

**Needham Finance Committee
Minutes of Meeting of March 29, 2017**

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

Present from the Finance Committee:

Rick Zimbone, Chair; Richard Reilly, Vice Chair

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

Others present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Richard P. Merson, Director, DPW

Anthony DelGaizo, Town Engineer

Carys Lustig, Acting Director, Facility Operations; Supervisor of Administration, Department of Public Works

Molly Ahearn, Administrative Analyst

Edward Olsen, Parks and Forestry Superintendent

Patricia Carey, Director, Park and Recreation

Cynthia Chaston, Park and Recreation Commission, Member

Gary Crossen, Chair, Community Preservation Committee

Steve Gentile, Project Manager, Public Facilities Construction Division

Mike Retsky, Project Manager, Public Facilities Construction Division

Citizen Requests

There were no requests to address the Committee.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Reilly that the minutes of March 15, 2017, be approved as distributed. Mr. Jacob seconded the motion. There was no further discussion. The motion was approved by a vote of 6-0. (Ms. Smith-Fachetti and Mr. Connelly had not yet arrived.)

2017 Annual Town Meeting Warrant:

Article 3: Establish Elected Officials' Salaries

Mr. Davison stated that the salaries of elected officials must be voted at an annual Town Meeting. The Board of Selectmen's pay for both the Chair and for Members has not changed since 1977. The salary for a Town Clerk with more than 6 years' experience increased 3.5% which is the average of most management salary increases. In response to a question from Mr. Reilly, Mr. Davison explained that the article also includes a salary for a Town Clerk with less than 6 years of experience since there will be an election before Town Meeting. Ms. Miller

suggested that the classification and compensation study funded through another article include the Town Clerk position, since the salary seems low.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of 2017 Annual Town Meeting Warrant Article 3: Establish Elected Officials' Salaries. Mr. Lunetta seconded the motion. There was no further discussion. The motion was approved by a vote of 9-0.

Article 6: Property Tax Assistance Program (reconsider/new amount)

Mr. Davison stated that since the Finance Committee voted to recommend an earlier draft of this article. The Board of Selectmen reconsidered the amount and increased it to \$25K in order to ensure there are sufficient funds to meet demands under the program. Mr. Zimbone stated that the Committee had suggested an increase, and that the Town Manager had called him about this change.

MOVED: By Mr. Lunetta that the Finance Committee recommend adoption of 2017 Annual Town Meeting Warrant Article 6 Property Tax Assistance Program in the amount of \$25,000. Ms. Miller seconded the motion. There was no further discussion. The motion was approved by a vote of 9-0.

Article 11: Appropriate for Town-Owned Land Surveys

Mr. Zimbone stated that the Town does not have accurate surveys of town-owned properties. Mr. DelGaizo stated that in many recent projects, the Town has come across flaws in the in property lines which have caused delays and cost money. He stated that this has occurred at the Rosemary property, PSAB, Police and Fire Station, and the Library. This article's funding would allow them to start surveying properties and get ahead of the problem. Mr. DelGaizo said that completion of all of the surveys could take 7 or 8 years to complete since the Town owns a lot of land. The Town will not need to survey any property that is already in Land Court. He stated that they will need more funding to complete all surveys, but this will start the process. He does not expect an article every year.

Mr. Connelly asked why they are looking for \$100K rather than a different amount. He also asked if they have prioritized the work in consideration of the upcoming projects. Mr. Merson stated that they are focusing on the projects in the Capital Improvement Plan first. Ms. Lustig stated that they have a prepared prioritized list including Claxton Field, Hillside School, Emery Grover, the Police/Fire Station and the boat launch. Ms. Lustig stated that the \$100K amount was based on the expected cost of completing two simple surveys or one complex survey. Mr. Merson stated that they have not gotten quotes for specific work. Mr. DelGaizo stated that this funding is just to get them started on the larger project. Mr. Lunetta asked how much it would all cost in the end. Mr. DelGaizo stated that there is no way to know even how much will be used in the first survey. Ms. Lustig stated that the Parcel 74 survey was \$15,438. Mr. Reilly stated that it seems rational to expect that it would be cheaper to conduct the surveys when they can be scheduled in advance instead of within the time pressure of a project. Mr. Lunetta asked if they had looked at the cost difference. Mr. DelGaizo stated that there was a project at the Lincoln Street lot where the Town lost \$22K because there was survey needed in the last minute, and they needed to put more resources in to the project to file it in time. Mr. Zimbone noted that

