of those two expenses could be switched. Mr. Davison showed photos of the location of the Police Station gas tank, and described the importance of removing the tanks within the context of the upcoming parking lot project. He stated that the original project included grading and paving but not removing the tank. In response to a question from Mr. Connelly, he stated that there is not sufficient contingency in the project funding to cover the tank removal. He noted that the Police will next fill their tank with 87 octane fuel, which is the same type of fuel in the DPW tanks. Ms. Miller expressed concern that the Committee had been told previously that the Police cannot use 87 octane fuel and that now is being told that the Police can use 87 octane fuel. She stated that this has been tried before and caused some difficulty with the cruisers.

Ms. Miller asked about the timing of the parking lot project. Mr. Davison stated the Town plans to start the project in early fall, and would like the project completed by November. Mr. Connelly stated that the project could take more time when all factors are considered, and suggested that the tank removal could be included in the fall Town Meeting warrant. He stated that the Committee is trying to prioritize, and it is known that the leaf vac will be needed in the fall, but it is far from certain whether the Town will be ready to remove the fuel tank at that time. Mr. Zappala asked if there were alternatives such as using the FY14 Reserve Fund in September. Mr. Davison stated that if the Town would have flexibility if the work could be funded that way. Ms. Zappala stated that it might be possible to purchase the leaf vac with excess in the FY13 Reserve Fund.

Article 44: Appropriate for RTS Construction Equipment

Mr. Reilly stated that this article is straightforward, replacing a piece of equipment. Mr. Merson stated that the article would fund replacement of a dozer that pulverizes waste before it is hauled away.

MOVED: By Ms. Miller that the Finance Committee recommend the adoption of 2013 Annual Town Meeting Draft Warrant Article 44: Appropriate for RTS Construction Equipment. Mr. Creem seconded the motion. The motion was approved by a vote of 6-0.

Article 45: Appropriate for Sewer Enterprise Fund Cash Capital

Mr. Connelly asked what progress has been made this year in the I/I program and what will be accomplished in FY14 with these funds. Mr. Merson stated that there are two pieces: installing flow gauges in the system to see where they should focus, and then installing cameras and having tapes reviewed and interpreted by engineers to make recommendations for the needed

repairs. Ms. Zappala asked if this is necessary to meet legal requirements. Mr. Merson stated that in 1983, the State required most MWRA communities, including Needham, to continue to invest in a program to identify and fix infiltration and inflow problems that are cost effective to pursue. It has been ongoing. The Town has set of goal of examining 40% of the system, looking at the leakiest parts of the system first. Mr. Merson stated that for this year, 12-13 meters are currently being installed since the water table is highest in the spring. In May, they will begin to send cameras into the pipes. Mr. Connelly asked if the contractor will provide a report of the work done in FY13. Mr. Merson stated that they will need the results of 6 weeks of water flow from the meters before they can start the next stage of the project. Mr. Reilly stated that an argument could be made to delay the funding, but since the funds are dedicated, there is no need.

MOVED: By Ms. Miller that the Finance Committee recommend the adoption of 2013 Annual Town Meeting Draft Warrant Article 45: Appropriate for Sewer Enterprise Fund Cash Capital. Mr. Creem seconded the motion. The motion was approved by a vote of 6-0.

Article 46: Appropriate for Water Enterprise Fund Cash Capital

Mr. Davison stated that \$40,000 has been moved from Service Connections to Filter Media Replacement. Ms. Miller asked if the pumps would create noise since they will be near boardwalks and trails. Mr. Merson stated that most pumps are within a building, and one other will have a small house around it. He does not expect noise to be a major issue.

MOVED: By Ms. Miller that the Finance Committee recommend the adoption of 2013 Annual Town Meeting Draft Warrant Article 46: Appropriate for Water Enterprise Fund Cash Capital. Mr. Creem seconded the motion. The motion was approved by a vote of 6-0.

Article 40: Appropriate for Pollard Boiler Replacement

Mr. Reilly asked if replacing the boiler would lead to any efficiencies or operating savings. Mr. Popper stated that they are high efficiency boilers that will lead to energy savings, though he did not have a dollar value. He also stated that the existing equipment is susceptible to failure, and that they will be salvaging the pumps. Mr. Creem stated that for years, the Public Facilities liaisons have been pushing for replacement of the Pollard boilers as soon as N-Star could provide the necessary services. Mr. Hall noted that this transition is also beneficial because the underground oil tank is also at the end of its useful life. Mr. Connelly asked about the project cost. Mr. Popper stated that they have reviewed the budget, and are confident. He stated that they are going out to bid next week, and will have a number before Town Meeting. Ms. Miller stated that the article should include the language “for Pollard boiler replacement” after “\$850,000”.

MOVED: By Mr. Connelly that the Finance Committee recommend the adoption of 2013 Annual Town Meeting Draft Warrant Article 40: Appropriate for Pollard Boiler Replacement with the suggested change. Mr. Creem seconded the motion. The motion was approved by a vote of 6-0.

