

**Needham Finance Committee  
Minutes of Meeting of April 27, 2016**

The meeting of the Finance Committee was called to order by the Chair Louise Miller, at approximately 7:10 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, Kenneth Lavery, Richard Reilly, Carol Smith-Fachetti

Others present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Dan Matthews, Board of Selectmen

Dan Gutekanst, Superintendent of Schools

Marianne Cooley, Board of Selectmen

Anne Gulati, Director of School Financial Operations

Lee Newman, Planning and Community Development Director

Mark Gluesing, Large House Review Study Committee

Jeanne McKnight, Chair, Planning Board

Dave Roche, Building Commissioner

**Citizen Requests to Address Finance Committee**

No citizens requested to speak.

**Approval of Minutes of Prior Meetings**

MOVED: By Mr. Reilly that the minutes of April 20, 2016, be approved as distributed, subject to technical corrections. Mr. Lavery seconded the motion. The motion was approved by a vote of 8-0.

**Discuss and/or Vote Town Meeting Warrant Articles:**

**Annual Town Meeting Article 23: Zoning - Retaining Walls**

Ms. Newman stated that this article is designed to address concerns of neighbors as well as safety and drainage issues. She stated that retaining walls are still allowed, but larger ones will need to go through design review. Mr. Roche stated that under the current zoning, he must treat retaining walls as accessory structures, and he has had to stretch the regulations beyond where he feels comfortable. A more specific by-law is needed. He stated that this proposal will address the issues people have faced with neighbors' construction projects, and will add some safety measures including fall prevention measures and protection against collapse of incorrectly engineered walls. He stated that this provides a needed forum for review.

Mr. Gluesing stated that the Large House Review Study Committee found that there needs to be a process so that retaining walls are done correctly. If they are considered structures, then they need to be at least 10 feet from other structures even within the property, which is unnecessary.

He stated that this would require a design review in certain circumstances which is fairly quick and will review the appearance and the impact on neighbors of a larger retaining wall. He stated there will be need for fewer judgment calls for the building department. Ms. Smith-Fachetti asked how many walls are built each year that will now require permits. Mr. Roche estimated that there are only a few larger walls built each year. He stated that people try to keep retaining walls below 4' for various reasons. Engineering works better if there are more, lower walls.

Ms. Miller stated that she agreed with the idea that there should be a permitting process for retaining walls, but felt that this proposed by-law goes far beyond that. She stated that there is too much discretion for the Building Inspector. She was uncomfortable with design review for something done on one's own property.

Mr. Connelly questioned if the article had a financial impact to the Town. Ms. Miller stated that it would make it more difficult for homeowners to make changes on their property. To the extent that zoning by-laws are overly restrictive, it will affect property values. Mr. Connelly stated that it is not the Finance Committee's role to make a judgement of whether a zoning by-law is too restrictive.

MOVED: By Mr. Connelly that the Finance Committee take no position on Annual Town Meeting Article 23: Zoning - Retaining Walls because there is no financial implication for the Town. Mr. Reilly seconded the motion. There was no further discussion. The motion was approved by a vote of 7-1, with Ms. Miller dissenting.

#### **Annual Town Meeting Article 24: Zoning - Min Side/Rear Setbacks: Accessory Structures**

Ms. Newman stated that the article would require setbacks for accessory structures that are greater than 15 feet high. She stated that this is a result of people constructing garages at their property line with living space plus another ½ story above. Mr. Reilly stated that at the League of Women Voters meeting, someone raised the issue that standard pre-built structures are often 10'x10', while the new restrictions exempt a pool house that is less than 100 square feet. He stated that it seems to make sense to amend the language so that it would allow a pool house that is 100 square feet or less, rather than less than 100 square feet. Ms. Newman stated that she would take a look at that provision.

MOVED: By Mr. Connelly that the Finance Committee take no position on Annual Town Meeting Article 24: Zoning - Min Side/Rear Setbacks: Accessory Structures because there is no financial implication for the Town. Mr. Jacob seconded the motion. There was no further discussion. The motion was approved by a vote of 8-0.

#### **Annual Town Meeting Article 6: Collective Bargaining Agreement – BCTIA**

The contract was not settled, and the negotiations could not be discussed in open session.

