

**Needham Finance Committee
Minutes of Meeting of March 21, 2018**

The meeting of the Finance Committee was called to order by Chair Richard Reilly at approximately 7:00 pm at the Needham Town Hall.

Present from the Finance Committee:

Richard Reilly, Chair

Members: Kenneth Lavery, Tom Jacob, Joshua Levy, Richard Lunetta, Louise Miller, Carol Smith-Fachetti

Others present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Marianne Cooley, Chair, Board of Selectmen

Dan Gutekanst, Superintendent of Schools

Anne Gulati, Director of School Finance and Operations

George Kent, Chair, Permanent Public Building Committee

Steve Popper, Director, Public Facilities Design and Construction

Patricia Carey, Director, Park and Recreation Department

Gary Crossen, Chairman, Community Preservation Committee

Paul Alpert, Member, Community Preservation Committee

Michael Greis, Membered, School Committee

James Healy, Memorial Park Trustee

Citizen Requests to Address Finance Committee

No citizens requested to speak.

2018 Annual Town Meeting Warrant Articles:

Community Preservation Committee Articles

Mr. Crossen stated that the CPC will vote on their projects recommendations next week.

Article 28: Appropriate for Rosemary Lake Sediment Removal

Mr. Crossen stated that funding for this project was requested last year, but deferred to allow for more cash to be allocated to the Rosemary Pool project, and to borrow less. He stated that the sediment removal is necessary as the next step toward compliance with the NPDES requirements. Ms. Miller stated that her questions had been answered, except for her question about the amount of contingency. She stated that the sediment will be tested as it is removed, and that it may cost more to dispose of it than currently anticipated. She asked what would happen if the funding turns out to be too low. Mr. Crossen stated that they would need to find more funding. Ms. Miller encouraged the CPC to look more closely at the contingency before voting. Mr. Davison stated that there can be no Reserve Fund transfer into a capital project budget, but that in this case, funds could be transferred to the DPW operating capital line to fund the work, as long as the work is done within the same fiscal year. Funds in the operating budget can be used only within one fiscal year. He stated that, with respect to the Rosemary sediment

removal, the question is whether the 10% contingency is sufficient considering the risk. Mr. Kent stated that the Town Engineer's presentation to the Select Board indicated that 10% was a sufficient cushion. Ms. Miller stated that the contingency is low based on her experience. She noted that it would be better if the CPC consultation with the Finance Committee took place before the public hearing. Ms. Fitzpatrick stated that she does not think there is a statutory restriction against voting to fund a project at an amount higher funding than the request, but there is a question of how much money is available.

Ms. Miller stated that she was concerned about the optics of doing this work right after the seasonal closing of the new pool. Ms. Carey stated that they have been very open during the discussions about the pool project about how this would happen. Mr. Crossen stated that if the sediment removal project is delayed, it would most likely cost more. Mr. Reilly asked if they were satisfied with the remediation work in the area and confident that the sediment would not build up again. Mr. Alpert stated that the Town Engineer stated that all of the waterways draining into the lake had been cleaned up, and that this is the last step. No new pollutants should enter the lake.

MOVED: By Mr. Lavery that the Finance Committee recommend adoption of 2018 Annual Town Meeting Warrant Article 28: Appropriate for Rosemary Lake Sediment Removal in the amount of \$2.4 million. Mr. Levy seconded the motion. The motion was approved by a vote of 7-0.

Article 29: Appropriate for Rosemary Camp Property

Mr. Crossen stated that the buildings are dangerous and need to be cleaned up. He stated that \$50K is needed to demolish the structures. Ms. Carey stated that the cabins have not been used in years, and that the work would take place in the fall.

MOVED: By Mr. Lunetta that the Finance Committee recommend adoption of 2018 Annual Town Meeting War Article 29: Appropriate for Rosemary Camp Property in the amount of \$50,000. Mr. Jacob seconded the motion. The motion was approved by a vote of 7-0.

Article 30: Emery Grover Feasibility

Mr. Crossen stated that the School Department has requested \$70K in funding to refresh the feasibility study that was done to see whether the Town can restore the historical building, or if it makes more sense to replace it. He stated that the project would be eligible for CPA funding to the extent it would be related to preserving the historical building. Ms. Miller stated that a feasibility study had been done to see if it was appropriate for a senior center. Mr. Popper stated that that study covered five buildings and was more superficial than needed now. Mr. Crossen stated that this study will focus on whether the building can be restored for use for its current purpose. Mr. Reilly asked if there is a clear understanding of the needs of the School Department. Ms. Gulati stated that they have done a space needs assessment. Ms. Miller questioned whether the CPA can be used for studying the needs of the School Department. Mr. Crossen stated that the goal of the study is to see whether the building can be renovated in the fashion of an historical building. He stated that a small part will cover the cost of demolishing it and replacing it if renovation is not cost effective. Mr. Reilly noted that it is critical to know if the CPA funds are being spent wisely. Mr. Lunetta stated that it is ironic that \$70K of CPA funds

may be spent to ultimately tear down the building. Mr. Alpert stated that the CPC would prefer to preserve the historic nature of the building. Ms. Gulati stated that the plan is to conduct the study in FY19, have construction in FY21 and FY22, then to move into the building in September 2022. Ms. Fachetti asked if it would be difficult to tear down the building if it is on the historical registry. Mr. Crossen stated that it may be subject to delays and time for objections, but it would not be difficult.