there was a recent project where a fence near the high school had to be moved because it was on property not owned by the Town. Ms. Miller stated that it would be helpful to see a spreadsheet of the needed surveys.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of 2017 Annual Town Meeting Warrant Article 11: Appropriate for Town-Owned Land Surveys. Mr. Lunetta seconded the motion. There was no further discussion. The motion was approved by a vote of 8-1, with Mr. Connelly dissenting.

Article 13: Public Facilities Maintenance Program

Mr. Zimbone stated that this is an annual article. Ms. Lustig listed the expected work to be done, as noted in the Capital Improvement Plan. She stated that the Pollard auditorium repair funds would cover design this year, which will then allow them to perform the work in summer 2018. There has been a struggle getting projects that are funded in May to be completed in the same summer because the contractors do not have time to get the necessary supplies. Mr. Zimbone asked about the boiler repair work. Ms. Lustig stated that the work would make the boilers more efficient than they are now, but the boilers will still need replacement. Ms. Miller asked about the office work at the Mitchell School. Ms. Lustig stated that there are functionality issues and the work would be to reconfigure space in the interior. She stated that the work will be similar to work funded for Pollard last year.

MOVED: By Ms. Miller that the Finance Committee recommend adoption of 2017 Annual Town Meeting Warrant Article 13: Public Facilities Maintenance Program in the amount of \$610,000 of Free Cash. Mr. Reilly seconded the motion. There was no further discussion. The motion was approved by a vote of 8-0. Mr. Connelly had stepped out of the room.

Article 19: Amend General By-Law- Establish Revolving Funds (reconsider/change of text)

Mr. Davison stated that the article has had minor changes and technical corrections since the Finance Committee voted on a draft article. He stated that he did not view the changes as substantive. He stated that the Memorial Park fund activities were expanded to include concessions and food sold by food trucks.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of 2017 Annual Town Meeting Warrant Article 19: Amend General By-Law- Establish Revolving Funds. Mr. Lunetta seconded the motion. There was no further discussion. The motion was approved by a vote of 9-0.

Article 20: Authorize Departmental Revolving Funds

Mr. Davison stated that the Tree Replacement was not included in the draft article. He stated that the purpose of this article is to continue the existing revolving funds in accordance with the previous law. There is a new law requiring revolving funds to be established in by-laws, but the Governor is allowing funds to continue under the old law for a year because there might not be sufficient time to have revolving properly authorized by the summer if Towns could not continue

to authorize them under the prior law. He stated that next year, there will be an article with a table showing spending limits to be authorized for funds adopted in by-laws.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of 2017 Annual Town Meeting Warrant Article 20: Authorize Departmental Revolving Funds. Ms. Miller seconded the motion. There was no further discussion. The motion was approved by a vote of 9-0.

Article 39: Appropriate for Public Works Infrastructure Program

Mr. Davison stated that the Board of Selectmen is considering changing the funding of this article from a combination of cash and debt to all cash. He stated that he recommended this to the Board who agreed if the Finance Committee supported the change. Ms. Miller asked whether this would affect the following year's plan to fund the infrastructure program with a combination of debt and cash. Mr. Davison stated that the plan is to have next year be the last year of the transition from a combination of cash and debt, and that the following year the article would change to funding entirely with cash.

Ms. Miller stated that the article information states that the target average pavement condition is a 75 rating, down from 80, and asked the reason. Ms. Lustig stated that the Department reviewed the infrastructure article and a study of highway and engineering and found that 75 was a more appropriate target, and that 80 was too high. Ms. Miller noted that Chapter 90 funding is intended for road infrastructure, and that Town Meeting should appropriate fund for projects like the downtown reconstruction, which is included in this article, although these uses are permissible.

