

**Needham Finance Committee
Minutes of Meeting of April 22, 2015**

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

Present from the Finance Committee:

John Connelly, Chair; Louise Miller, Vice Chair (arrived 8:30 pm)

Members: Barry Coffman, Richard Lunetta, Richard Reilly, Lisa Zappala (arrived 7:32 pm), Rick Zimbone

Others present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Dan Gutekanst, Superintendent of Schools

Anne Gulati, Director of School Financial Operations

Steve Popper, Director of Construction and Renovation

Hank Haff, Department of Public Facilities, Project Manager

Michael Greis, Chair, School Committee

Jonathan Pizzi, Principal, Needham High School

Patricia Carey, Director of Park and Recreation; Liaison to Community Preservation Committee

Evelyn Ponness, Treasurer/Collector

Citizen Requests

No citizens requested to address the Committee.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Reilly that the minutes of the Finance Committee meeting of April 15, 2015 be approved as modified. Mr. Lunetta seconded the motion. The motion was approved by a vote of 5-0. (Ms. Zappala and Ms. Miller had not yet arrived.)

2015 Annual Town Meeting Articles

Article 38: Home Rule Petition – Construct Additions to High School; and Article 39: High School Expansion

Mr. Gutekanst gave an update on the iPad program for FY16. He stated that 92-93% plan to use equipment provided by the schools. He stated that the Walker School's new residential house has come online, and that the School Department has invoiced other districts for services to students who are residents of other communities. Ms. Gulati stated that there has been one payment.

Mr. Gutekanst provided an overview of the proposed design of the proposed high school expansion and also described the need for additional space. The current enrollment is 200 above capacity. He stated that the percentage of core classes above 28 students has risen significantly since the new building opened. He stated that without additional space in the cafeteria and additional classrooms and storage space, the High School administration will need to make

alternative lunch plans such as off-campus privileges for sophomores, and will not be able to sustain a high-performing educational program.

Mr. Popper discussed how the architects sought to address the growth in enrollment. The goals were an average class size of 22 and a classroom utilization rate of 85%. He described the different scenarios that were considered. He stated that there will be 84 teaching stations after the work is done this summer to repurpose existing space, but that 87 classrooms would be needed to yield a utilization rate of 84-89% and 89 classrooms would be needed to yield a rate of 82-84%. He discussed the scenarios that were considered. The most advantageous scenario, Option G in the study, allowed for either 6 or 8 added classrooms, so they asked the architects for schematic designs and cost estimates. The School Department indicated that 6 classrooms would be adequate. Based on that, 2,500 square feet of space would be added for \$6,743,480. Mr. Gutekanst stated that if the design funds requested in Article 39 are approved, they will tell DRA, the architects, to complete the design and estimate of project costs. At the November Special Town Meeting, they would seek construction funds, with the hope of beginning construction in June 2016.

Mr. Popper stated that the home rule petition procedure would be needed to use the “construction manager at risk” process for designing and building the project, because state law does not allow that process for projects under \$5 million. Mr. Connelly asked if a home rule petition like this had ever gone to the legislature. Mr. Popper stated that another town had made a similar petition.

Mr. Lunetta asked what would happen if the average class size was increased to 23 or 24. Mr. Popper stated that is addressed in the appendix of the DRA report. Mr. Pizzi stated that it would exacerbate the higher end of oversized classes, adding to the number of class with more than 24, 25 or 26 students. He stated that it would cause an increase in class size in the core classes where direct instruction is needed. Mr. Zimbone stated that his memo showed the analysis of what happened when the average number of students per class was increased, and when the utilization factors were increased. He stated that there are 84 teaching stations, which will exist after work this summer, and there is an average of 23 students per class and a utilization factor of 88%, no classrooms are needed.

Mr. Zimbone asked if the plan included storage space. Mr. Popper stated that for \$237,000 there could be 9,600 square feet of modular storage. He stated that the storage was backed out at the end, because the excavation for the footings will allow them to add over 3,000 square feet of storage which would alleviate some of the issues in gym B. Mr. Gutekanst stated that it would be additional space, but not in the right place, and that it might be better to add another shipping container. Mr. Zimbone asked if the classroom project does not go forward, whether \$237K would provide enough climate controlled space for the equipment that is now stored in gym B. Mr. Popper stated that it would.