MOVED: By Mr. Lavery that the Finance Committee recommend adoption of 2018 Annual Town Meeting Warrant Article 30: Appropriate for Emery Grover Feasibility in the amount of \$70,000. Mr. Levy seconded the motion. The motion was approved by a vote of 7-0.

Article 31: Appropriate for Historic Database Project

Mr. Crossen stated that this is the last part of a phased project to develop a database of historical properties. This phase is \$25K. Ms. Carey stated that they are using small museum software. Mr. Levy asked about the life cycle of the database and when it would need replacement. Mr. Crossen stated that the software is provided through Past Perfect. Mr. Greis stated that Past Perfect updates and maintains the software, so the Town pays a vendor fee and is not responsible for periodic replacement.

MOVED: By Mr. Jacob that the Finance Committee recommend adoption of 2018 Annual Town Meeting Warrant Article 31: Appropriate for Historic Database Project in the amount of \$70,000. Mr. Levy seconded the motion. The motion was approved by a vote of 7-0.

Article 32: Appropriate for Memorial Park Building Construction

Mr. Crossen stated that the estimated project cost was \$5.8 million, but has increased. \$500K is now being recommended to be funded with CPA cash. Mr. Davison stated that the estimated project cost has changed and the article will be updated to show that the funding is as follows: \$6.25 million for the project, with appropriations of \$1.8 million from the Athletic Facilities Improvement Fund, \$500K from CPA receipts, \$1.032 million from Free Cash, \$2.918 million from borrowing. Mr. Levy asked why the amount borrowed is lower than the earlier draft of the warrant. Ms. Fitzpatrick stated that the earlier draft did not assume any CPA funding. Ms. Carey stated that if a building is connected with outdoor recreation, then it is eligible for CPA funding. The parts of the building for indoor recreation or other uses are not eligible for CPA funding. Mr. Healy stated that the Trustees considered asking for the maximum amount that was CPA eligible, but felt that there was not an appetite for that much funding from the CPC. They felt that the \$500K request was reasonable, especially since there were other funding sources. Mr. Reilly noted that the funds from the AFIF were clearly identified for this project when they were appropriated to that fund. Mr. Lunetta asked what drove the increased project cost. Mr. Davison stated that the higher costs were associated with technology of the building systems, including HVAC, door access, protection system, and lighting. There were also some additional site costs. In response to a question from Mr. Reilly, Mr. Davison confirmed that there were no changes to the layout or the structure of the building.

MOVED: By Mr. Lunetta that the Finance Committee recommend adoption of 2018 Annual Town Meeting Warrant Article 32: Appropriate for Memorial Park Building

Construction the amount of \$6.25 million for the project, funded with \$1.8 million from the Athletic Facilities Improvement Fund, \$500K from CPA receipts, \$1.032 million from Free Cash, and \$2.918 million from borrowing. Mr. Lavery seconded the motion. The motion was approved by a vote of 7-0.

Article 12: Urban Community Challenge Tree Inventory

Mr. Davison stated that this article is being withdrawn.

Article 37: Public Works Storage Facility

Ms. Fitzpatrick stated that she had provided the cost breakdown as requested by Mr. Connelly. Mr. Reilly stated that no questions had been raised based on the costs.

MOVED: By Ms. Miller that the Finance Committee recommend adoption of 2018 Annual Town Meeting Warrant Article 37: Public Works Storage Facility. Mr. Jacob seconded the motion. The motion was approved by a vote of 7-0.

Update on Sunita Williams School project

Mr. Kent stated that the bids came in very favorably, so the PPBC explored including solar panels on the building. Solar panels had been considered previously, but they were excluded initially in order to keep the project cost lower. In light of the favorable bids, they decided to use some contingency funds to design the solar array. The PPBC now recommends adding the solar array. While the PPBC technically has the authority to move forward, they want to get feedback from other boards, as they did when they decided to include the balcony work in the Town Hall project. Mr. Reilly stated that the payback period was 15 years. Mr. Haff stated that if it had been a private project with tax incentives, payback would have been closer to 10 years. Ms. Miller stated that the Smart Incentives program makes this a very good time to add the solar arrays. Ms. Fachetti asked if the arrays are allowed under the zoning bylaws. Mr. Haff stated that potential solar arrays were included on the plans when the plans were approved. He stated because they are fully compliant with setbacks, they are allowed by right. Mr. Kent stated that the Planning Board had been in favor of the solar aspect, but the PPBC did not think there was money for it. They will inform the Planning Board of the change, but will not need to go through the whole process.

