

**Needham Finance Committee
Minutes of Meeting of December 20, 2017
Open Session**

The meeting of the Finance Committee was called to order by Chair Richard Reilly at approximately 6:30 pm in the Selectmen's Chambers at the Town Hall.

Present from the Finance Committee:

Richard Reilly, Chair; Barry Coffman, Vice Chair
Members: John Connelly, Tom Jacob, Kenneth Lavery, Joshua Levy, Richard Lunetta, Louise Miller (open session only), Carol Smith-Fachetti

Others present:

Kate Fitzpatrick, Town Manager
David Davison, Assistant Town Manager/Finance Director
Dan Matthews, Board of Selectmen
Marianne Cooley, Board of Selectmen
Anne Gulati, Director of School Financial Operations
Jeanie Martin, Co-chairperson, Commission on Disabilities
Tatiana Swanson, Finance and Procurement Coordinator and Liaison to the Commission on Disabilities
Don Lindquist, Historical Commission
David Roche, Building Commissioner
Lee Newman, Planning Director
Paul Alpert, Planning Board

Citizen Requests to Address Finance Committee

No citizens requested to speak.

Move into Executive Session, Exception 6, to return to open session at conclusion

Mr. Reilly declared that an executive session is necessary to protect the negotiating position of the Town with respect to the purchase, exchange, lease or value of real property, under Exception 6 to the Open Meeting Law.

MOVED: By Mr. Lunetta that the Finance Committee enter Executive Session to discuss the purchase, exchange, lease or value of real property, and to reconvene in Open Session immediately afterward. Mr. Lavery seconded the motion. The motion was approved by the following roll call vote at approximately 6:30 p.m.: Mr. Jacob: Aye; Mr. Levy: Aye; Mr. Lunetta: Aye; Mr. Coffman: Aye; Mr. Lavery: Aye; Mr. Reilly: Aye; Mr. Connelly: Aye; Ms. Smith-Fachetti: Aye.

Resume Open Session

FY 2019 Department Budget Requests

Commission on Disabilities

Ms. Swanson stated that there is no change in the requested budget which includes \$1500 for a stipend for the liaison and \$550 in expenses. Mr. Reilly asked if there are additional needs that were not included in the funding request. Ms. Martin stated that there have been no requests for funding from the handicap parking violation fund. She gave examples of grants previously funded though the parking fine fund including school programs and public programs. Ms. Martin stated that there have been fewer handicap parking violations, which is good, though fewer fines coming in to the fund. Ms. Martin stated that they would like to give the funds back to programs for the community. Ms. Swanson stated that she is trying to promote the program internally reaching out to schools and others to encourage grant applications.

Ms. Martin stated the Commission is pleased with the fact that they have had the opportunity to review plans and have input early in the process of some major building project such as the Williams School. She stated that they have also been involved in some large commercial projects.

Historical Commission

Mr. Lindquist stated that the Historical Commission was planning an event for homeowners to make them aware of what the Commission does, and has arranged a speaker from the state historical commission. He stated that the funds will cover events and office supplies. Mr. Reilly asked if there is anything that the Commission would do if there were more funding. Mr. Lindquist stated that he is new to the Commission, but that members attended a meeting of historical commissions to learn about programs in other communities. Ms. Miller stated that in the past the budgeted funds had been used for plaques for historical homes. Mr. Lindquist stated that the Commission did help fund historical markers.

Town Counsel

Mr. Connelly introduced the budget, and stated that it includes a salary for the Town Counsel, plus an expense budget for outside counsel and other legal services. Mr. Tobin referred to a memo prepared by Mr. Davison showing the legal expenses separated by topic, and also a breakdown of the payments greater than \$10K to specific law firms in any of the past three years. Mr. Tobin described some of the upcoming issues expected to generate needs for outside legal expenses, including a new medical marijuana facility, and DEP/environmental issues.

Mr. Reilly asked about what process was followed to determine whether to fight certain issues. Mr. Tobin stated that expenses were not the driver of the decision. The neighborhood residents were upset about a 40B plan, so the Town fought it and the project was cut almost in half. In addition, there was community pressure to appeal the Eversource line siting.

Mr. Coffman asked if the \$813,888 for three years of legal expenses was all paid to outside law firms. Mr. Davison stated that the funds were paid to outside counsel, to Mr. Tobin for additional work, and to experts. Mr. Davison stated that the DEP category of expenses on the memo include all work relating to DEP, including the citizen challenge to draining the lake, and the permitting process for dredging. Mr. Levy noted that there has been a shift from using several firms to using mostly one firm. Mr. Tobin stated that they have been using Miyares and Harrington more, partly because they are strong in environmental issues, which have been a significant part of outside expenses, and also because they are local and their fees are lower than

other firms. He stated that that firm does a significant amount of work for municipalities. Mr. Connelly indicated that he was familiar with the firm and that it had a good reputation.