Mr. Zimbone stated that the cost per square foot for this construction project seems high, at over \$400/square feet. Mr. Popper noted that it does not include the storage space. He stated that 15-20 foot footings are needed to build the classrooms, which adds to the cost. He stated that the cost includes the renovation of space where the new construction merges with the existing space. Mr. Popper stated that the cost estimate is 50 pages and very detailed. Mr. Zimbone stated that he does not question the numbers. He stated that if the cost of the project is over \$6.7 million,

and the cafeteria is approximately \$1.8 million, that the classrooms are almost \$4.8 million. For 6 classrooms, that is essentially \$800K per classroom. He stated that the cost raises red flags.

Mr. Reilly asked for a clarification of how many rooms would be repurposed back from classrooms to other uses after next summer's work. Mr. Connelly stated that they will ultimately take back 3 of the 84 that will exist after this summer's work. That will leave 81 classrooms, so 6 more are needed to achieve 87. At Mr. Connelly's request, Mr. Pizzi identified the rooms that would be repurposed back to other uses. Mr. Pizzi stated that there was a science storage area, a curriculum room for meetings or collaborations, and a physical education activity space. Mr. Zimbone noted that one chart showed average class sizes in other communities, but that information would be more useful with classroom utilization rates as well.

Mr. Coffman asked what programmatic changes have been made due to increased enrollment, other than gym classes. Mr. Pizzi stated that enough students signed up for three sections of AP Biology, but only two could be offered because of space constraints. Mr. Connelly noted that the proposed changes would not provide for any additional biology classrooms. Mr. Pizzi stated that some of the physical education classes have some students participating and others watching because of the constraints. Mr. Gutekanst stated that if there were additional classrooms, it could open space for classes in the wet labs to move elsewhere. Mr. Reilly asked how they select which students can take a course where there is not sufficient space. Mr. Pizzi stated that some will drop out because of scheduling conflicts, and others will meet with teachers to see where the class fits into their overall plan. Mr. Gutekanst stated that the biology class example is meant to highlight the problem. In another year, the crowding will affect other classes.

Mr. Connelly stated that the enrollment numbers in both the Future School Needs Committee report and the McKibben report track closely for the next few years, but after that the FSNC come down substantially. He asked why the Schools have chosen to follow the McKibben numbers to support the expansion project. Mr. Gutekanst stated that they believe the McKibben method is based on a more thorough and robust analysis. Mr. Connelly stated that they relied on the FSNC report to support the request for additional classrooms within the existing space. He stated that the two enrollment studies track almost identically for about 5 years, and should not be dismissed so easily, and they should acknowledge the difference of opinion. Mr. Greis stated that they feel that the McKibben method is better and considers more factors, and that the FSNC does not look beyond the community. Mr. Zimbone stated that he has reviewed the report, and also spoken to Ms. Gulati and Professor McKibben, and feels that Prof. McKibben has a good method. He stated that the FSNC report is a projection while the McKibben report is more of a forecast. McKibben includes demographic information. Mr. Zimbone stated that he is concerned about two key assumptions made in the McKibben report: the assumptions that the unemployment rate will be below 6% for the next 10-15 year, and that the 30 year fixed rate mortgage will stay below 5%. He stated that he believes that the mortgage rate may get to 5% by the end of 2016, and possibly even higher by the end of 2017. He stated that creates uncertainty in his projections. Mr. Zimbone stated that he is also concerned that this is the first year of seeing this projection, and everyone should be more cautious and see another year of these projections before disregarding the methodology used for the past 10 years. He stated if the enrollment numbers are too high, the Town would spend money it does not need to, and if they are too low, the Town would have to go back to Town Meeting a third time for solving the same issue.

Mr. Reilly noted that the state's formerly suggested metric of a standard classroom of 760 square feet for 22 students translated to 34.54 square feet per student. While he acknowledged that the calculation he had developed might be too simplistic, he noted that the projected ratio for next year, after the repurposing of the rooms, would be 23 students per classroom, or 33.04 square feet per student, a difference of 1.5 square feet per student. He questioned whether it made sense to spend \$4.5- \$5 million to pick up an average of 1.5 square feet per student. Mr. Gutekanst stated that there is an increasing number of classes with more than 28 students per class. He stated that the space constraints will impact the quality of the education. Mr. Greis stated that the average class sizes are not meaningful. The important consideration is how many classes are too large.

Ms. Miller asked what the additional operating costs for the additional classrooms would be. Mr. Gutekanst stated that they can get the additional costs of utilities and maintenance. Ms. Miller asked if additional teachers would be needed. Mr. Gutekanst stated that they would need more teachers if the operating budget would allow it.

MOVED: By Mr. Zimbone that the Finance Committee recommend against the adoption of 2015 Annual Town Meeting Article 38: Home Rule Petition – Construct Additions to High School; and Article 39: High School Expansion. Mr. Reilly seconded the motion.