Mr. Reilly asked if the Finance Committee to state if they had any views on whether the possibility of borrowing a lesser amount for the project outweighed the benefits of the project. Mr. Lunetta asked how the power generation would be credited to the Town. Mr. Haff stated that the building would use the power that was generated, and any extra power would be sold back to the grid, which is the most cost effective way. He stated that there is more electrical usage in the summer, so there will be a good balance of supply and demand. Mr. Reilly stated that the solar arrays seem like a reasonable use of the funds. Ms. Miller stated that she supported adding solar arrays to this project based on the current set of circumstances.

High School Expansion/Proposed Modularity for Mitchell School

Dr. Gutekanst stated that there is a \$431K budget shortfall in the High School expansion project. He stated that they will need to cut back on storage at the gym and on the HVAC work at the

gym. Mr. Reilly noted that those were the elements that were proposed to be deferred for financial reasons last year, then were included because they were considered to be desirable. Dr. Gutekanst agreed. Dr. Gutekanst stated that there was a Reserve Fund transfer to fund an expansion of the feasibility study to include those elements. He stated that, more recently, there was a kindergarten space needs study which showed that full-day K can fit in the schools, except at Mitchell, which will need additional modular classrooms at a cost of \$1.25 million. Since the Mitchell modular project has not yet been requested in the capital plan, the School Committee decided to wait a year and make do with the space shortage, then to ask for funds next year. Dr. Gutekanst stated that the options to fund the modulares would be to put less money into reserves, or to pull some funds out of reserves. Mr. Kent stated that the cost of deferring the HVAC and gym work at the High School would probably double the cost. He stated that the higher cost of that project is due to the accelerated schedule, and the fact that the builders are busy in the summer. He stated that the project had a low contingency, which has led to this. They found some issues as soon as they opened up the ground. They will save money where they can as they proceed.

Mr. Davison stated that he has not formalized a proposal with the Select Board, but that finding additional funding for the High School project may impact the two stabilization articles. Mr. Reilly stated that he felt that the Finance Committee is in support of finding the funding, but that a formal vote is not needed at this point in time. Mr. Lunetta noted that usually the cost estimates are so good, and asked what was learned from this situation. Mr. Kent stated that they need to be consistent in the requests for funding and will need to insist on a sufficient contingency. He stated that even if the full \$431K is not needed in the estimates for the High School project, they want to make the full request. Ms. Miller stated that construction costs are increasing quickly. Mr. Kent commented that the costs for skilled trade workers are going through the roof. Mr. Reilly stated that he toured the Mitchell School with Mr. Connelly, and it seemed clear that additional space is required. He stated that he felt that that if adding classrooms is worth doing later, it is worth doing now. He stated that a one-year delay would be unfair to one class of kindergarteners and that the Town should try to find funds.

Mr. Reilly stated that there are funds proposed to go into stabilization funds, and also funds being parked in the Debt Service fund. He asked if it was within the best interests of all parties to use some of these funds for full day kindergarten. Mr. Levy asked why the School Committee has not yet requested the funds. Dr. Gutekanst stated that the study identified the need, and the leadership of the School Committee has spoken informally with the Select Board members, but they are trying to be sensitive to other spending needs as well, with two ongoing huge school projects, the High School and new elementary school, and other Town priorities. He stated that they would be able to make full-day kindergarten work with the limited space. He stated that the School Department hopes to use the modulares afterwards at Hillside for swing space. They plan to make the formal request next year. Ms. Miller stated that it seems that the Town would just park the funds in a stabilization fund for a year to wait to spend it. Mr. Reilly stated that there is no logic to spreading out the demand if the funds are available now, especially when it would be less optimal for the school. Ms. Fachetti asked if there were logistical issues involved in trying to do more at once. Dr. Gutekanst stated that siting and design work still needs to be done. It will make some time to make it happen. However, he does not want to ask for too much.

Ms. Cooley stated that there will be a Chairs' meeting next week to discuss the implications of using some funds for a different purpose. She stated that this change would potentially put the Emery Grover project at risk. She stated that they want to lay out all of the implications. Ms.

