

**Needham Finance Committee
Minutes of Meeting of January 13, 2016**

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: John Connelly, Tom Jacob, Kenneth Lavery, Richard Lunetta, Richard Reilly, Carol A. Smith-Fachetti

Others present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Richard P. Merson, Director, DPW

Robert A. Lewis, Assistant Director, DPW

Rhainhardt F. Hoyland, Highway Superintendent, DPW

Edward Olsen, Parks and Forestry Superintendent, DPW

Greg Smith, Superintendent, Recycling and Solid Waste Division, DPW

Carys Lustig, Supervisor of Administration

David DiCicco, Chair, Park and Recreation Commission

Stephen Popper, Director of Public Facilities Construction

Dan Gutekanst, Superintendent of Schools

Anne Gulati, Director of Financial Operations, School Department

Connie Barr, Chair, School Committee

Citizen Requests to Address Finance Committee

There were no requests.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Connelly that the minutes of January 6, 2016, and the minutes of the executive session of June 24, 2015 be approved as most recently distributed, subject to technical corrections. Mr. Reilly seconded the motion. The motion was approved by a vote of 8-0.

FY2016 Departmental Budget Requests (operating and capital):

Department of Public Works

Mr. Reilly presented an overview of the increases in the FY17 requested budget. Ms. Lustig stated that there has been no change in staffing and that salary increases are due to step increases and cost of living adjustments. She stated that there is an increase in expenses to cover the expanded use of the PeopleForms program that will allow for greater efficiencies and more work to be accomplished with the same staff. The program has already been in use for the Snow Ops program, which provided quick and accurate storm data collection and faster invoicing. It also allowed for faster reporting to FEMA for reimbursement. They intend to extend the software use into other areas such as street permitting and generating work orders. Mr. Merson stated that

there will be more data readily available to analyze operations. Mr. Reilly stated that it would be helpful to articulate the anticipated results from the program and to track the actual results. Mr. Lunetta asked when the additional expense would pay for itself. Ms. Lustig stated that there may not be specific savings, but the department will be able to do more with current resources. Mr. Connelly asked for a breakdown of where the 49 FTEs in the department work by division.

Ms. Lustig stated that another increased expense is for right-of-way surveys. She stated that a retired former employee who was a registered land surveyor was doing the work at a low cost, and no longer wishes to do the work. There is no land surveyor on staff so the work will be outsourced. The contracted work will require an increase of \$5,000 in FY17. She expects that new requested equipment will allow them to accomplish more because the work will be more efficient.

Mr. Reilly stated that the budget includes increased maintenance expenses that are expected to translate to better maintenance. Ms. Lustig stated that the garage division has been spending more than its budgeted amounts and that there is catch-up maintenance that needs to be done. She expects expenses to come down again when more preventative maintenance is being done. Mr. Merson stated that the division is moving from primarily reactive maintenance toward a program of more preventative maintenance. Ms. Lustig stated that the Town has deferred replacement of a number of vehicles because the maintenance is expected to increase their longevity. Mr. Reilly stated that Parks and Forestry expenses relating to field maintenance have increased by approximately 6 1/2% since FY15, significantly less than in prior years when new maintenance practices were adopted.

Ms. Lustig stated that there is a DSR4 request for two temporary highway assistants during the summer when there are many vacations since the staff has vacation restrictions during the snow season. In response to a question from Mr. Zimbone, Ms. Lustig stated that the temporary workers will do work that is not otherwise getting done, and if they are not funded, the division will get by. Mr. Hoyland stated that they will keep up safety work, but will not have much time for beautification work that residents like. Mr. Reilly stated that there is a DSR4 for fencing work. Mr. Olsen stated that if the DSR4 were half-funded, then they would do half of the work, starting with replacing the fences in the worst condition. After this work, they should be able to maintain the fences within the operating budget.

Ms. Lustig stated that there is a DSR4 for a GPS unit for the engineering division. The funding would allow for the purchase of equipment plus ability to provide some hotspots for better connectivity. The equipment will allow survey work with one person instead of 2. Currently, an inspector needs to be pulled away from inspection work to assist with surveys. Mr. Reilly noted that this is related to the increase in expenses in the engineering division.

