

**Needham Finance Committee
Minutes of Meeting of October 21, 2015**

The meeting of the Finance Committee was called to order by the Chair, Louise Miller, at approximately 7:00 pm in the Selectmen's Chambers at the Town Hall.

Present from the Finance Committee:

Louise Miller, Chair; Richard Zimbone, Vice Chair

Members: Barry Coffman, John Connelly, Tom Jacob, Richard Lunetta, Richard Reilly, Carol A. Smith-Fachetti

Others present:

Matt Borrelli, Vice Chair, Board of Selectmen

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

George Kent, Permanent Public Building Committee

Hank Haff, Department of Public Facilities, Project Manager

David Tobin, Town Counsel

Connie Barr, Chair, School Committee

Citizen Requests to Address Finance Committee

Sarah Mesnick, a parent of three girls in the Needham Public Schools, expressed concern about space at the High School. She supports both the current plan to expand the cafeteria and the plan to add classroom space.

Gerry Rovner of Cynthia Road stated that he is concerned about the cost of the Owens property on Central Ave. and questioned why there has not been more discussion of the value of the property and why there is not more than one appraisal. He noted that the Town has a right of first refusal, but there are no other offers.

Sara Siciliano of Cefalo Road stated that she is more concerned about the limitations of the Central Ave. site than the price. There is no room for additional growth, while there is space available at DeFazio Field.

Deborah Berger of Tower Ave. stated that she is concerned about the High School, but questioned why there has not been more discussion of schools on the side of Town where Needham Mews and other developments are likely to bring in additional students.

Jackie Kiley, parent of four children across the Needham Public Schools, stated that classes are too large at the High School. She asked why the Finance Committee voted against funding additional modular classrooms. Ms. Miller informed her that Town Meeting makes decisions on which projects to fund, and that last spring a task force was created to closely examine the needs at the High School before moving forward with the project.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Reilly that the minutes of October 7, 2015 be approved as recirculated. Mr. Jacob seconded the motion. The motion was approved by a vote of 8-0.

Special Town Meeting Warrant Articles

Article 11: Appropriate for High School Cafeteria Renovation

Mr. Haff stated that there will be an amendment to include the cost of \$2.1 million for the project. Mr. Popper distributed a summary sheet of costs. He stated that they considered the Finance Committee's feedback regarding costs, and refined the project with the aim of meeting the goals of the project at a lower cost. The construction costs are now lower, the technology was found to cost less than originally expected, and the school will still get the needed space. He stated that the project scope is still the same with the movable partition, the extended space and the added technology, but the design is more refined and the costs better known. He stated that there were two estimates, and they chose the more conservative one which is \$100,000 more. The PPBC voted unanimously to recommend the project for a \$2.1 million appropriation.

Mr. Reilly asked if they were comfortable with the contingency decreased from 10% to 2.5%. Mr. Kent stated that they know the design details better now, and are comfortable. Mr. Connelly asked how the Town will get the additional DESE funds of \$170,000 that are needed. Ms. Gulati stated that the School Department has the funds deposited in a fund. Mr. Zimbone asked if there has been a decision verifying that the funds can be used for this project. Ms. Gulati stated that she has the opinion in writing. Mr. Connelly stated that he is heartened by the fact that the Finance Committee's concerns were heard and responded to. He noted that the full cost of the project is \$2.27 million, and that this is about the best price possible for this project. He cautioned that that this is an example of how expensive projects are going to be in the future.

Ms. Miller noted that the technology costs have come down significantly and asked if the technology will meet the needs. Mr. Popper state that some of the costs will be in the general contract bid, and that the technology will meet the needs. Mr. Zimbone complimented Mr. Popper and Mr. Haff on their efforts. Ms. Miller also thanked them for their work.

MOVED: By Mr. Zimbone that the Finance Committee recommend adoption of Special Town Meeting Warrant Article 11: Appropriate for High School Cafeteria Renovation. Mr. Connelly seconded the motion. There was no further discussion. The motion was approved by a vote of 8-0.