Miller stated that, from a fiscal perspective, if the Town can afford it now, it is important to understand the implications to weigh against the logic of not doing it only for the sake of sticking to the capital plan. Mr. Reilly stated that there is a strong sentiment on the Finance Committee to look into funding the modulars with the hope there is a way to arrange the financing to make it work. Mr. Lunetta stated that he would support funding the modulars if the Select Board and the School Committee seek it. Mr. Levy stated that he would want to understand if there were other negative impacts beyond the Emery Grover project. Dr. Gutekanst stated that Emery Grover may qualify for 50% CPA funding, but the other funding would be through debt. Mr. Levy asked if the modulars would interfere with any ongoing planning. Mr. Kent stated that it may impose on the recreation area, but the siting has not been determined yet. Ms. Miller stated that the Mitchell playground is in the CIP. Dr. Gutekanst stated that as the KASE program winds down, those funds are planned to be used to build a kindergarten-accessible playground.

Discussion of Town Reserves; Annual Town Meeting Warrant Articles: Discuss and/or Vote

Article 42: Appropriate to Athletic Facility Improvement Fund

Article 43: Appropriate to Capital Improvement Fund

Article 44: Appropriate to Capital Facilities Fund

Article 45: Appropriate to Debt Service Stabilization Fund

Mr. Reilly stated that there are five reserve funds. The first three are intended to address emergency shortfalls, and the last two are parking spaces to put funds aside for later use. He stated that the Committee last week discussed the different funds. The Committee felt that the General Stabilization Fund should have about 3% of amount of the operating budget in it, or \$4.6 million. The Capital Improvement fund is for capital equipment and building work less than \$250K. It has been funded with the proceeds of equipment sales. The identified funding seems to make sense. The Capital Facilities Fund was used recently for funds for the High School, and Town Meeting was told it would be a priority to reinstate those funds, and the Committee feels that it is important to make good on that promise unless there is an overwhelmingly compelling reason not to. The Athletic Facilities Fund has identified purposes. The Debt Service Stabilization Fund is planned for additional operating needs for full-day kindergarten and public safety staffing but could be used for other purposes.

He stated that he was comfortable with the \$1.9 million proposed in the warrant for the DSSF and the CIF appropriation but not necessarily the appropriation for the CFF. Mr. Davison requested that the Committee defer a vote on the CFF and the DSSF because they will change. He needs to seek guidance from the Select Board before knowing what changes will be proposed. Mr. Reilly stated that the Committee could vote the AFIF and the CIF, but that would mean that more would not be added to those funds. Ms. Fitzpatrick stated that more funds could be added in the Special Town Meeting warrant. Ms. Miller stated that it is important that the Town does not go back on its word to Town Meeting and add less to the CFF. Mr. Davison stated that the only funding source is free cash.

MOVED: By Ms. Miller that the Finance Committee recommend adoption of 2018 Annual Town Meeting Warrant Article 43: Appropriate to Capital Improvement Fund in the amount of \$141,413. Mr. Lunetta seconded the motion. The motion was approved by a vote of 7-0.

MOVED: By Ms. Miller that the Finance Committee recommend adoption of 2018 Annual Town Meeting Warrant Article 42: Appropriate to Athletic Facility Improvement Fund in the amount of \$63,378. Mr. Jacob seconded the motion. The motion was approved by a vote of 7-0.

“Recommendation at Town Meeting”

MOVED: By Mr. Jacob that the Finance Committee’s position be recorded as “Recommendation at Town Meeting” in the 2018 Annual Town Meeting Warrant for all articles that have not yet been acted upon. Mr. Lavery seconded the motion. The motion was approved by a vote of 7-0.

Finance Committee Updates

Mr. Reilly stated that the Select Board had a public hearing regarding the proposed stormwater by-law. He stated that most commercial properties already adhere to it, so the biggest effects will be for residential properties. He stated that 84% of properties can handle their own stormwater infiltration on site which would add a cost of \$3,600 to new projects. He stated that 8% of properties are within 100 feet of the storm drains and could link to those for \$3,500 average cost. Ms. Miller asked if the regulation would allow the Town to charge fees. Ms. Fitzpatrick stated that there would be fees per cubic foot of inflow. Charges for infiltration will be a different action. This bylaw focuses on resident fees.

Adjournment

MOVED: By Mr. Lavery that the Finance Committee meeting be adjourned, there being no further business. Mr. Jacob seconded the motion. The motion was approved by a vote of 9-0 at approximately 8:40 p.m.

Documents: Capital Improvement Plan, FY2019-FY2023, Office of the Town Manager; Town of Needham 2018 Annual Town Meeting Warrant, Draft of 3-9-2018; Conceptual Cost Estimate, Rosemary Lake Dredging; Sunita Williams School Solar PV Rooftop Study Summary; Needham High School Expansion Project Budget Summary 3/16/2018 Update.

Respectfully submitted,

Louise Mizgerd
Staff Analyst