#### **Special Town Meeting Article 2: Collective Bargaining Agreement – Police Superior Officers**

Ms. Fitzpatrick stated that there is an agreement between Town administration and the Union, and that the Union membership and Board of Selectmen have approved it. She provided a table with highlights. It includes a contract covering FY16 retroactively, and then a 3-year agreement for FY17-FY19. It continues the pattern of other agreements with salary increases of 1% on June 1 and 1% on January 1. She stated that the increase in the clothing allowance is the same as for the Police Union. She stated that there is a wage adjustment to restore a wage differential between the maximum Police sergeant salary and the lieutenants that was lost when the Police Union contract took effect. The Police Superior Officers unit has 4 members, all Lieutenants, so there are no economies of scale. She stated that this contract will convert them to exempt status as of January 1, which will eliminate overtime pay. She stated that the clothing allowance and stipends are all now in the base salary, which will be pensionable. Ms. Fitzpatrick stated that the agreement authorizes the Town to establish a Deputy Police Chief position which would convert one of the 4 Lieutenant positions to a position no longer in the bargaining unit. She stated that the Town will have the ability to do this, but has not acted yet. In response to a question from Mr. Reilly, Ms. Fitzpatrick stated that the requirement for an assessment as well as the written exam for promotion is preserved in this agreement. Mr. Davison stated that the overtime in the budget for these 4 unit members was approximately \$60K last year. He stated that the amounts shown on the handout show increases over the current budget appropriation, including steps and education pay increases. Mr. Davison stated that the additional funds needed for FY16 will come from the Compensation, Performance and Settlements line in Townwide Expenses.

Mr. Reilly asked why the requirement that members live within a certain distance of Town was increased only to 20 miles. Ms. Fitzpatrick stated that this provision was first bargained with the Police Union because living near Town is expensive. She stated that they did not want to expand too far because the Town depends on them to be able to get back to Town when needed. Ms. Miller asked if there would be some overtime salary savings in FY17. Mr. Davison stated that the salary increases will offset the overtime savings. He stated that the FY18 budget will show the decrease in the overtime line.

MOVED: By Mr. Zimbone that the Finance Committee recommend adoption of Special Town Meeting Article 2: Collective Bargaining Agreement – Police Superior Officers. Mr. Reilly seconded the motion. There was no further discussion. The motion was approved by a vote of 8-0.

### **Annual Town Meeting Article 27: Future School Needs Committee**

Ms. Miller stated that the Finance Committee still has questions about the language of the proposed new by-law, and what the authority of the changed FSN Committee would be. She stated that the Finance Committee was comfortable with the School Department having control of the budget for the cost of the consultant. Mr. Reilly noted that there was some feeling that the group that pays would have more influence. Ms. Miller stated that the Finance Committee had suggested replacing the work “review” with “oversee” in order to give the FSN Committee more authority over the product. The goal is to have the FSN Committee participate in more phases of the report. Mr. Reilly suggested using the words “retain and evaluate” instead. Mr. Matthews stated that the Board of Selectmen feels that the Superintendent should have control over the funds and that all members of the FSN Committee would have access to all information and be fully informed. He stated that the existing committee could be left in place until issues can be resolved.

Dr. Gutekanst stated that he is frustrated because the current committee is dysfunctional and the product has not been helpful. He stated that the report should be primarily for the School Committee, thought the Board of Selectmen, Finance Committee and others could weigh in. He stated that it should not be complicated to move forward. Ms. Miller stated that the issue is only one word. She stated that the report would be used for facility planning and not just for School Department budgeting, and affects the whole Town.

Mr. Zimbone asked the reason for the sensitivity over the word review, since much time has been spent on this. Mr. Reilly stated that Mr. Lunetta had expressed concern that the FSN Committee should not exist as it is redundant since the work should be done by the Superintendent. Mr. Reilly stated that there was sentiment of others that the FSN Committee should not exist unless it has more teeth. Mr. Matthews stated that the issue is who hires and supervises the consultant. The Board thinks it should be the responsibility of the School Department. He stated that the FSN Committee would have access to all data, but would not give orders to the consultant. Mr. Zimbone stated that the idea is for the FSN Committee to have an opportunity to provide input into what information will go into the report. It should be more than just a review of the report.

Ms. Miller stated that the proposed by-law is a fundamental change in the FSN Committee from an independent body to a consultant of the School Department. Mr. Connelly stated that if all of the information is available to the Board of Selectmen and Finance Committee there is no need for the FSN Committee to also review it. Mr. Coffman asked how a dispute about the methodology or data gathering would be resolved. Dr. Gutekanst stated that he would hire and fire the consultant and would not use the same consultant if the work is not good. He stated that he hoped to move forward with this to be ready for next fall. Mr. Reilly summed up the Finance Committee sentiment: if the FSN Committee needs to have a role independent of the Finance Committee, Board of Selectmen and School Committee, then the language needs to reflect that. The current revised language hovers in the middle, and does not achieve that. He stated that he would cede to the Chair and Vice Chair to work with the other groups to find appropriate language.

#### **Annual Town Meeting Article 44: Public Works Infrastructure Program**

Mr. Davison stated that the Board of Selectmen has voted to amend the article to increase the Free Cash funding from \$950K to \$1.2 million and to decrease the borrowing from \$750K to \$500K. Everything else is the same as in the printed warrant. The total is \$1.7 million.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of 2016 Annual Town Meeting Warrant Annual Town Meeting Article 44: Public Works Infrastructure Program. Mr. Lavery seconded the motion. There was no further discussion. The motion was approved by a vote of 8-0.