Mr. Reilly asked for the distinction between renovation and reconstruction of roads. Ms. Lustig stated that renovation does not require engineering, and means that they will take down and rebuild the road. Reconstruction requires engineering, and means entirely redoing the structure and road. Mr. Reilly asked why there was no funding for bridges in FY18. Mr. Merson stated that they have recently repaired most bridges owned or co-owned by the Town. The other bridges are state owned or not under the Town's jurisdiction. Mr. Reilly asked if the funding for storm drains will be enough, and whether more funding would allow for more work. Ms. Lustig stated that the request is based on the funding needed to do the work planned for the year.

Mr. Lunetta asked if the funding for roads that was diverted to pay for the senior center has been caught up. Mr. Merson stated that the funding has been returned to the full amount. Mr. Lunetta asked if the work that was deferred has been completed. Mr. Davison stated that work continued and few projects were delayed. He stated that the Town is in the position that it would have been in at this time, based on the originally planned level of funding. He stated that recently, there has been an aggressive level of funding.

Mr. Lunetta asked for a report of what work has been done to catch up on funding that was shifted to accommodate the funding of the senior center. Mr. Zimbone asked that the DPW and the Town Manager also provide an explanation of why funding for the Downtown Streetscape program is being funded with Chapter 90 funds rather than other funds.

MOVED: By Ms. Miller that the Finance Committee recommend adoption of 2017 Annual Town Meeting Warrant Article 39: Appropriate for Public Works Infrastructure Program in the amount of \$1,762,000. Mr. Reilly seconded the motion. There was no further discussion. The motion was approved by a vote of 9-0.

Amendment to Article 44: Appropriate for Fuel Island Relocation and Upgrade

Mr. Davison stated that this article will be changed from debt to cash since the amount of free cash is higher than expected. There will be a motion to amend the article at Town Meeting. Ms. Miller stated that the Finance Committee discussed this at a prior meeting.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of 2017 Annual Town Meeting Warrant Article 44: Appropriate for Fuel Island Relocation and Upgrade as amended to be funded with cash. Ms. Miller seconded the motion. There was no further discussion. The motion was approved by a vote of 9-0.

Article 45: Appropriate for DPW Storage Facility Feasibility

Ms. Miller stated that there are still questions of what will be stored in the proposed facility. She stated that when a vehicle is replaced, the old vehicle may be retained for backup, and it is not clear what equipment is planned to be stored where. She stated an intermediate analysis is needed to determine what storage is needed, and what will be stored in which locations. Mr. Zimbone requested that the Committee vote on the article, and revisit it if needed. She stated that Ms. Miller could meet with the DPW to discuss the storage issues. Ms. Merson stated that they have reviewed the inventory to determine which equipment is needed closer to avoid hindering the DPW's work, and which equipment can be stored in more remote places. Mr. Connelly stated that the feasibility study being proposed is the appropriate process to answer the outstanding questions. Ms. Miller stated that she is looking for a way for the Finance Committee to be involved in the process before decisions are final.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of 2017 Annual Town Meeting Warrant Article 45: Appropriate for DPW Storage Facility Feasibility in the amount of \$150,000. Ms. Miller seconded the motion. There was no further discussion. The motion was approved by a vote of 9-0.

Article 51: Appropriate for Water Distribution System Improvements

Mr. Zimbone asked about the financing for this work. Mr. Davison stated that the Town will seek the best financing and they are hoping for a 0% interest loan, but they may have to go to the open market. Ms. Lustig stated that this article includes work that was originally planned as two separate projects for system rehabilitation and water main replacement, but it has been consolidated into one article.

MOVED: By Ms. Miller that the Finance Committee recommend adoption of 2017 Annual Town Meeting Warrant Article 51: Appropriate for Water Distribution System Improvement. Mr. Lunetta seconded the motion. There was no further discussion. The motion was approved by a vote of 9-0.