Municipal Lighting

Mr. Davison provided a handout showing proposed reallocation of the costs of regulated utilities (natural gas and electricity) from Public Facilities, Public Works, and Park and Recreation budgets to be added to the Municipal Lighting budget. He stated that the Town purchases electricity from Eversource and it is supplied by TransCanada Supply. The Town also will sell electricity to Eversource when the solar program becomes active. While the original plan seemed to be for the Town to get credits on its electric bills, Eversource has determined that it

will cut checks to the Town which will be revenue in FY17. He stated that in FY16, there may be a need for a reserve fund transfer for electricity costs because of the way it was budgeted.

He stated that at the anticipated level of kilowatt production Solar City would be paid \$383,924, but the Town would receive \$746,518 of revenue for a net gain of \$362,595. The \$383,924 expense will have to be added to the Municipal Light budget. He proposed to change the name of the expanded Municipal Light budget to Electricity and Gas Program and to move it to the Townwide expense portion of the budget because it will cover the gas and electricity costs for the Town and Schools. Mr. Davison stated that heating oil is not included in that budget because it is not regulated and more volatile, and requires more involvement by Public Facilities. The regulated utilities involve mostly desk work.

Mr. Zimbone asked who would track usage for the utilities. Mr. Davison stated that the Finance Department would get the bills, and copy that information to Public Facilities because they need to follow usage. He stated that they will retain the same responsibility for monitoring usage. He stated that there will be a penalty for cost overruns. Mr. Reilly cautioned that people don't tend to pay attention to costs that are not in their budget. Mr. Davison stated that since the Town is producing electricity, there are new monitoring and reporting requirements so centralizing the revenue and the bill paying makes sense.

Mr. Zimbone asked what happens if Solar City does not meet its minimum. Mr. Davison stated that the budget could be amended at the Fall Special Town Meeting. In response to a question from Mr. Connelly, he stated that the project is supposed to go online in the next month, and that Hank Haff is monitoring it. Once it is live, the Finance Department and DPW will monitor it, and there will also be a way for the public to monitor it. Mr. Reilly asked if there would be any run through of the solar benefit to the Enterprise Funds which have large electricity bills. Mr. Davison stated that there is nothing that Water or Sewer Funds are doing that would give them credit for the solar production. He stated that it is Town revenue. He stated that the RTS receives rent for the property as part of the project.

Mr. Merson stated that the Municipal Lighting budget includes the maintenance contract for street lights which is based on the street light inventory study. The Town has been billed for more lights than it has. Ms. Lustig stated that the replacement contract was bid, and has been awarded at a lower cost to the same contractor. Mr. Lunetta expressed concern about the contractor's work. Ms. Lustig state that there are significant changes, including the types of lights, and there is the addition of the lights in the Public Facilities parking lot. Some bids were lower than expected. There will be an annual reduction of \$7,600 in maintenance costs. The new contract includes a reduced cost for covering pole knock-downs because some is covered by insurance. There are timing requirements for repairs, and work orders are through the See-Click-fix system, so the Town has access to data to run reports and monitor performance. Mr. Merson stated that this will provide leverage for the Town if there are problems. It was suggested that when the Town sends its response acknowledging a complaint from a citizen, the Town ask the citizen to notify the Town if the repairs are not accomplished within the contractually mandated 30 day period.

Enterprise Funds

Mr. Reilly stated that the Enterprise Funds are separate from the general fund operating budget, and that the Enterprise Funds and the details of both revenue and expenses will be discussed later in detail later.

Ms. Miller stated that it is important to know the RTS Enterprise Fund's general fund contribution. Mr. Davison stated that it will be flat from FY16 to FY17 at \$1,420K. He stated that the Enterprise Funds are required to pay for their share of indirect expenses such as health insurance, employee benefits, and property and casualty insurance. These amounts are recognized in the Town's revenue stream. Mr. Reilly noted that the Town also pays the RTS for disposal services it provides to the Town.

RTS Enterprise Fund

Mr. Reilly introduced the budget. Ms. Lustig stated that the overtime at the RTS has increased, but there is also an offset. She stated that there is an increase in overtime from 1.5 to 2 FTEs working each Monday for 8 hours. They want two people for safety reasons, and to get more work done. This is offset by the new labor contract which has all new staff working 8 hours per day instead of 9 hours. She stated that additional overtime opportunities have been offered for RTS employees. Mr. Zimbone note that a Super Committee was established which made a recommendation to decrease the RTS hours of operation to save money. He stated that contractual changes were made during labor negotiations to make it possible. Mr. Davison stated that the Board of Selectmen has not yet addressed the question of a change to the hours of operation. He stated that the public did not want the hours decreased.