DISCUSSION: Mr. Zimbone stated that Article 38 may not be needed since it applies in situations where costs are less than \$5 million, and all the information shows the project as being greater than \$5 million, unless it is scaled back to just the cafeteria. He asked whether any other town had made a request like this to the legislature. Mr. Popper stated that the Town has spoken to the Attorney General's office, which needs to endorse the petition, and they indicated that this would not be the first petition like this.

Mr. Zimbone stated that he would be 100% in favor of Article 39 if the project were scaled back to expand only the cafeteria. He stated that last March, the liaisons and the School Committee discussed the idea of funding a cafeteria expansion and adding storage space. He suggested proceeding with the cafeteria expansion, but putting the classroom expansion on hold, keeping it in the capital plan to be reexamined in the next year or two when there is a more in-depth understanding of the McKibben methodology and whether the underlying assumptions have changed. He stated that he would also like more time to review the Drummey report. He stated that \$800/classroom or \$400/sf is too high without more information.

Mr. Reilly stated that he agrees with Mr. Zimbone for the most part. He stated that he is also concerned with the process. He stated that 1/2 majority vote is needed to appropriate the design funds, while a 2/3 majority is needed for construction funds. He stated that appropriating the design funds now could set up a dynamic for moving forward that may not be warranted. He stated that it would be best if the project would be split. A battle on Town Meeting floor would be an unfortunate situation that should be avoided.

Mr. Lunetta stated that he is in favor of the motion. He feels there is a need for a new cafeteria. He also feels that everyone should avoid a dispute on Town Meeting floor. Mr. Coffman stated that he is new to the Committee, and still trying to assess whether this project is something truly needed or merely wanted. He stated that with the net of 3-4 classrooms, and knowing what is

needed for other projects, it would be hard to support this project without additional time and information. Ms. Zappala stated that the cafeteria expansion is needed. She added that the numbers have been moving a lot, so the Town should wait to see how things settle out.

Ms. Miller agreed that there is not yet sufficient information. She cannot see what programming would be added with the new classrooms, and what would be gained educationally. She suggested that the Article 39 be amended to change the sum, and specify the cafeteria. She stated that the parties should not shut down discussion of the classroom expansion project.

Mr. Connelly stated that he supports the motion since a case has not been made for anything beyond the cafeteria at this point. He stated that the square footage of 11,128 for the classrooms plus 2,414 for the cafeteria, or 13,542 total square feet, for \$6.7 million means \$498 per square foot, which is the highest cost of any construction project in Town. With all the projects coming up, this kind of spending is unsustainable. He stated that there are other ways to address storage issues that may be imperfect but will not cost \$498 per square foot. He stated that this project as currently structured is not sustainable.

VOTE: The motion was approved by a vote of 7-0.

Article 36: Appropriate Rail Trail

Ms. Fitzpatrick stated that in 2012, Town Meeting appropriated \$35K from CPA funds for a feasibility study. In 2013, an appropriation of \$45K was made for insurance, but only \$24.5K was needed, and the rest was returned to the CPA fund. She described the proposed project, and the materials to be used, which will make a quality trail at the level of trails in other communities. She described the schedule of what has been accomplished, and what needs to be done. She stated that it will be done in 2 phases. She stated that the whole project is \$285K, and that Bay Colony Rail trail has given \$115K, and the state will contribute \$70K. This request is for \$100K, the rest of the funding needed for a base trail in the condition that the Town wants. Any funding not needed for the actual trail construction will be returned to the CPA. Beautification and other amenities will need to come from other sources such as private fundraising. She stated that they discussed narrowing the trail or shortening it, but they felt they should do the whole thing right at full size. She stated that screening and mitigation work is being done by the neighboring properties.

Mr. Lunetta asked if there would be some return from the metal rails. Ms. Fitzpatrick stated that they had anticipated that the rails could be removed for no cost, but the business model for the company that planned to remove and sell the rails was not sustainable. She stated that the rails must be removed, and not built over.

Mr. Zimbone stated the Committee was told at the beginning that there would be no cost to the Town. He asked the likelihood of the project being zero cost to the Town. Ms. Fitzpatrick stated that once the Town took over the project they wanted to own it and move it forward and make sure it gets completed. She stated that the Town's cost will be up to \$100K. Mr. Zimbone asked whether Bay Colony can help offset the costs. Ms. Carey stated that the current plan includes \$50K from the Town. She stated that efforts are being made to help cover the costs. The Town will be getting funds for the rail trail from the Women's Club garden tour. They are also reaching out to local businesses. She stated that there was an anonymous donor who gave \$10K per year for three years.