Special Town Meeting Warrant Articles: Discuss and/or Vote

Article: Approve Tax Increment Financing Plan and TIF Agreement

Mr. Borelli stated that the request is for approval of tax increment financing agreement with NBC Universal to build a new regional facility. They anticipate that this company would be a game-changer that would attract like businesses. The agreement has a floor on the amount of taxes, and they feel they will make up the lower property taxes with the personal property tax. He stated that the Board of Selectmen felt that this agreement satisfied the criteria for determining whether to consider a TIF agreement. Ms. Fitzpatrick stated that even with the TIF, the Town expects that this opportunity will bring in more than if this were used for ordinary office space. Mr. Davison stated that NBC Universal has made a commitment to the amount of personal property. Ms. Fitzpatrick stated that there will be at least \$52 million personal property in the first year which will yield \$1 million in taxes. Ms. Fitzpatrick stated that they will have satellite dishes, mobile Doppler units, digital cameras, switched, computers, and other high tech equipment. Mr. Connelly asked how much the equipment value would depreciate annually. Ms. Fitzpatrick stated that they expect there will actually be up to \$61 million of personal property and that they will be replacing equipment as needed. Mr. Davison stated that the \$52 million is a low estimate, and that the amortization on the equipment will range from 3-15 years, but much requires replacement in 5 year cycles. He stated that there is also a salvage value of equipment on the tax tables. Mr. Reilly ask if there is any year where the real and personal property combined in this agreement would be lower than the taxes income from a typical office building. Ms. Fitzpatrick stated that the personal property and property taxes will both be greater in this case. Mr. Coffman stated that if there is \$0.5 million tax break each year for five years and \$1 million additional property tax, then the Town is \$0.5 million better off each year than with an office building. Mr. Reilly stated that the Town would come out ahead unless the personal property depreciates at a rate greater than 60% per year in the first year. Mr. Zimbone suggested having a slide at Town Meeting showing the tax benefit of NBC Universal versus a typical office building. Mr. Zimbone suggested discussing synergy with other businesses. Ms. Miller suggested showing the results of the last TIF agreement.

Mr. Reilly asked what kinds of similar businesses might be attracted because of this agreement. Ms. Fitzpatrick stated that they could be businesses with creative content, multimedia companies, or high tech start-ups. Mr. Reilly asked whether there might be any unusual demands on public services as a result of this project. Ms. Fitzpatrick stated that the nature of this business has people coming and going early and late, and not the typical 9 to 5 in and out, which should have little effect on traffic. Mr. Lunetta stated that he supported the project, and asked if it was possible that competitor Channel 5 could want to leave as a result. Ms. Fitzpatrick stated that she had not heard anything like that and that it seems this could make the area more of a hub with the two similar businesses. She stated that the NBC Universal space is located next to new housing units, and she expects more retailers to come. She stated that one benefit to the Town is that the agreement includes a requirement to offer four internships to Needham high school or college students. Mr. Connelly asked how the agreement could be enforced. Ms. Fitzpatrick stated that the Town can terminate the TIF if there is a breach during the term of the TIF. Mr. Connelly asked how to be sure that the Town is not hurting itself and that others will not want a similar agreement. Mr. Borelli stated that that is always a concern, but they Board feels that this is a game-changer and will be in the best interest of the Town. Ms. Miller noted that the fact that

this business is similar to Trip Advisor argues against the TIF because that was the purpose of the last TIF. She stated that she would like to see the agreement before voting on the article.

Article: Rescind Debt Authorization

Mr. Davison stated that this article would rescind the outstanding debt on the Sale Shed project. The project is finished and closed out with \$116,000 authorized debt that was not needed.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of draft May 2017 Special Town Meeting Warrant Article: Rescind Debt Authorization. Ms. Miller seconded the motion. There was no further discussion. The motion was approved by a vote of 9-0.