Building Department

Mr. Roche introduced the budget and stated that it is close to flat, with regular salary increases. Mr. Reilly asked about the impact of the large house by-law changes. Mr. Roche stated that there was a bigger reaction than he expected and that approximately 40 permits were pulled before the changes took effect. He stated that some projects have had to scale back because the floor area ratio standards, and that the height restrictions have been the biggest problem. He stated that next May, by-law changes might need to be made to address stormwater drainage. Mr. Jacob asked why there were only permits for residences with more than two families in one of the past three years. Mr. Roche stated that that was related to the 40B project, since those residences are not usually allowed under the Town by-laws.

Mr. Roche stated that there is an additional DSR4 request for a scanner which would allow the department to scan plans and keep much smaller paper copies. This would allow them to create an electronic database not only for use by the building department, but also for the Assessors and for Police and Fire. Making scans would also mean much less space is needed for document storage as required under state law. Mr. Lunetta asked if it might be better to have a separate request to outsource the scanning of old plans to get it done quickly without interfering with other work. Mr. Roche stated that they could work through the older plans methodically over time. Mr. Reilly asked if they could use the scanner in the Engineering Department. Mr. Roche stated that it would be logistically difficult to try to get things scanned out of the office and to cover the front desk as needed. Ms. Miller asked if the department accepted electronic submissions. Mr. Roche stated that they do not, as they have not yet figured out how to affix a stamp and signature to show that plans have been filed and approved. He does not want any uncertainty when looking at plans whether they are approved. Mr. Levy asked if scanned building plans would be accessible to the public. Mr. Roche stated that he would support making them accessible if the files were read-only.

Mr. Reilly asked about the workload for inspections with the ongoing major building projects. Mr. Roche stated that there has been some difficulty getting a part-time plumbing inspector with the low wages offered and the qualifications required. Mr. Reilly asked about the \$20K for fire protection engineering. Mr. Roche stated that this cost has been moved to the budget, and includes fire alarm inspections and permitting. The person works for the Fire and Building departments, only on big projects. There is a plan review, and meetings with field inspectors. Mr. Connelly thanked Mr. Roche for his work and praised the improvements under his leadership, and stated that he supported funding the requested scanner.

Planning and Community Development

Ms. Newman stated that the budget is mostly level-funded with step and contractual salary increases. There is a request to increase operating expenses by \$1700 to fund a recording secretary for the Conservation Commission. The Planning Board has a recording secretary, and the additional funding would provide support having that person available to attend Conservation Commission meetings as well. She noted that the Conservation Department has expanded to include a director and conservation specialist, providing consulting and environmental services for projects. Mr. Reilly asked why half of the salary is covered by CPA funds which are limited.

Ms. Miller stated that in prior years, the Finance Committee insisted that CPA funds be used for half since the CPA housing funds were not being used. Ms. Newman stated that the current allocation of housing funds covered half of the salary for three years, through FY19, and suggested that this issue be taken up for FY20.

Memorial Park

Mr. Reilly stated that Paul Dawson had been referred to him by some members of the Planning Board who had some reservations about rebuilding the public safety building at the Chestnut Street location because the location is so valuable for commercial property. That having been said, they took no position on the appropriateness of Mr. Dawson's suggestion. Mr. Dawson had suggested building the new facility at Memorial Park, with an underground garage. He suggested that there could be significant savings of \$10-\$12 million through saving on swing space, by selling the current property to commercial developers and building the public safety facility at Memorial Park. He believed that there would be substantial net savings, despite increased project costs with the garage. Mr. Reilly stated that he looked into it, and found that there were a number of issues. First, the additional cost of the garage would offset all possible savings, and perhaps be more costly. Second, because of the limitations of municipal bond financing, there would be a major problem selling the property for commercial purposes. Finally, he stated that since the swing space costs were primarily associated with Station 2, there would be fewer savings than projected. Nonetheless, he stated that it was important for the Committee to look into alternatives that are raised, but this idea did not turn out to be viable.

Mr. Levy asked whether the town should avoid bond financing in the future if it restricts later options. Mr. Davison stated that taxable financing would be more expensive and that the government should not be in the business of flipping properties. The Tax Reform Act of 1986 provided that there cannot be for-profit activities on land with exempt debt. After the debt is paid off, the Town can do what it wants. However, as long as there is debt, the use is limited. The benefits of bond financing outweigh the restrictions.