Article 12: Appropriate for Hillside Feasibility

Mr. Popper stated that the original funding for the study did not cover all of the additional costs of investigating the Central Ave. site. In order to do the due diligence needed to accept the site, additional surveys and other work needed to be done. Mr. Haff stated that they anticipated that this cost would be added to the total cost to be submitted to the MSBA for partial reimbursement. Ms. Miller asked the source of funds for the article. Mr. Davison stated that it was funds remaining from the Mitchell modular project, and that it is cash. Mr. Coffman asked how much of the \$650,000 appropriation has been spent. Mr. Haff stated that \$232K has been spent through

the beginning of September, but virtually all of it is encumbered. Mr. Haff distributed a summary sheet of study expenses. Mr. Connelly asked what will be provided for the money. Mr. Popper stated that there will be plans for the MSBA to review and provide feedback. They will then get detail schematic designs which will establish the project scope and budget which will identify costs that MSBA will cover, which will provide a basis for Town Meeting to vote. He stated that \$125K has been needed for professional work including test borings, flagging wetlands, traffic study, and stream delineation. Mr. Haff stated that the \$125K of professional services have been authorized and will be used. Mr. Popper stated that much work was done at the Hillside site before the Central Ave site became an option. Mr. Haff stated that if these funds are approved, a full schematic design will be submitted to the MSBA in June. Mr. Popper stated that he expects these funds to get them the design information that the MSBA needs. Mr. Kent stated that they do not anticipate asking for more, but they need these funds to replenish other accounts they have been using for these expenses.

Mr. Reilly asked if they planned to do an additional traffic study. Mr. Haff stated that they would if it is required as they go through the process. Mr. Lunetta asked where the money would go if this article is not adopted. Ms. Miller stated that it will stay in the fund where it is. Mr. Lunetta asked what would happen if the Central Ave. purchase is not approved by Town Meeting. Mr. Kent stated that this money has already been spent and the work completed studying the property, so they still need it.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of Article 12: Appropriate for Hillside Feasibility in the amount of \$45,000. Mr. Zimbone seconded the motion.

DISCUSSION: Mr. Zimbone stated that there was a discussion earlier about whether this work should be funded with a Reserve Fund transfer, and that at the time they were advised that it would be best to have a Town Meeting vote, so they spent the \$650,000 for the study. He thinks that the Finance Committee would have approved a Reserve Fund transfer for the \$45,000, although last year the Reserve Fund budget was tight. Ms. Miller stated that if the entire \$695,000 is not spent, any remaining will be returned to the Town or put toward a later phase of the project. Mr. Haff stated that \$650,000 is encumbered, and they could possibly stop work and spend less than the entire amount.

Mr. Connelly stated that he will reluctantly vote in favor of this article only because the Town is required by law to pay its bills. He stated that the process was backward, and that too much money was spent on one potential site. Mr. Zimbone stated that there were time constraints, and is not sure they could have had answers for the property purchase if they did not move forward and spend this money, though he understands the concern. Mr. Kent stated that this needed to be done in parallel with other work, otherwise there could have been a delay of years. Ms. Miller stated that the only way to get the funding was through a Reserve Fund transfer which the Committee advised against.

VOTE: Mr. Reilly's Motion was approved by a vote of 7-1, with Mr. Lunetta dissenting.

Article 13: Appropriate for Property Acquisition

Mr. Borrelli stated that School Committee voted to select the Central Avenue property as the preferred site of the Hillside School replacement. He stated that the Board of Selectmen supports the choice. He stated that there are 7 parcels: the farm plus 6 others that are not covered by the right of first refusal. The Town wanted to purchase all of the properties in one transaction. He stated that there are still concerned residents, and they will look into the issues and have opportunities for public comments. He stated that there is a contingency in the purchase and sale agreement allowing until February 19 to determine any environmental issues. Mr. Barr stated that the School Committee was looking for a site for a neighborhood school for current students that would not involve major redistricting and that could accommodate a school that meets the programmatic and educational needs. Mr. Gutekanst stated that he feels it is the right choice, and that the DeFazio site was far from perfect since the DPW operations are right there, and the fields have a use. He stated that this option preserves the current Hillside site and the DeFazio site for future Town needs.