Ms. Lustig stated that the RTS budget has increased reflecting the second year of the new contract with Wheelabrator and because the volume of municipal solid waste has increased since the sticker fee was eliminated. There has also been an increase in commercial tonnage and the RTS charges for that. Ms. Miller asked for a breakdown of the commercial vs. residential tonnage of solid waste. Ms. Lustig stated that there was an increase in leasing costs for equipment needed for materials processing.

Sewer Enterprise Fund

Ms. Lustig explained that the overtime increase is not the same as the salary increase because the overtime rate is based on the average salary of employees in the program. Mr. Reilly stated that the controllable expenses include an \$18,000 increase, of which \$14,000 is for energy. There will be increased electricity usage because of a new pump station, on top of an increase in the cost for electricity. The budget also includes the MWRA charge which is not controllable by the department.

Water Enterprise Fund

Mr. Reilly stated that salaries are increasing 2.6%. He stated that 75% of the expenses are for energy and supplies. Supplies are essentially flat, year over year. Ms. Lustig stated that there is a 6% increase in the electricity costs, combined with the St. Mary's pump station coming on line. In response to a question from Ms. Miller, Mr. Lewis stated that well #2 will be redone, and that well #3 is not producing at acceptable volumes and will need to be replaced.

Capital

Fuel island relocation: Ms. Lustig stated that the location will be determined from the ongoing DPW study. The cost estimate used the most expensive location.

Public works infrastructure program: Mr. Reilly stated that this program had been reduced in prior years in order to pay for the Center at the Heights with the expectation that there would be catch-up later. Last year's capital plan recommended \$1.35 million for the program, but the current plan includes \$1.7 million for FY17, all to be used for street replacement and sidewalk work. They are seeking to maintain a certain pavement condition index. Ms. Lustig stated that there is a sidewalk needs assessment underway. Once that is complete, they will have the software to create other modules in-house.

Vehicles: Ms. Lustig stated that Mr. Davison will discuss the various vehicle requests with the Fleet budget. She stated that the life of some vehicles has been extended so some that were on the replacement schedule will not be replaced in FY17.

Drain System Improvements: Mr. Reilly stated that this project will be done in conjunction with the Rosemary Pool project to comply with NPDES regulations. They will also dredge the lake to remove sediments.

RTS refurbishment of Unit 5: Mr. Lustig explained that this equipment will be refurbished and modified to be able to perform more functions. The cost includes conversion, plus attachments. This is less expensive than buying new equipment.

RTS property improvements: Ms. Lustig stated that FY17 will include an anti-litter fence and a wall replacement.

RTS Stormwater plan: Ms. Lustig stated that this project will prevent storm water runoff from compost area into a local stream. This will fund engineering and design.

Sewer main extension, Zones I and II: Ms. Lustig stated that this will fund the design of the extension in the designated area.

Water fire flow improvement, service connections and water system rehabilitation: Ms. Lustig stated that this will fund feasibility work to improve water pressure in the designated area. The service connections project replaces old pipes in streets that are scheduled for reconstruction. The water system rehabilitation is for the engineering and design of rehabilitation work in designated areas. If the design work is done in-house, the cost will be lower, and that additional funds will be used for construction work.

Hillside School Project Costs

Mr. Connelly stated that he compared the square footage per pupil in the planned Hillside project to the square footage in other recent elementary school projects, and found that it was higher than most. He noted that the construction costs are higher than other projects. Ms. Miller stated that she is hoping to provide feedback to the PPBC and the School Committee to bring the project costs down. Mr. Gutekanst stated that the MSBA uses an enrollment number of 430 students, but the project is designed for 544 students, because there will be more students per classroom. He stated that there was a Facility Assessment Subcommittee meeting where MSBA

board members and staff asked questions about the project and programs. They asked questions about class size and the flood plain. He stated that the next step is the schematic design in June or July, and then to execute the project agreement.

Ms. Miller stated that she is concerned that the cost will use up the entire debt capacity for a while for this one project. It is important to find ways to decrease the construction costs, or else to bring down the building square footage to decrease the costs. Mr. Connelly agreed. There was discussion of the MSBA process. Mr. Connelly stated that it is important to determine the value that can be achieved by looking at other lower cost projects. Mr. Zimbone stated that he felt that if the MSBA approves of the square footage of a project, then it is appropriate. Ms. Miller disagreed.

