

**Needham Finance Committee
Minutes of Meeting of April 24, 2013**

The meeting of the Finance Committee was called to order by the Chair, Richard Reilly, at approximately 7:00 pm in the Great Plain Room at the Town Hall.

Present from the Finance Committee:

Richard Reilly, Chair; Richard Lunetta, Vice Chair

Members: John Connelly (arrived 7:15 pm), Richard Creem (arrived 7:20 pm), Gary McNeill, Louise Miller (arrived 7:02 pm), Lisa Zappala, Richard Zimbone

Also Present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Richard Merson, Director of Public Works

Edward Olsen, Superintendent of Parks and Forestry

Special Town Meeting Articles Discussed:

Article 1: Appropriate for Tree Inventory Grant Matching Funds

Article 2: Appropriate for Waste Containers

Article 3: Amend the FY 2013 Operating Budget

[now deleted] Amend the FY 2013 Sewer Enterprise Fund Operating Budget

Article 4: Amend Zoning By-Law Lot Width Definition/Measurement

Article 5: Amend General By-Law Type and Length of Contracts

Article 6: Amend the Tax Increment Financing Plan and TIF Agreement

Article 7: Rescind Bond Authorization

Article 8: Appropriate for General Fund Cash Capital

Article 9: Appropriate for Sewer Line Reconstruction

Article 10: Accept M.G.L. c. 40 s. 13D - Compensated Absence Fund

Annual Town Meeting Articles Discussed

Article 27: Amend General By-Law - Sign By-Law

Article 28: Authorize Lease of Rail Corridor

Citizen Requests

There were no requests to address the Committee.

Minutes of Prior Meetings

MOVED: By Ms. Zappala that the Finance Committee recommend approval of the Minutes of March 27, 2013 as previously distributed. Mr. Lunetta seconded the motion. The motion was approved by a vote of 5-0.

Later in the meeting, it was determined that there was a mistake in the March 27 minutes. The vote for Annual Town Meeting Article 19 should be corrected to show that the Finance Committee recommended adoption.

MOVED: By Mr. Connelly that the Finance Committee rescind the approval of the Minutes of March 27, 2013. Ms. Miller seconded the motion. The motion was approved by a vote of 8-0.

Special Town Meeting Warrant Articles:

Article 2: Appropriate for Waste Containers

Mr. Davison stated that a new director of the RTS was hired shortly before the budget request for FY14 was due. A study of the facility showed that additional new waste containers were needed. The request for additional containers came after the budget requests were submitted, though the need was warranted. He stated that the funding source in the article is previous RTS cash capital appropriations which were not expended. Mr. Zimbone asked how many containers would be purchased. Mr. Davison stated that the plan was to purchase two each year for a cost of \$15-\$20 thousand per year. Each container would last approximately 10-15 years. He stated that there are a total of 30 containers. Mr. Merson stated that this article reflects the DSR-4 request for six containers to be purchased each year for two years. After the first two years, the plan is to purchase two containers each year on an ongoing basis. Ms. Miller stated that this article is a good step, but that it will take too long to replace the deteriorated containers since approximately 50-75% of them are in bad shape. Mr. Zimbone stated that he understood her concerns, and asked whether she would support the current plan. She agreed that she would.

MOVED: By Ms. Miller that the Finance Committee recommend adoption of Special Town Meeting draft warrant Article 2: Waste Containers. Ms. Zappala seconded the motion. There was no further discussion. The motion was approved by a voted of 6-0. (Mr. Connelly and Mr. Creem had not yet arrived.)

Article 3: Amend the FY 2013 Operating Budget

Mr. Davison recommended that the Finance Committee defer the recommendation on this article to a later time. He stated that he would know the following week whether there will be sufficient savings in the Health Insurance line to further fund the OPEB liability. He stated that the article would move appropriations from the Reserve Fund to the Police Capital line to purchase an SUV and also from the Reserve Fund to the Fire Department Expense line to purchase a radio receiver. Mr. Reilly asked if there was any concern about the sufficiency of the Reserve Fund, specifically whether the recent bombings in Boston that put considerable strain on public safety around the region might have any material impact. Mr. Davison stated that it would be a couple of weeks to determine the cost and whether the federal government would be reimbursing funds. He also stated that the amounts being moved from the Reserve Fund in this article would not put the Town in a difficult situation. Ms. Miller asked whether there was a three-week period before the money could be used as there is in other warrant articles. Mr. Davison stated that a budget transfer is treated as effective immediately upon the dissolution of Town Meeting because those funds have already been appropriated to the operating budget. The funds are in the same place even if there is a citizen's appeal.