Mr. Reilly asked whether there is a basis to void the agreement if the Town does not support the purchase after Town Meeting appropriates the funds. Ms. Fitzpatrick said there is not, but the Town can pay for the property within the levy. Mr. Borrelli stated that if there are environmental problems, the agreement can be voided. He stated that he is convinced that a school can be sited there. Mr. Zimbone asked what would be a "material condition" that gives a right to cancel under paragraph 49 of the agreement, since that term was not defined. Mr. Tobin stated that it could mean many things, but examples are a 21E environmental problem or an easement that would prevent a school on the site. Mr. Zimbone asked what would happen to the property if the money is authorized for the purchase and the Town does not go forward with a school on that site. Mr. Borrelli stated that the Board has not discussed that. He stated that the Town could use property for another municipal purpose or sell it.

Mr. Lunetta stated that the Town has decided that paying \$7 million is less painful than redistricting. He asked why the Town is spending \$7 million for a site without discussing what would happen if a school is not built there, and why the Town is spending \$7 million it does not have to spend. Mr. Gutekanst stated that minimizing school redistricting is one School Committee goal, but that it is not driving this purchase. He stated that there will be some redistricting at the edges. He noted that there will be some other costs at DeFazio, including traffic issues and displacement of fields. Ms. Barr stated that she feels the Central Ave. site is vastly better since it is a neighborhood school. Mr. Lunetta stated that DeFazio is a neighborhood. Mr. Gutekanst stated that DeFazio has the fewest walkers.

Mr. Coffman asked the purpose of the \$500,000 above the property cost. Ms. Fitzpatrick stated that it covers site work. She stated that the 21E costs are in the Hillside Feasibility funds, but if more is needed, it will come from here. She stated that the Building Commissioner estimated a cost that was within \$50,000 of Dorr and Whittier's estimate. Mr. Connelly asked when the demolition would take place, and if not right away, what would happen until construction. Ms. Fitzpatrick stated that the Town would keep the buildings in place, as is being done with Chestnut St. properties. Mr. Kent stated that if there is a problem, the houses will then come down. In response to a question from Mr. Reilly regarding costs estimates from September, Ms. Fitzpatrick affirmed that the cost of a school at DeFazio would be \$61 million, and the cost of a school on Central Ave would be \$61.5-\$63 million for construction plus \$7 million for a total of up to \$70 million.

Mr. Zimbone stated that the Town stopped considering Cricket Field for a school too early because of neighborhood opposition. He asked if there are possible issues that might come up to stop the Town from using this land. Mr. Tobin stated that there is nothing known at this time. He stated that under the agreement, if there is no appropriation for the purchase by November 5, the Town has until November 30 to walk away from the purchase. The gap allows a chance for an appeal of the Town Meeting vote.

Ms. Miller asked for a copy of the final appraisal. Mr. Tobin stated that the later draft is essentially the same; \$6.5 million assuming 10 lots. Ms. Miller stated that there is a question whether there are 10 or 9 lots, and there are 2 different values. Mr. Tobin stated that was part of the discussions. He is comfortable that there are 9 lots, and that the Sharpe parcel at 559 Central Ave., which the Owens family is buying now, is another lot. It is part of the Purchase and Sale agreement. He stated that the Owens will have title before the Town pays a deposit. Mr. Connelly stated that that should be specified in the agreement. Ms. Miller asked why the Board of Selectmen is paying a premium for this property considering the appraisal. Mr. Borrelli stated that there was much discussion between the parties, and the price came down. He stated that it is fair market value and is value added for the Town. Mr. Zimbone asked whether developers pay \$650,000 per lot for a teardown. Mr. Borrelli stated that it depends on the location, but that price is in the ballpark. Mr. Zimbone asked if the Town could realistically get the money back if it needed to sell. Mr. Borrelli stated that there is risk, but he feels this opportunity is worth it. In response to a question from Mr. Jacob, Mr. Borrelli stated that the closing date of the Sharpe property is November 13. Mr. Connelly pointed out that the Owens will not have title before Town Meeting.