Ms. Miller asked why they are not spending money to make the trail pretty. Ms. Fitzpatrick stated that they want the BCRT to do that. Ms. Miller asked why they were raising money from private groups if this is eligible for CPA funding. Ms. Fitzpatrick stated that is why the Town took over the project. Ms. Miller stated that she was troubled that this was not funded last year from the CPA while this year it is a top priority. Ms. Fitzpatrick stated that she was not comfortable with the funding schedule and how the project was moving, so the Town took it over to make sure it gets done, and done in the way the Town wants. Ms. Miller asked whether there were any strings attached to the Mass. DOT program that is reimbursing \$70K. Ms. Fitzpatrick stated that no strings are attached, and that they have a commitment for a reimbursable grant. She stated that state legislators helped with the process.

In response to a question from Mr. Reilly, Ms. Carey stated that Holliston has received three grants for its rail trail, and had a request in for another, along with Needham's. Mr. Reilly asked why it was assumed that they will not get funding for the grant they applied for. Mr. Reilly asked if there would be any implications if we assumed that grant would be funded and decreased the appropriation. Ms. Carey stated that if the grant was not received, they could stop the trail before the end. Ms. Fitzpatrick stated that, in that case, they would come back next year, but that could cause remobilization costs.

MOVED: By Mr. Zappala that the Finance Committee recommend adoption of 2015 Annual Town Meeting Article 36: Appropriate Rail Trail. Mr. Reilly seconded the motion. The motion was approved by a vote of 7-0.

May 2015 Special Town Meeting Warrant:

Article 2: Amend FY 2015 Operating Budget

Mr. Davison described the changes that the article will accomplish. He stated that \$200K of anticipated savings will move from the Health Insurance line into the OPEB line. He stated that the Town generally applies Health Insurance savings toward reducing the OPEB liability. He stated that \$40K of salary savings in the Public Department is moving to the expense line to offset some of the high energy costs. This will reduce the impact of the expected Reserve Fund transfer needed to cover energy costs. \$8,500 is being shifted from the Health Department wages to expenses. The savings comes from the vacancy in the Director position, and will be used to purchase a new refrigerator/freezer for vaccines. The existing one does not meet new requirements that will take effect in FY 2016. The article also adds \$152.5K to the Reserve Fund from the overlay surplus in order to provide additional funding for covering the Snow and Ice budget deficit.

Mr. Davison stated that the current Reserve Fund balance is \$1,439,657. He is watching costs in the Unemployment line, the School Department, Legal Department (due to the current Chapter 40B project), the Public Facilities energy costs, and the Snow and Ice budget. He stated that he had been carrying \$600K as a possible School Department deficit, but it looks like the exposure is \$200K. It may not be necessary to carry a deficit for Snow and Ice into the next fiscal year.

MOVED: By Mr. Zimbone that the Finance Committee recommend adoption of May 2015 Special Town Meeting Warrant Article 2: Amend FY 2015 Operating Budget. Ms. Miller seconded the motion. The motion was approved by a vote of 7-0.

Article 3: Rescind Debt Authorizations

Mr. Davison stated that this article will rescind authorizations for debt that is no longer needed. The amounts included in the article are residual balances left after the projects were wrapped up, with all bills paid. One rescission is for the entire authorized debt for the purchase a truck for the RTS which is being delayed until the overall plan for the RTS is clearer. These rescissions will free up debt capacity for other uses. Mr. Davison stated that until the numbers are final, he assumes that all authorized debt will be fully expended since the department or committee has that authority. He stated that the Town currently has one of its lowest levels of authorized debt in years, and many outstanding debts are being closed out.

MOVED: By Mr. Zimbone that the Finance Committee recommend adoption of May 2015 Special Town Meeting Warrant Article 3: Rescind Debt Authorizations. Ms. Miller seconded the motion. The motion was approved by a vote of 7-0.

Article 4: Oil Tank Replacement

Mr. Davison stated that in December a leak was found in the oil tank at the Emery Grover building. He stated that Public Facilities did temporary repairs, but the tank must be removed and replaced. He stated that there is a potential for DEP fines if this is not done. Mr. Zimbone asked if there is a place for an above-ground tank. He stated that, unless absolutely necessary, it is better to have an oil tank above ground. Mr. Davison stated that he assumes there is not enough space. He stated that since there is already a tank in ground, the installation should not be difficult. Mr. Reilly stated that the new tank is 1.5 times bigger. Mr. Connelly stated that the article says the funding is from a prior warrant article, and asked where the funding was coming from. Mr. Davison stated it is from the appropriation for Mitchell School Modulars. He stated that the rationale is to use building funds on a building.