Amend the FY 2013 Sewer Enterprise Fund Operating Budget

Mr. Davison stated that this article will be removed from the warrant. It was inserted as a placeholder in case additional funds were needed to address the sewer collapse. He stated that the project is going out to bid, and necessary funding will be covered in Article 9, Sewer Line Reconstruction. That article will appropriate \$200,000 to the project. There is a possible change of funding source in Article 9 from borrowing to cash that was not used from prior appropriations.

Article 4: Amend Zoning By-Law Lot Width Definition/Measurement

Mr. Zimbone asked if the article had financial impact. Mr. Reilly stated that the Planning Director could not come in, so this article would be addressed at a future meeting.

Article 5: Amend General By-Law Type and Length of Contracts

Mr. Davison stated that the current maximum length of time that the Town can contract is three years. This article would extend the maximum length of a Town contract to 10 years for software licensing and maintenance and for online curriculum services. Mr. Davison stated that the Town has run into situations where it would be able to get more favorable pricing for longer term contracts. Mr. Reilly asked where the three-year limit came from. Mr. Davison stated that state law provides that the longest a municipal contract can last is three years including extensions and renewals unless there is a vote, such as a By-Law vote, allowing a longer term.

MOVED: By Mr. Lunetta that the Finance Committee recommend adoption of Special Town Meeting draft warrant Article 5: Amend General By-Law Type and Length of Contracts. Mr. Zimbone seconded the motion. There was no further discussion.

DISCUSSION: Ms. Miller stated that it might not be a good idea for school curriculum contracts to be longer than three years. She suggested that the reason that the prices are lower in later years is that the license is of lower value. Mr. McNeill stated that the 10 year limit was not a requirement. Mr. Reilly stated that flexibility would be good, and would allow the School Department to find the sweet spot between 3 and 10 years. Ms. Zappala stated that the Finance Committee should go on record that it does not recommend that software contracts should necessarily be extended to 10 years, since that will not be the best option for all situations.

Mr. Connelly noted that for the past few years there have been small changes to the By-Laws each year. He asked whether there has been any thought of a thorough study. Mr. Davison stated that he agreed and that the Finance Department is currently reviewing the procurement practice for goods and services to achieve some standardization. Mr. Connelly asked if the Inspector General's Office had any concerns with longer term contracts. Mr. Davison stated that they do not have a problem with longer term contracts, though they do not like them in general. He stated that the Town is looking for economies of scale by making longer term contracts.

VOTE: The motion was approved by a voted of 8-0.

Article 6: Amend the Tax Increment Financing Plan and TIF Agreement

Ms. Fitzpatrick stated that after Town Meeting approved the TIF agreement, TripAdvisor decided to build a larger building and to re-orient it for better visibility, using a larger part of the parcel, and providing for more green space behind it. She stated that the building would now be 287 thousand square feet of office space instead of 230 thousand square feet of office space and 10 thousand square feet of retail space. Ms. Fitzpatrick stated that TripAdvisor said that they intend to start on the next building as soon as they can move into this space. She stated because the building envelope has moved and changed, the tax exemption will be bigger, but the tax revenue will also be bigger. She stated that the terms of the TIF are unchanged: 76% tax exemption for the first 5 years, and they a 1% exemption for the following 8 years. Mr. Reilly stated that the total waiver would be just under \$950 thousand. Ms. Fitzpatrick stated that the total exemption was changing under the amendment from \$4.2 million to \$5.2 million. Mr. Creem asked whether state approval was needed. Ms. Fitzpatrick stated that it was, but that this change would be considered a technical correction. She added that TripAdvisor expects to break ground in late summer/early fall. Ms. Fitzpatrick stated that the changes have been through the Planning Board review process. In response to a question from Ms. Miller, Ms. Fitzpatrick confirmed that there is no material change to anything but the value of the building.

MOVED: By Mr. Lunetta that the Finance Committee recommend adoption of Special Town Meeting draft warrant Article 6: Amend the Tax Increment Financing Plan and TIF Agreement. Mr. Zimbone seconded the motion. There was no further discussion. The motion was approved by a voted of 8-0.

Article 7: Rescind Bond Authorization

Mr. Davison stated that there are three articles with remaining debt authorization that is not needed. He stated that the High Rock and Pollard School project has \$269 thousand debt that was not needed. He stated that there was a prior rescission of part this original authorization, but that some borrowing authority was reserved until the project could be fully closed out. Mr. Davison stated that there was also \$75 thousand of debt that was authorized and not used for a water tank maintenance project. Lastly, there was \$81,290 of authorized debt not used in a project at Richardson Drive. The project was initiated in 2002, but was slowed because legislative approval was needed. There was also a loan grant program which decreased the level of debt needed.