Stabilization Funds

Mr. Reilly stated that there are three types of stabilization funds: rainy day funds to maintain services when there is a temporary revenue shortfall, funds to spread out the cost of a known future expense (like the Athletic Facilities Fund that is saving for turf field replacement,) and contingency funds for an unexpected expense. He stated that the Committee should look at the purposes of the various Town funds in order to recommend a rule-based approach for determining when to fund and when to withdraw from the funds. Mr. Reilly asked for volunteers to look more deeply into the issue of reserves. Ms. Miller and Mr. Coffman offered.

Mr. Davison stated that the Capital Improvement Fund (CIF) and the Capital Facilities Fund (CFF) were set up as stopgap measures for unexpected capital needs, to be funded when additional funds could be identified at year-end. Ms. Miller stated that the Stabilization Fund was initially planned to have a target reserve equal to 3% of the operating budget. She stated that it was set up in case there is insufficient free cash, as a reaction to 2003 when there was no money for cash capital. Mr. Reilly stated that the Town needs clearly articulated purposes for the various funds. He stated that it is not the Finance Committee's decision to determine the stabilization fund policies, but the Committee can look into the issues and make

recommendations. He stated that he would like to make a report at the next Annual Town Meeting. He stated that the exercise is not just academic since the Town needs to replace \$1.8 million in the CFF after using those funds for the Police and Fire project, so it is important to think about how much should be there and why. In addition, the School Department is recommending reducing its budget request by \$350K, so that those funds can be set aside in a fund such as the Debt Service Stabilization (DSS) fund to be accessed later for the implementation of full day kindergarten. The same recurring amount could eventually be added back to the School budget to fund the related operating costs. Mr. Reilly stated that it is essentially diverting the revenue stream until it is needed for the increased operating costs. The School Department wants to put aside the \$350K in FY19, and to have the recurring available to include in their operating budget in FY20. Mr. Davison stated that the Debt Service Stabilization Fund was created to set aside funds from an increase in recurring revenue in order to fund an increase in debt service payments without needing an override. The Board of Selectmen has indicated a preference that future recurring amounts be used for increased operating costs for additional Police and Fire staffing, as well as for full-day kindergarten. Ms. Miller expressed concern that funds are being set aside for programs that have not been approved. She also expressed concern that funds are being set aside in reserve funds for future use rather than appropriated for current needs. To the extent that the funds are not needed for recurring expenses, there is no reason that they cannot be used for non-recurring expenses in the current year.

Mr. Levy stated that all of the funds except the Athletic Facilities Fund (AFF) are accessible to any department, but the AFF seems very specific. Mr. Davison stated that the field improvements were not publicly funded, so there was no revenue stream for the upkeep. The Town has been putting aside one-time funds when available, along with fees from certain Recreation programs, to pay for the turf replacement. He stated that the CIF and CFF were created for emergency capital needs.

Mr. Reilly stated that the Board of Selectmen has identified increased funding for reserves as a budget priority. He stated that the funds need to be well understood and articulated. Mr. Davison stated that the Board is reaffirming what they were already doing since questions have been raised at Town Meeting about the amounts being set aside in reserves. In response to a question from Ms. Fachetti, Mr. Davison explained that the funds are invested in the state MMDT fund which is low-risk and protected against loss of principal.

Mr. Connelly asked Ms. Gulati why the School Department chose \$350K to be set aside. Ms. Gulati stated that that they will need \$2 million as a target budget for full-day kindergarten, and the \$350K is a placeholder. They want to augment that amount over 2 years to get to the \$2 million needed.

Mr. Lunetta stated that some of the Athletic Facilities Fund has been earmarked for the Memorial Park Building project, and asked if a multi-use building was being considered. Mr. Reilly stated that there are a large number of groups, including youth sports groups and others, that use the meeting space in the building, and they expect more use when the building is more accessible.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Jacob that the minutes of September 27, 2017, be approved as distributed, subject to technical corrections. Mr. Coffman seconded the motion. The motion was approved by a vote of 9-0.

Finance Committee Updates

There were no further updates.

Adjournment

MOVED: By Mr. Jacob that the Finance Committee meeting be adjourned, there being no further business. Mr. Lunetta seconded the motion. The motion was approved by a vote of 9-0 at approximately 8:50 p.m.

Documents: Memorandum from David Davison to Finance Committee re: Legal Expenses, dated December 20, 2017; Table of Needham Stabilization Fund balances as of 6/30/17.

Respectfully submitted,

Louise Mizgerd
Staff Analyst