There was discussion of escalating costs of projects for better comparison. Ms. Gulati stated that the Hillside numbers in the capital plan are escalated to mid-2019. Mr. Popper stated that the Hillside project would be similar cost per square foot to the Angier School project in Newton. He stated that this project is \$445 per square foot and that is reasonable, or \$380 per square foot in 2015 dollars. He stated that the project cost is \$46.2 million, not the \$47.6 million in the capital plan. He stated that he will supply the page with all of the costs.

Mr. Jacob asked if there is a specific cost that would allow the town to afford other projects. Ms. Miller stated that there is no budget. Mr. Connelly stated that the Hillside costs must be examined to make sure they are appropriate. Mr. Zimbone stated that there are at least 8 big projects that are not accounted for in the capital plan that will need to be funded. He is concerned about this project taking all of the funding. He stated that the Committee needs to put down in writing what it is looking for. Ms. Miller stated that the Committee will prepare a letter.

Rosemary Pool Discussion/Comments

Ms. Miller stated that the Finance Committee was told about three options for the project. The differences were all in the building, and affected whether the facility was seasonal or year-round. She stated that a seasonal-only pool facility would be eligible for full funding with CPA funds. The additional aspects of the project would not be CPA eligible. She stated that, to the extent the project includes relocating departments, she would like to know why they would move, and what would be done with the vacated space. She would also like to know what programming space would be used for and whether the renovated Memorial Park building could meet those needs. She stated that using \$4 million for the non-seasonal part of the project would use a large portion of the general fund's 3% debt service. If this is a top priority for the Town, then the Town can do that.

Mr. Zimbone stated that the Park and Recreation Commission decided at its last meeting to go forward with the 3rd option which included the second floor of the building for year-round office and programming space for more than \$16 million. He stated that he feels \$16 million for a project that is primarily a seasonal pool is not justifiable. He stated that there does not have to be a pool there simply because there has been a pool there for years. He feels that this project is lower priority than other projects because it has small utilization and limited seasonal use. He stated that he would support a \$3 million expense to grass over the area and add boat ramps.

Mr. Lavery stated that there are many projects, and they need to be prioritized. Ms. Miller stated that this has an identified funding source from the CPA. Mr. Reilly stated that the role of the

Finance Committee is to make sure that all of the options and costs are laid out so that people can understand the trade-offs of different choices. The Committee's role is not to make a final decision. Ms. Miller noted that the Committee does make a recommendation on the article. Mr. Zimbone stated that he feels that it is unwise to spend this amount of money for a pool with limited use, regardless of the funding source.

Mr. Jacob stated that he had been on the Park and Rec Commission. He stated that while the project is very expensive, there is significant support in Town. There were 2 or 3 meetings, and hundreds of people came to support it. The amenity has been there and people want to continue it. He stated that the additional parts of the building were added to give some year-round benefit. He stated because of the CPA funds, this does not compete with police, schools and roads. He stated that the CPA fund was created just to preserve community assets such as this. He stated that there will be a great increase in usage once the new pool is built.

Mr. Connelly stated that he will vote against the project as a Town Meeting Member and as a taxpayer, but that he feels the project should be put out there to see what people want. He noted that the additional non-CPA eligible parts off the project will take away from police, schools and roads. Mr. Jacob stated that he wishes that there was no conflict and that the project was all CPA eligible. The additional community space and the office space for 2 departments are not worth the additional \$4 million. Mr. Popper stated that the \$4 million estimate was developed from studies and not from an architect, and the cost may be lower.

Ms. Miller stated that she wanted the Community to understand where the Finance Committee stands so they are no surprises later. Mr. Lunetta stated that for a long time he has stood against any large expenditure for a single-use facility. He agrees that the Town should vote on this project, and that the Finance Committee's job is to make sure that all costs are understood. He stated that using CPA funds will still take away from other projects. As a Town Meeting Member he will not support this project. As a Finance Committee member, he feels the project should be presented to Town Meeting to vote.

Finance Committee Updates

There were no updates.

Adjourn

MOVED: By Mr. Connelly that the Finance Committee meeting be adjourned, there being no further business. Mr. Reilly seconded the motion. The motion was approved by a vote of 8-0 at approximately 10:05 p.m.

Town of Needham, Departmental Spending Requests, December 2015; Town of Needham Capital Improvement Plan FY2017 – FT2021, January 4, 2016; DPW FY17 Operating Budget Request Increases over FY16 Budget; Finance Department tables proposing new Municipal Lighting Program budget; MSBA Awarded Construction Contracts – Elementary Schools

Respectfully submitted,

Louise Mizgerd

Staff Analyst

Approved January 20, 2016