Ms. Smith-Fachetti asked the cost to maintain the Hillside School building and whether the Town would sell it. Ms. Fitzpatrick stated that she knows of no scenario where the Town would sell the building. It would likely be used for swing space for other school projects, and the systems and building would be maintained. If not, it will come down. Ms. Miller stated it would cost \$13-\$14 million to retrofit Hillside. Mr. Coffman asked what would happen if the money is appropriated for the property purchase and the Sharpe sale falls through. Mr. Fitzpatrick stated that the appropriation would be rescinded and the sale will not go through. Mr. Borrelli stated that the Owens do not want to own the Sharpe property, but are only buying it because the Town wanted one transaction for all property. They have incentive to make sure the sale goes through. He stated that the Hillside School will not be sold. It will provide options for future needs. Ms. Miller stated that the Town should consider purchasing 609 Central Ave. because it would solve a lot of problems such as the bus loop and playground space.

MOVED: By Mr. Reilly, for discussion, that the Finance Committee recommend adoption of Article 13: Appropriate for Property Acquisition. Mr. Jacob seconded the motion.

DISCUSSION: Mr. Reilly stated that he will vote in favor. The price is significantly higher than DeFazio, but the School Committee has looked at it and determined that this is best. The Finance Committee's role is to press on financial issues, but not make educational decisions. The chances of a rollback of opinion in Town are slim. Town Meeting will be given the opportunity to discuss the purchase. He stated that even if the Town sells for less, it is worth trying. He stated that he will not substitute his decision for the School Committee decision. He feels the finances have been reviewed.

Mr. Connelly stated that as a Finance Committee member, he agrees that this should go to Town Meeting for a discussion, knowing that this is the best price the Town can get. The question is whether the price is fair and reasonable to taxpayers. He does not think it is. He takes issue with the process: no final appraisal, only one appraisal, no professional determination of the number of lots, an appraisal that is \$3 million above the assessed value without explanation, and no other bidders on property. He stated that \$100K was spent to show a school can be sited here that was not spent at other sites. There is no traffic study of any other site. He stated that it seems there was special emphasis on this property. Mr. Connelly stated that he has substantive issues as well. The \$7 million is just the beginning of the costs, and is not subject to MSBA reimbursement. There will be other costs not yet known. He stated he will vote against this article both as a Finance Committee member and a Town Meeting member. Mr. Reilly noted that there will be additional unknown costs at DeFazio as well, including relocation of DPW operations. Mr. Connelly stated that the Town would have \$7 million more to deal with that.

Mr. Zimbone stated that he will support the article, but with reservations. He stated that the PPBC and the School Committee have done a good job and made the correct selection for the proper reasons. He has reservations about the property, but will support the purchase to put a school there. Otherwise, he does not want it. The \$100 additional tax for the average home is understandable for a school but not for another purpose. He stated that he feels the Town boxed itself into purchasing this property. Cricket Field was a clear, open site but was not considered because of the objections of neighbors. The decision not to study that site is costing a lot. He stated that the Finance Committee never had an opportunity to comment on that. He stated that he will vote in favor of this purchase both as a Finance Committee member and a Town Meeting member.

Mr. Lunetta stated that he will not vote in support of this purchase. He does not support spending \$7 million where there are other options and no plans for the space other than a school. There is a long list of needs for the Town and he feels it would be smarter to spend this money on other projects.

