

**Needham Finance Committee
Minutes of Meeting of July 6, 2016**

The meeting of the Finance Committee was called to order by the Chair, Rick Zimbone, at approximately 7:10 pm in the Selectmen's Chambers at the Town Hall.

Present from the Finance Committee:

Rick Zimbone, Chair; Dick Reilly, Vice Chair

Members: Tom Jacob, Barry Coffman, Rick Lunetta, Louise Miller, Ken Lavery, John Connelly, Carol Smith-Fachetti

Others present:

David Davison, Assistant Town Manager/Finance Director

Anne Gulati, Director of School Financial Operations

Steve Popper, Director of Public Facilities Construction

Citizen Requests

There were no requests to address the Committee.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Jacob that the minutes of June 22, 2016 be approved as most recently distributed, subject to technical corrections. Ms. Miller seconded the motion. The motion was approved by a vote of 6-0-2. (Mr. Coffman and Mr. Reilly abstained. Ms. Smith-Fachetti had not yet arrived.)

Facilities Financing Plan

Mr. Zimbone stated that Mr. Davison had presented the Facility Financing Plan to the Board of Selectman and emphasized that it is a work in progress and will be refined as more information is available. He stated that there are some areas that may cause concern initially. Mr. Davison explained his memorandum and the charts in the plan, including his assumptions and how he calculated the different types of revenue and how he estimated debt service figures. He stated that his assumptions show a contingency for debt service, which is additional debt capacity, in the General Fund in all years except 2022-2026 when the debt service is projected to exceed capacity. The RTS Enterprise Fund shows debt service exceeding capacity from 2020-2028, and the CPA fund exceeding capacity in 2022-2028. Mr. Davison stated that the Debt Service Stabilization Fund could be used to cover additional debt service in years where the debt service exceeds the capacity under the current policies. Mr. Coffman stated that the assumed revenue growth is conservative, and asked if Mr. Davison had run the numbers with higher growth rates. Mr. Davison stated that he did not. He stated that the State is currently facing a budget gap for FY17, which he expects will be felt by municipalities in FY18. He stated that the Governor understands that municipalities depended on certain funding when budgeting for FY17. Mr. Zimbone stated that there are new NPDES regulations which will add costs which are not accounted for. Mr. Davison stated that those expenses are for stormwater, which is part of the

General Fund, not the Sewer Enterprise Fund. There are requests in the capital plan which need to be vetted before being included in the plan.

Mr. Davison stated that one chart shows the facilities spending plan with the eight projects in the facilities master plan removed. That chart shows that there would be additional capacity in every year. He stated that there is no additional capacity when excluded debt is removed because the revenue is collected only as needed to cover specific debt and would not be collected if there is not excluded debt. He stated that the RTS would still exceed capacity if the master plan projects were removed. He pointed out the charts that showed the annual debt costs of various capital projects, and explained the underlying assumptions and how the numbers were derived.

Mr. Reilly asked whether the Debt Service Stabilization Fund was intended to cover a shortfall in revenue. Mr. Davison stated that it was not, but was intended to cover a time when debt service payments would exceed the 3% policy limit. These extra funds would allow the Town to artificially stay within the 3% for budgeting while allowing the Town to cover the additional expenses. He stated that it will be cheaper to pay off the debt more quickly. The Fund is intended to be used as a stop-gap measure, and is not expected to be ongoing. He stated that there are two goals: (1) to set aside additional recurring funds to be used in a later year for known future higher operating costs, thereby preventing the funds from being eaten up by current operations, and (2) to help with a budgetary shortfall as discussed.

Ms. Miller noted that the financing plan included the worst case scenario for revenue projections, and the best case scenario for doing all the projects, and therefore it shows that the Debt Stabilization Fund is not actually needed. Mr. Davison stated that if the additional revenue is used for other expenses at this point, then the Town will not be able to address future needs such as full-day kindergarten.

Finance Committee Assignments

Mr. Zimbone stated that he wants to assign Committee members to monitor big impact subjects that will need additional attention. He stated that these assignments will be in addition to the normal budget liaison assignments. There will be primary and secondary people assigned who will have detailed knowledge of the areas. Assignments for the primary and secondary responsibilities were as follows: (1) DPW/NPDES: Dick Reilly and Louise Miller; (2) Schools/Full Day Kindergarten Task Force: Barry Coffman and Dick Reilly or John Connelly; (3) Zoning/Large House Changes: Ken Lavery and Carol Smith-Fachetti; (4) PPBC meetings (including feasibility studies for High school expansion, DPW, Fire/police station): John Connelly; (5) Park and Recreation meetings/liaison: Tom Jacob and Rick Lunetta; (6) CPC meetings/liaison: Louise Miller and Tom Jacob; (7) Future School Needs: Rick Lunetta and Barry Coffman; and (8) Minuteman School building project: John Connelly.

Finance Committee Updates

Mr. Connelly stated that in the spring, all Minuteman district towns voted to go forward with the new building project except Belmont. He stated that there will be a district election on September 20, and a majority vote (among the voters across all districts) in favor will be needed for the project to move forward.

Mr. Zimbone stated that the fall Special Town meeting will be held on Wednesday, October 5 to allow for the accelerated construction schedule for the Hillside School project. Wednesday September 7 will be the next Finance Committee meeting unless an earlier meeting is needed.

Ms. Miller stated that she is still disappointed that the Board of Selectmen will vote on the language of the debt exclusion ballot and have not done anything to lower the \$66 million projected cost. She stated that they will need a better explanation to support the cost. She stated that they did not respond in writing to the Finance Committee memo in May. Mr. Connelly asked if the makeup of the \$66 million is known. Mr. Zimbone stated that he does not know whether value engineering was done.

Adjourn

MOVED: By Mr. Reilly that the Finance Committee meeting be adjourned, as there was no further business. Mr. Connelly seconded the motion. The motion was approved by a vote of 9-0, at approximately 8:27 p.m.

Documents: Memorandum David Davison to Board of Selectmen re: 2016 Facility Financing Summary, dated June 28, 2016; Facility Financing Summary Attachment, June 28, 2016.

Respectfully submitted,

Louise Mizgerd
Staff Analyst