Article 42: Appropriate for DPW Complex Renovations

Mr. Davison stated that the article will state the amount as \$1,100,000. Mr. Reilly asked what would happen if there is a conflict between the planned update to the Facilities Master Plan and this project. Mr. Popper stated that the Master Plan will be looking at a much larger scope of the facilities across Town, and that this small project is needed to make a good faith effort to comply with NPDES requirements. When PSAB was constructed, some covered DPW space was lost. Ms. Zappala stated that there was little option where the garage could be placed, so it is not likely the new plan will recommend a different location. Mr. Popper stated that the DPW site will not be moved for years. He added that the location of the new structure was chosen because it would not interfere with access to DeFazio for the possible location of a building at that site. In response to a question from Mr. Connelly, Mr. Popper stated that a feasibility study was done that recommended the type of structure to meet the need. Mr. Popper stated that the \$1.1 million would cover the construction budget, certain fees, contract documents and contract administration. He stated that they plan to break ground this year, and be enclosed by next winter. The cost includes some escalation but the construction needs to get started this year.

MOVED: By Mr. Connelly that the Finance Committee recommend the adoption of 2013 Annual Town Meeting Draft Warrant Article 42: Appropriate for DPW Complex Renovations in the amount of \$1,100,000. Mr. Creem seconded the motion. The motion was approved by a vote of 6-0.

Article 47: Appropriate for St. Mary's Pump Station

Mr. Popper stated that they have reconciled the costs and there is some money left from the feasibility study. They are now looking for the construction budget to finish the project. The intent is to go out to bid in early spring next year. Mr. Popper stated that it will be a new building in a different location. The system needs to continue running, and this will be most efficient way. He stated that they are working with the DPW. Mr. Davison stated that the \$5,565,100 includes the construction estimate plus the bond issuance costs. Mr. Connelly asked how much was for construction. Mr. Popper stated that they used two estimates to come up with a baseline, and are using 4% annual escalation or 5-6% total escalation from current dollars. The construction amount is approximately \$4.5 million. Mr. Popper stated that the budget includes demolition of the old building. He stated that this is the link to the MWRA so it must be kept running.

MOVED: By Mr. Creem that the Finance Committee recommend the adoption of 2013 Annual Town Meeting Draft Warrant Article 47: Appropriate for St. Mary's Pump Station. Mr. Connelly seconded the motion. The motion was approved by a vote of 6-0.

Article 3: Establish Elected Officials' Salaries

Mr. Davison stated that this is an annual article. He stated that the Board of Selectmen stipend has not increased in decades. Mr. Creem stated that the Town Clerk salary increase includes the cost of living increase recommended for non-represented managers. Mr. Davison stated that the salary indicated is for a Town Clerk with 6 years experience in that position. He stated that if the current Town Clerk leaves, those terms will disappear, and the new person would not get the same salary and benefits.

MOVED: By Mr. Connelly that the Finance Committee recommend the adoption of 2013 Annual Town Meeting Draft Warrant Article 3: Establish Elected Officials' Salaries, subject to Personnel Board approval. Mr. Creem seconded the motion. The motion was approved by a vote of 6-0.

Article 38: Rescind Debt Authorizations

Mr. Davison stated that there were two debt authorizations that did not need the full authorized amount. The projects have been completed and closed out. State law requires that the authorizations be rescinded in order to free up the borrowing capacity. He stated that he expects that there will be another debt rescission in the Special Town Meeting warrant for the High Rock School project which is being closed out.

MOVED: By Mr. Connelly that the Finance Committee recommend the adoption of 2013 Article 38: Rescind Debt Authorizations. Mr. Creem seconded the motion. The motion was approved by a vote of 6-0.

Updates

Ms. Miller requested that there be a placeholder in the May Special Town Meeting Warrant to appropriate funds from the FY13 Reserve Fund.

Adjourn

MOVED: By Mr. Connelly that the Finance Committee meeting be adjourned, there being no further business. Ms. Miller seconded the motion. The motion was approved by a vote of 6-0, at approximately 10:00 p.m.

Documents: Proposed Annual Budget FY2014, January 29, 2013, Town of Needham, Office of the Town Manager; Capital Improvement Plan, FY2014-FY2018, Town of Needham, Office of the Town Manager/Board of Selectmen, dated January 8, 2013; Annual Town Meeting Warrant, draft dated March 20, 2013; Aerial photos of Police station showing gas tank; Memorandum from Anne Gulati, Director of School Finance Operations, to Finance Committee, Re: FY14 Budget Information and Update, dated March 19, 2013; Request for Reserve Fund Transfer within Water Enterprise Fund for \$30,000 dated March 20, 2013; Request for Reserve Fund Transfer (General Fund) to Legal Department for \$67,500 dated March 20, 2013.

Respectfully submitted,

Louise Mizgerd
Executive Secretary/Staff Analyst

Approved March 27, 2013