MOVED: By Ms. Miller that the Finance Committee recommend adoption of Special Town Meeting draft warrant Article 7: Rescind Bond Authorization. Mr. Zimbone seconded the motion. There was no further discussion. The motion was approved by a voted of 8-0.

Article 8: Appropriate for General Fund Cash Capital

Mr. Davison stated that no funds have been identified for this purpose. He stated that he would know next week whether he would recommend that the article be withdrawn.

Article 9: Appropriate for Sewer Line Reconstruction

Mr. Davison stated that the article seeks \$200,000 for permanent repairs to the sewer at Kendrick Street. The bid package has gone out and the bids will be in hand by May 13. He stated that the requested \$200,000 is at the upper end of the estimated cost, in order to be conservative. He stated that the article currently reads that it would be funded with debt. However, he is hoping to be able to use past unexpended funds from warrant articles. Mr. Creem stated that he would not feel comfortable voting until he knows how the article will appear for Town Meeting Members. Mr. Reilly noted that it would be helpful for Town Meeting Members to know whether the Committee supported the project. Mr. Davison stated that it is generally not a problem to amend an article's funding from borrowing to cash, since there is a lower voting threshold, though the Moderator does not generally allow an amendment from cash to borrowing. Mr. Zimbone asked whether the Finance Committee members felt their recommendation regarding this project would change if the funding source changed.

MOVED: By Mr. Lunetta that the Finance Committee recommendation adoption of Special Town Meeting draft warrant Article 9: Appropriate for Sewer Line Reconstruction for the sum of \$200,000 from either borrowing or from unused appropriations of prior warrant articles. Mr. Zimbone seconded the motion.

DISCUSSION: Ms. Miller asked if the article would stay at \$200,000 if the bids come in lower. Mr. Davison stated that the article amount would not change because there should be contingency money. Mr. Connelly stated that he would like more information before voting. Mr. Zimbone stated that regardless of what the language states regarding funding source, it will not affect his vote. He stated that he would feel comfortable either way. Mr. Reilly stated that he agreed. He would vote in favor of raising money to fund this project. Mr. Creem noted that he did not indicate that the funding source would change his opinion, but that he feels the Committee has a duty to Town Meeting Members to recommend the specifics of the article that is being presented. He stated that there are too many loose ends for him to endorse it at this time. Mr. Connelly stated that he would also like to be more educated on the issue.

VOTE: The motion was defeated by a vote of 3-5, with Mr. Creem, Mr. McNeill, Mr. Connelly, Ms. Miller and Ms. Zappala voting in the negative.

Article 10: Accept M.G.L. c. 40 s. 13D - Compensated Absence Fund

Mr. Davison stated that the Town has made strides toward eliminating the liability on future payments of accrued compensated absences, but there are still some long-term liabilities. Some funds have been set aside through warrant articles. The state has now created a compensated absence fund that the Town can choose to adopt. The Department of Revenue issued a bulletin saying that cities and towns should adopt the fund. If not, then prior appropriations set aside toward these liabilities would be required to be closed out to free cash. This article would take the money already in reserves and put it in the compensated absence fund, and would allow the Town to make further contributions to the fund from year to year. Ms. Zappala asked how much would be transferred to the fund. Ms. Fitzpatrick stated: \$230,000. Ms. Zappala asked if there had been projections for payouts. Mr. Davison stated that when the Town hears about planned retirements, he estimates the expected payments but that often retirements are difficult to anticipate. Recently, there have been fewer retirements than expected and that is why the amount has grown to \$230,000. Once it is appropriated to the fund, it can only be used for buyback. Ms. Fitzpatrick stated that the Town has been forward thinking, and are now moving

forward to eliminate a liability. Mr. Davison noted that the liability continues to accrue as long a covered person continues to work. However, the person must retire to be eligible; they cannot be compensated if their employment ends with resignation or death. In response to a question from Ms. Miller, Mr. Davison confirmed that the money can be used from the fund without further appropriation.

MOVED: By Mr. Lunetta that the Finance Committee recommend adoption of Special Town Meeting draft warrant Article 10: Accept M.G.L. c. 40 s. 13D - Compensated Absence Fund. Mr. Zimbone seconded the motion. There was no further discussion. The motion was approved by a voted of 8-0.