Community Preservation Act Articles / Annual Town Meeting

Mr. Crossen reported on the Community Preservation Committee meeting. The CPC voted not to go forward with the Rosemary Sediment Removal project from this funding cycle in order to have more funds available for the Rosemary recreation complex. He stated that the sediment removal is required by MEPA, but there is no deadline. Mr. Reilly asked if there would be problems of removing the sediment once the new pool is completed. Ms. Carey stated that there is no connection between the two projects, since the sediment removal will require using the other side of the lake.

Mr. Crossen stated that the CPC voted to defer the funding for the Cricket Field construction until next year, and to fund only the design in this cycle. They voted to go forward with the article seeking \$35K for design from CPA free cash. Mr. Olsen stated that the amount was based on a written quote from Weston and Sampson. Mr. Connelly asked why not delay the entire project and expense since the design will only take a couple of months, and then would make no progress. Mr. Carey stated that this process will keep the Town on track for construction work during the summer of 2018 because the design work will be finished and the bids will be ready in time for the May 2018 Town Meeting. Mr. Connelly asked if there has been discussion with private organizations such as Needham Soccer Club to fund the Cricket reconstruction. Mr. Crossen stated that the previous privately funded project failed.

Mr. Crossen stated that there was discussion whether to defer the trails project at the new elementary school for financing reasons, but the CPC decided that the timing was important with the construction of the new school. There was also discussion of deferring the accessible trails at the reservoir, but the CPC felt that the project is unique and important to the community and voted to support the project with \$860K of CPA free cash. Ms. Miller asked why the project is using Water Enterprise Funds retained earnings. Mr. Davison stated that the project is associated with water, and the wells to be capped are an asset of the Water Enterprise Fund.

Mr. Crossen stated that the Echo Bridge railing project failed unanimously. Two CPC members felt that the project is a state obligation, and not appropriate for Needham's CPA funds. Others felt that the CPA funds face too many other upcoming needs for the funding for historic projects, particularly with the potential project at Emery Grover coming up. In response to a question from Mr. Zimbone, Mr. Crossen stated that the project was voted against without prejudice, which is how they usually vote. This does allow them to return if the project is supported by

Newton CPA funds, but the CPC did advise the proponents on the wisdom of coming back since there is no support.

Article 33: Appropriate for CPA Project – Rosemary Recreation Project

Mr. Crossen stated that the Rosemary Pool project was approved for funding with \$4 million of CPA cash and \$8 million CPA-supported debt. There was a motion to fund the \$4 million as follows: \$1,435,000 from CPA free cash \$1,535,000 from FY17 CPA reserves and \$1,030,000 from FY18 receipts. The CPC voted 6-0-1 in favor of the project with one abstention. Mr. Davison stated that he had looked at scenarios borrowing \$9 million or \$8 million and found that borrowing \$8 million would not exceed the maximum debt allowable in any year. Mr. Zimbone noted that one CPC member expects there will be two upcoming affordable housing projects to potentially be funded with CPA money. Mr. Davison stated that the Town cannot pay debt service on another entity's facility. Mr. Retsky stated that the bids for the Rosemary construction will be opened on April 19. Mr. Zimbone stated that the Finance Committee would not vote until there has been a chance to review the bids and the updated Town financing plan.

Mr. Reilly raised the question of the Finance Committee's role in assessing the pool project. He asked the Committee to consider whether, in light of Town Meeting's vote last year to move forward with the project, the Finance Committee should only examine whether the cost is reasonable, or whether the Finance Committee should maintain the position from last year which addressed the issue of whether the project is in the best interest of the Town. Mr. Zimbone stated that his view is that the Town has numerous capital projects coming up, and the financing plan needs to be reworked. He stated that the PPBC and School Committee voted to go forward with a High School expansion plan of \$11.4 million, which is well above the \$7 million in the current capital plan. He stated that he needs to see the financing plan with that additional \$4.4 million and the \$3.8 million non-CPA funding needed for the pool. Mr. Connelly stated that as a Town Meeting Member, he would vote against the pool project. He sees nothing, including the Town Meeting vote, that has changed that should make the Finance Committee change its position, which was debated, reasoned and considered. Mr. Reilly stated that the Finance Committee can choose two roles: accept that the project is being done, and consider whether the costs are reasonable, or consider whether, even if the price is reasonable, it is a good thing to do. Mr. Zimbone noted that the Town Meeting vote for the design was cash and required a simple majority vote, and this time the vote will be to authorize debt which requires an 2/3 vote. He stated that there is uncertainty in interest rates and in the federal administration's approach to funding.