Ms. Miller stated that the purpose of the purchase is very important. If the Town is buying the property for other uses, there may be other funding sources such as CPA funds. The Town should only buy this for a school. She stated that she shares Mr. Zimbone's and Mr. Lunetta's concern that Cricket Field was a viable option taken off the table without an opportunity to evaluate it. When problems came up elsewhere, this solution was backed into. She understands there are issues with the DeFazio and the Hillside sites. She stated that purchasing this property does not solve any issues except redistricting. She stated that it is not the Committee's place to second guess the site, but to look at the cost. She stated that the appraisal is not complete, and she would like a final version. She stated that further traffic study should be done since the West St. intersection is already a problem. She stated that the purchase can be done within the 3% levy limit, and she is not in favor of rolling it into an override because there is no need to increase taxes for the property. She stated that she has struggled whether to support the purchase. There is a need to build a school so she will vote in favor, but she does not like any of the process, and feels that there is insufficient financial information.

VOTE: Mr. Reilly's Motion was approved by a vote of 6-2. (Mr. Connelly and Mr. Lunetta dissented.)

Article 5: Accept Access Easement

Mr. Zimbone questioned whether there is a financial impact. Ms. Smith-Fachetti stated that there could be an increase in the valuation of the neighborhood properties to have access to the Town land. Mr. Connelly stated that the easement will benefit the Town, even if it is difficult to quantify.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of Special Town Meeting Warrant Article 5: Accept Access Easement. Mr. Coffman seconded the motion. There was no further discussion. The motion was approved by a vote of 7-0-1, with Mr. Zimbone abstaining.

Article 14: Debt Service Stabilization Fund

Mr. Borrelli stated that, based on the Finance Committee's recommendation, the Board of Selectmen recommended adoption of this article. Mr. Miller stated that there will be a complete discussion in the coming months of how to address the Town's debt. This will set up a funding mechanism. Mr. Zimbone stated it will be helpful to have it set up to be funded in the future.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of Special Town Meeting warrant Article 14: Debt Service Stabilization Fund. Mr. Reilly seconded the motion. There was no further discussion. The motion was approved by a vote of 8-0.

Article 9: Amend FY16 Operating Budget

Mr. Davison stated that he would provide a list of the funding sources before Town Meeting.

MOVED: By Mr. Zimbone that the Finance Committee recommend adoption of the Special Town Meeting warrant Article 9: Amend FY2016 Operating Budget, as amended, with details of the additional funding to follow. Mr. Connelly seconded the motion. There was no further discussion. The motion was approved by a vote of 8-0.

Finance Committee Updates

Mr. Zimbone stated that there was a School liaison meeting to discuss the FY 17 budget. Mr. Connelly stated that their model showed fewer students but a need for 25 additional teachers. It is a starting point for their budget development. They understood that the projection is greater than revenue growth, and they can't increase that much. They also understand the implications for Townwide expenses, particularly health insurance. They also acknowledge that they don't have space for all the teachers they project they will need. Mr. Connelly noted that while they have discussed the need for additional classrooms, they have not addressed the additional operating costs. Mr. Zimbone stated that their budget projections do not include the costs of full-day kindergarten which they are also seeking to institute.

Adjourn

MOVED: By Mr. Connelly that the Finance Committee meeting be adjourned, there being no further business. Mr. Zimbone seconded the motion. The motion was approved by a vote of 8-0 at approximately 9:35 p.m.

Documents: Town of Needham Special Town Meeting Warrant for November 2, 2015; Purchase and Sale agreement dated October 15, 2015 between Douglas C. Owen et al., and Town of Needham; Spreadsheet: Hillside Elementary School Feasibility Study Budget; Needham High School Expansion – 2015, Construction Document Phase Budget

Respectfully submitted,

Louise Mizgerd
Staff Analyst