MOVED: By Mr. Zimbone that the Finance Committee recommend adoption of May 2015 Special Town Meeting Warrant Article 4: Oil Tank Replacement. Ms. Miller seconded the motion. The motion was approved by a vote of 7-0.

Article 5: Appropriate to Capital Improvement Fund

Mr. Davison stated that this article will take unused funds from prior appropriations and add them to the Capital Improvement fund. He stated that the funds are residual balances from a data terminal project in 2003, and a permitting software project in 2004. There are no remaining claims on either project. Mr. Zimbone asked what happens to the money if it is not appropriated. Mr. Davison stated that it will sit there until it is appropriated somewhere. Mr. Connelly suggested including information about the prior appropriations that are funding sources within the article information in the future.

MOVED: By Ms. Zappala that the Finance Committee recommend adoption of May 2015 Special Town Meeting Warrant Article 5: Appropriate to Capital Improvement Fund. Mr. Zimbone seconded the motion.

DISCUSSION: Mr. Reilly asked for an explanation of when residual funds would be placed into the Capital Improvement Fund versus the Capital Facility Fund. Mr. Davison stated that the

Capital Improvement Fund is for equipment related expenses, so funds might come from unused appropriation for equipment. Alternatively, a residual balance from a building project would go to the Capital Facility fund. Ms. Miller stated that she thinks that there is enough money in these funds, and that additional money should be appropriated to the Athletic Facilities Fund that the Town will use.

VOTE: The motion was approved by a vote of 6-1, with Ms. Miller dissenting.

Article 6: Appropriate to Capital Facility Fund

Mr. Davison stated that this funding for the Capital Facility Fund is coming from an appropriation to renovate the Mills Field and Cricket Field buildings. He stated that there are no claims on the balance, and that he recommends putting the funds into the Capital Facility Fund. Mr. Zimbone asked how the money can be moved from residual balances for another use. Mr. Davison stated that the funds have to be appropriated by Town Meeting, which is done through a warrant article. Ms. Miller stated that this type of article requires a 2/3 approval. Mr. Lunetta asked when funds were last withdrawn from this fund. Mr. Davison stated that there have been no withdrawals.

MOVED: By Mr. Lunetta that the Finance Committee recommend adoption of May 2015 Special Town Meeting Warrant Article 6: Appropriate to Capital Facility Fund. Mr. Reilly seconded the motion. There was no further discussion. The motion was approved by a vote of 6-1, with Ms. Miller dissenting.

Annual Town Meeting Warrant Article 4: Fund Collective Bargaining Agreement - BCTIA

Ms. Fitzpatrick stated that the union did not ratify a tentative agreement, so there is no agreement to present. There may not an agreement before Town Meeting, in which case the article would be withdrawn.

Finance Committee Updates

Mr. Connelly asked if an article must be approved by a 2/3 vote if it is funded with residual debt, since at least one of the previous articles that will be a source of funds for Article 39 had been funded with debt. Mr. Davison stated that one previous article was funded with debt. Mr. Davison stated that a 2/3 majority would not be needed, since those residual funds are cash.

Mr. Zimbone stated that the Finance Committee has not taken a position about moving funds for the 1:1 iPad program in the FY 2016 budget from the Reserve Fund into the School Department budget. Ms. Fitzpatrick stated that will require an amendment to the FY 2016 budget article at Town Meeting.

Mr. Reilly stated that he met with Mr. Gutekanst earlier about the High School expansion, and that he understood that a cafeteria-only project was an option.

Adjourn

MOVED: By Mr. Coffman that the Finance Committee meeting be adjourned, there being no further business. Mr. Lunetta seconded the motion. The motion was approved by a vote of 7-0 at approximately 10:04 p.m.

Documents: 2015 Annual Town Meeting Warrant; May 2015 Special Town Meeting draft warrant; Memorandum from Rick Zimbone to Finance Committee regarding High School Enrollment and Classroom Space; Proposed Needham High School Cafeteria & Classroom Expansion, 4/22/15; High School Expansion – 2015, Schematic Budget, Draft, 4/21/15; 2015-16 Needham High Room Usage and Space Utilization, 4/22/15; Draft Needham High School Educational & Space Needs Assessment & Options Report, by Drummey Rosane Anderson Architects, April 22, 2015; Rail Trail Presentation (“Previous CPA Appropriations”).

Respectfully submitted,

Louise Mizgerd
Executive Secretary/Staff Analyst

Approved May 4, 2015