Mr. Coffman argued that the High School expansion project is a piece of new information that could affect the Finance Committee's position on this project. He will want to see how that affects the capital plan. The pool has not changed materially in price. Mr. Connelly stated that additional factors that could be considered are the High School chiller and boilers, and the higher cost of the Police and Fire building, which put additional pressure on the operating financial plan. The Committee should point out these factors and bring the same reservations to Town Meeting, and not just forget about them because of the previous Town Meeting vote. Mr. Reilly stated that regardless of the financing, there is no reason to change the Committee's conclusion on the merits of the project. Ms. Miller stated that the Committee needs to look at the numbers and consider whether this project is more than the Town needs. Mr. Reilly noted that much of the high cost of the pool project was for site work and terracing, and that the cost of

decommissioning the site added to the cost of building on a lower cost site were not significantly different than the current project. Mr. Coffman asked if the cost of decommissioning the pool could be covered by the CPA. Mr. Crossen stated that the CPC has not discussed that, but that his sense would be that it would not be CPA eligible. Ms. Carey stated that the Town website has MEPA-related documents that show the pros and cons of alternate sites.

Article 34: Appropriate for Cricket Field Renovations

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of 2017 Annual Town Meeting Warrant Article 34: Appropriate for Cricket Field Renovations in the amount of \$35,000 for design. Mr. Lavery seconded the motion.

DISCUSSION: Mr. Reilly stated that he was not overwhelmed with the response to Mr. Connelly's question asking why not wait to fund the whole project. Mr. Connelly stated that he is disturbed by giving Needham Soccer Club a pass on the issue. He will vote against the project because of that. Mr. Zimbone stated that he was satisfied with Ms. Carey's explanation of keeping on schedule for summer of 2018, but he does agree that there should be a discussion with Needham Soccer Club to offset some of the damage they caused. Mr. Olsen stated that before the Club gifted the Town the irrigation system, the field was in deplorable condition, and the Soccer Club should be given more credit. They hired the wrong contractor. He stated that the Town accepted the gift and should have overseen some of the project. Ms. Carey stated that the Soccer Club is not the prime user of the field now. It is primarily used by Needham High School varsity teams, while the Soccer Club only uses it part of one season, and the Lacrosse Club as well. Mr. Connelly stated that the funding for design should come from the Soccer Club. Mr. Jacob stated that the assumption that the Soccer Club did irreparable damage 15 years ago is not accurate. There was no damage, but they did something that did not last. Mr. Coffman stated that the Town is still getting funds from these clubs, to support a loan from Needham Bank. Mr. Olsen stated that he could start a conversation with the clubs. Ms. Carey stated that it would need to go through the Park and Rec. Commission. Ms. Chaston stated that she sees no fault of the Soccer Club at this point. The clubs contribute to the maintenance but she does not feel that they should pay for the construction. She feels that they do push the clubs, but that they should not push them on this. Mr. Coffman stated that the Town used CPA funds for many fields without going to the clubs. Ms. Miller questioned the CPC's decision to fund the reservoir trail and not fund the Cricket field construction. Mr. Crossen stated that the CPC felt it was more important to move forward with the accessible trail.

VOTE: The motion was approved by a vote of 7-2, with Mr. Connelly and Ms. Miller dissenting.