#### **Debt Service Policy**

Ms. Miller stated that a proposed set of revisions to the existing debt policy was circulated for comment. Mr. Davison stated that paragraph 2 sets a ceiling of debt service of 6% of operating revenues, not counting excluded debt (from override votes), but including CPA debt, Enterprise Fund debt and debt within the levy. He stated that the proportion is currently about 5.4% or 5.5%. Ms. Miller stated that this could limit the amount that Enterprise Funds could borrow because the debt within the levy is 3%. This adds a 3% limit for CPA and Enterprise Fund debt.

Mr. Davison stated that the 3% requirement of debt within the levy is where all the capital planning starts. The Town uses it every year. If there is not enough debt service, the Town will use the money to pay down a balance before permanently bonding. He stated that this adds an extra layer of restriction in combination with the 10% limit including excluded debt. Mr. Reilly asked if the 6% is a hard cap, not to be exceeded. Mr. Davison stated that it is. Mr. Zimbone stated that if the Rosemary project is approved with \$12 million of CPA debt, it could push the ratio over 6%. Mr. Davison stated that in that case, he would need to consult with the Finance Committee and Board of Selectmen.

Mr. Zimbone stated that the policy setting a limit of 10% total debt service to gross revenues ratio is increased to 12.5%. Mr. Davison stated that he looked at the level that the debt has actually been in recent years, and 12.5% worked. Mr. Coffman asked if there is any upcoming Enterprise Fund debt planned. Mr. Davison stated no debt is planned for Water or Sewer, but the RTS has a plan for improvements, and this debt policy will not cover it. If the Board agrees to these changes, it will also need to address the 12.5% ceiling when the RTS project comes up. Mr. Reilly questioned why the language of paragraph 3- "will strive to" was chosen, if the 12.5% limit was a firm guideline. He suggested that "should limit" might be a better phrase than "will strive to".

Mr. Davison stated that paragraphs 6, 7, and 8 are existing capital policies. He stated that balances from bonded projects need to be used for similar purposes. Under state law, funds from debt cannot be closed out to free cash. He stated that there is \$130K left from the Newman School project. It will likely be recommended for use toward with the Hillside or High School project. He stated the paragraph 8 refers to cash capital which can be re-appropriated. Mr. Davison stated that paragraph 13 was written in consultation with bond counsel, though he will recommend changing "will" to "may." He stated that he expects the Selectmen will take comments from committees over them summer and then decide whether to adopt as is, or make changes. He stated that the goal is to finish the process before Labor Day. Mr. Zimbone asked for notice of when the Board of Selectmen addresses the debt policy. Mr. Reilly stated that it would be helpful to see the actual debt numbers and percentages.

Mr. Connelly expressed concern that the 10% policy is being increased because the Town is not living within the limit. Ms. Miller agreed and suggested that the Town might just push to 15% when striving for 12.5%. Mr. Davison stated that rating agencies don't pay much attention to the amount in a policy, but do pay attention to whether a town lives within the policy. Mr. Coffman noted that the 12.5% policy includes excluded debt, which the Town does not entirely control. Mr. Connelly stated that the Town doesn't control overrides, but can control other borrowing and decrease that to compensate if necessary.

### **Finance Committee Updates**

Mr. Connelly stated that he attended a School Committee meeting for a Hillside update. He stated that there are renderings but no estimates yet. On May 4 they are expecting 2 estimates: one from the architect and one from the OPM, which is the PPBC in this project. He expressed concern that there are many new spaces in the plans that are additional to what they have at the current school building such as physical therapy, and science and technology space that seem to require additional staffing. He stated that there will need for discussion.

Mr. Coffman stated that at the League of Women Voters meeting there was confusion over the solar energy project and where the revenues will go. Other members heard questions about why the Public Facilities Maintenance Program is a separate warrant article and not part of cash capital. Ms. Miller stated that it is not capital. It is a recurring expense, but the work is done in overlapping fiscal years, so it will be funded every year, but cannot be funded in the operating budget. There was also a question about funding a feasibility study with cash capital. Mr. Davison stated that there a Town By-Law that a study may be considered capital if the project would go to the PPBC. Ms. Fitzpatrick stated that alternative funding sources are used if available.

**Move into Executive Session, Exception 3**

Ms. Miller declared that an executive session is necessary to protect the bargaining position of the Town.

MOVED: By Mr. Zimbone that the Finance Committee go into Executive Session to discuss strategy with respect to collective bargaining, and not to reconvene in Open Session. Mr. Reilly seconded the motion. The motion was approved by the following roll call vote at approximately 8:30 p.m.: Mr. Jacob: Aye; Mr. Coffman: Aye; Mr. Zimbone: Aye; Ms. Miller: Aye; Mr. Lavery: Aye; Mr. Reilly: Aye; Mr. Connelly: Aye; Ms. Smith-Fachetti: Aye.

2016 Annual Town Meeting Warrant; May 9, 2016 Special Town Meeting Warrant; Needham Police Superior Officers FY16 and FY17-FY19 Summary Sheet.

Respectfully submitted,

Louise Mizgerd  
Staff Analyst

*Approved May 18, 2016*