Article 1: Appropriate for Tree Inventory Grant Matching Funds

Mr. Davison stated that the Town applied for an urban forestry grant and was awarded a funding match. The work must be completed by June 30, 2013. Mr. Olsen stated that the Town was one of three recipients. The Town will need to do the work costing up to \$60,000 and will be reimbursed 50%, or up to \$30,000. He stated that the Town should be able to achieve sufficient completion by June 30. Mr. Reilly suggested using aerial consultants to assist with the tree inventory. Mr. Connelly asked if \$60,000 should be appropriated to cover the initial cost. Mr. Davison stated that the grant allows the Town Accountant to expend funds and then count a submission for a reimbursement as a receivable. Therefore, \$30,000 is sufficient authorization to spend the necessary amount. Mr. Olsen stated that the grant is for a maximum allowable spending amount. He stated that the amount was determined per tree based on a total of 10,000 trees. Mr. Connelly asked what the Town will do with the information. Mr. Olsen stated that they will develop a database with the location, species, and condition of each tree that will allow for risk assessment, creating a maintenance plan and generating work orders. Mr. Connelly asked whether having this information could expose the Town to liability. Mr. Creem asked if this would show where sidewalks are buckling due to tree roots. Mr. Olsen stated that hardscape damage is part of the information being captured.

Ms. Zappala stated that there is funding to do this, and it is a project that the Town wants to do, so she would suggest that the Town go forward. Ms. Miller asked who would maintain the database. Mr. Olsen stated that it would be on an outside server that he would update and which could be made available to contractors. Mr. Zimbone asked about differentiating trees that were owned by the Town versus privately owned trees. Mr. Olsen stated that the study would be looking at clearly defined Town trees generally on grass berms. He confirmed that they would not be capturing information about private trees that may be affecting sidewalks.

MOVED: By Mr. Connelly that the Finance Committee recommendation adoption of Special Town Meeting draft warrant Article 1: Appropriate for Tree Inventory Grant Matching Funds. Mr. Creem seconded the motion. There was no further discussion. The motion was approved by a vote of 8-0.

Annual Town Meeting Draft Warrant Articles

Article 27: Amend General By-Law - Sign By-Law

Mr. Reilly asked if there was a financial impact to this article. Ms. Fitzpatrick stated that there was not really a financial impact, though possibly it would promote development. Mr. Davison stated that there would not be a measurable impact.

MOVED: Br. Mr. Creem that the Finance Committee take no position with respect to Annual Town Meeting Article 27: Amend General By-Law - Sign By-Law, there being no measurable financial impact. Ms. Zappala seconded the motion. There was no further discussion. The motion was approved by a vote of 8-0.

Article 28: Authorize Lease of Rail Corridor

Mr. Reilly stated that the article was addressed at the recent Board of Selectmen's meeting. Several outstanding issues were discussed. The MBTA requires the lessor to obtain indemnification insurance for environmental exposure. The state will match 50% of the price. They have obtained 2 quotes, the higher being \$42,000. Therefore, the Town's share would be \$21,000. Ms. Fitzpatrick stated that the Board is interested in getting the authorization to negotiate the lease and to get in line for insurance. She stated without the authorization in the article, the MBTA will not seriously discuss the lease.

Mr. Reilly stated that another issue is that the MBTA wants to retain rights on one section of track, possibly to turn trains or store materials. He stated that the Bay Colony Rail Trail (BCRT) has also not had discussions with NStar, since they are waiting until the process is further along. Ms. Fitzpatrick stated that the Town will negotiate with NStar since it will be the Town's lease. Mr. Reilly stated that Dover is not as far along in the process, and it is not clear if they will end their trail before the bridge. The consultants indicated that the bridge must be replaced. Mr. Zimbone asked if there was danger of collapse. Ms. Fitzpatrick stated that the study should address the condition of the bridge.

Mr. Connelly asked if the article authorized the Town to negotiate lease without coming back to the Finance Committee or Town Meeting. Ms. Fitzpatrick confirmed that the Town would be authorized to negotiate the lease with the MBTA. Mr. Davison stated that any financial decision would require an appropriation of Town Meeting. Ms. Fitzpatrick stated that it could possibly be funded by the CPC. Mr. Reilly expressed concern why this was being done in May when there are still many open questions. Ms. Miller asked when the feasibility report would be available. Ms. Fitzpatrick stated that it was imminent.

Adjourn

MOVED: By Mr. Zimbone 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 8-0, at approximately 8:30 p.m.

Documents: 2013 Annual Town Meeting Warrant; May 2013 Special Town Meeting Warrant, draft dated April 10, 2013.

Respectfully submitted,

Louise Mizgerd, Executive Secretary/Staff Analyst

Approved June 12, 2013