Article 35: Appropriate for New Elementary School Walking Trails

MOVED: By Mr. Jacob that the Finance Committee recommend adoption of 2017 Annual Town Meeting Warrant Article 34: Article 35: Appropriate for New Elementary School Walking Trails in the amount of \$210,000. Mr. Reilly seconded the motion. There was no further discussion. The motion was approved by a vote of 8-1, with Mr. Connelly dissenting.

Article 36: Appropriate for Accessible Reservoir Trails

MOVED: By Mr. Lunetta that the Finance Committee recommend adoption of 2017 Annual Town Meeting Warrant Article 34: Article 35: Appropriate for Accessible Reservoir Trails in the amount of \$935,000 with \$860,000 from CPA free cash and \$75,000 from Water Enterprise Fund retained earnings. Mr. Jacob seconded the motion. . There was no further discussion. The motion was approved by a vote of 8-1, with Ms. Miller dissenting.

Finance Committee Updates

Mr. Zimbone asked for an update on free cash. Mr. Davison stated that free cash was certified in March at a level higher than expected. The Town spending plan was based on free cash in the range of \$8.6-\$11.9 million. The level was even higher due to strong revenue in FY15, and a higher level of budget turnback mostly due to a large Reserve Fund following a mild winter. The School Department turnback was also above average, while other departments had average turnback. In addition, the DPR certified a greater percentage of the unassigned fund balance, 66.7%, than has been done in recent years.

Mr. Davison stated that he thinks it is not a good practice to spend all of the certified free cash, though stepping up reserves is good. Any funds not allocated will roll over and be part of the next certification process. He stated that last year \$700K of free cash was not appropriated which is high for Needham since the Town usually appropriates all of it, including appropriation to legacy costs of reserves.

Mr. Lunetta asked if the additional \$2.3 million of free cash could be given back to taxpayers. Mr. Davison stated that the Town cannot issue a refund in the way that an income tax refund is given. Mr. Connelly asked if it could be used to lower taxes next year. Mr. Davison stated that if the funds are not appropriated by June 30, then they will not be available until recertified. He noted that that is the advantage of having funds in stabilization fund—the fact that the funds can be appropriated. Mr. Reilly stated that he did not find the reason for spending an amount equal of 55% of the unassigned fund balance to be compelling. Mr. Davison stated that 55% is the 15 average of the percentage of fund balances certified in recent years, though it has been as high as 70%. He stated that he mentioned to Standard and Poor's that he anticipated some spend down of the fund. Credit quality is considered to decrease if a fund balance decreases rapidly, so he wants to make sure some funds are not spent. Mr. Reilly stated that this is an unusual windfall and asked if some could be used to get the Workers' Compensation Fund to the target level. Mr. Davison stated that there is currently \$2.3 million of free cash not identified for allocation.

Mr. Zimbone stated that at the beginning of Town Meeting, he will make a report that addresses: (1) the influx of cash, including overlay surplus and free cash, to help explain why so many articles are being funded with cash; and (2) the revised capital financing plan.

Adjournment

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

Documents: 2017 Annual Town Meeting warrant; May 2017 Special Town Meeting warrant – 3/10/2017 draft; Memorandum from Kate Fitzpatrick to Board of Selectmen Re: NBC Universal Project and Board Criteria, dated March 29, 2017; Table: NBC Universal 10 Year Tax Increment Financing Proposal, 3/29/2017; Anticipated Spending for Infrastructure Items, Effective 3/2/17; Town of Needham Criteria for Determining Whether to Utilize Tax Increment Financing Options, Adopted by Board of Selectmen 11/14/12; Presentation: Town of Needham Public Works Facility - Why Does the Town Need a New Facility, Weston and Sampson; Memorandum to Town of Needham from Jeff Alberti, Weston and Sampson, Subject: DPW Vehicle / Equipment Storage Analysis, dated March 17, 2017; Memorandum to Board of Selectmen, Kate Fitzpatrick, Town Manager, From David Davison, Assistant Town Manager/Director of Finance, Re: FY2018 Capital Reserves & Financing Consultation, dated March 24, 2017.

Respectfully submitted,

Louise Mizgerd
Staff Analyst

Approved April 26, 2017