Needham Finance Committee
Minutes of Meeting of October 1, 2008

The meeting of the Finance Committee was called to order by the Chair, David Escalante, at 7:05 pm in the Selectmen's Meeting Room at Town Hall.

Present from the Finance Committee:	David Escalante, Chair Lisa Zappala, Vice Chair Scott Brightman Richard Creem	Richard Reilly Michael Taggart Richard Zimbone
Also Present:	David Davison, Assistant Town Manager /Finance Director Kate Fitzpatrick, Town Manager	

There were no public comments.

Accept Minutes of 9/3/08: Richard Zimbone moved that the minutes of the Finance Committee of September 3, 2008 be accepted as amended by the Executive Secretary. Richard Creem seconded the motion. Discussion: none. The minutes were accepted as amended by a vote of 6-0-1 (Richard Reilly abstained).

Discuss Town Meeting Study Committee Letter: Richard Creem attended one meeting of the Town Meeting Study Committee (TMSC) last year at the TMSC's request. David Escalante asked whether the Finance Committee is interested in making any further statements to the TMSC. There was a discussion of two statements made by the TMSC regarding the Finance Committee: 1. that the Finance Committee repeats much of what other boards have said in presentations to Town Meeting, and 2. whether the staffing of the Finance Committee should be augmented. The second statement was made by the TMSC in the context of adding post-audit and oversight responsibilities to the Finance Committee. The consensus of Finance Committee members was that the Finance Committee will use whatever information is necessary for the Committee to explain its rationale regarding its recommendations to Town Meeting and to make cohesive presentations; even if that means that some information is repeated. There was discussion about post-audit and oversight function of the Finance Committee.

There was a discussion of the Finance Committee staffing for the current functions of the Finance Committee. There was discussion that it would be beneficial for future Finance Committees to have the ability to hire additional staff selected by the Finance Committee.

There was a discussion of the timing of Finance Committee recommendations and the result of a survey conducted by the TMSC that Town Meeting members would like Finance Committee recommendations earlier in the Town Meeting Warrant process.

The TMSC will report to Town Meeting in the spring. The Finance Committee will invite the chair of the TMSC to the Finance Committee's first meeting in December to discuss the TMSC's proposed recommendations with regard to the Finance Committee.

Downtown Study Committee Update: There was a discussion of whether there is any fiscal impact to the Downtown Study Committee report. The consensus of the Finance Committee was to wait for some item that requires Finance Committee action before asking for a presentation from the Planning Board, Planning Department, or Downtown Study Committee.

Discuss and Vote as Appropriate all Special Town Meeting Warrant Articles:

Discussion and Vote of Special Town Meeting Articles 3, 5, and 7, respectively entitled "Fund Collective Bargaining Agreement – AFSCME/Custodians and Trades," "Appropriate for Public Services Administration Building," and "Appropriate for Facility Repairs/Newman School": Richard Creem moved that the Finance Committee make its recommendation at Town Meeting on Articles 3, 5, and 7, respectively entitled "Fund Collective Bargaining Agreement – AFSCME/Custodians and Trades," "Appropriate for Public Services Administration Building," and "Appropriate for Facility Repairs/Newman School." Lisa Zappala seconded the motion. Discussion: none. The motion passed by unanimous vote: 7-0.

Discussion and Vote of Special Town Meeting Warrant Article 1 entitled "Amend Zoning By-Law – Map Change to Center Business District": The Town Hall and Town Common are currently zoned Single Residence B. The Town Hall and Town Common are non-conforming. Scott Brightman asked that the financial impact be clarified and whether the Finance Committee needs to make a recommendation to Town Meeting. David Escalante noted that the zoning change would apply to any business that would purchase the land should the Town choose to sell it. Richard Creem stated that the Finance Committee should vote a recommendation on this Article. There is a financial impact to the Town because of the renovation of Town Hall. Without the rezoning, then some options for Town Hall would be foreclosed, including Options 1 and 4. Mr. Escalante stated that the Finance Committee has not yet voted its position on Town Hall and that the Finance Committee should take a position on Town Hall before it takes a position on this Article. Richard Zimbone stated that Special Town Meeting Article 6 is to indicate whether option 4 is the preferred option for Town Hall. Even if the Finance Committee does not recommend approval of Option 4, the Finance Committee recommended approval of Option 1 at Town Meeting last May. The zoning change is required to renovate Town Hall under Option 1 as well as under Option 4. Lisa Zappala stated that the zoning change is needed to implement the Town Hall renovation. If the Finance Committee is in favor of repairing the Town Hall building, then the Finance Committee should be in favor of this Article. Richard Reilly stated that the focus of the discussion on Town Hall should be the Article 6, the Town Hall article. Mr. Reilly thinks that the Finance Committee should recommend adoption of Article 1 to facilitate the discussion at Town Meeting of the different options for Town Hall. If the Article does not pass, then there can be no discussion of the appropriate renovation of Town Hall.

Richard Creem moved that the Finance Committee recommend adoption of Special Town Meeting Article 1, entitled "Amend Zoning By-Law – Map Change to Center Business District". Richard Zimbone seconded the motion. Discussion: none. Mr. Creem's motion passed by unanimous vote: 7-0.

Discussion and Vote of Special Town Meeting Warrant Article 2, entitled "Amend Zoning By-Law – Story, Height and Occupancy Limitations Exception for Municipal Building in Center Business District": Ms. Fitzpatrick stated that the purpose of Article 2 is to relieve the Town Hall from complying with the height limitations of the Town by-laws. In response to questions from Mr. Escalante, Ms. Fitzpatrick stated that it is possible that the new exception to the height limitations for municipal buildings could apply to buildings other than Town Hall. The Town could build another building on property in Needham Center, for instance.

Richard Creem moved that the Finance Committee recommend adoption of Special Town Meeting Warrant Article 2, entitled "Amend Zoning By-Law – Story, Height and Occupancy Limitations Exception for Municipal Building in Center Business District". Scott Brightman seconded the motion. Discussion: In response to questions from Michael Taggart, Ms. Fitzpatrick stated that the only building to which Article 2 could apply currently is Town Hall and that, if the Town were to buy another parcel of land, then a special permit would still be needed for a municipal building to be exempt from the height limitations. David Escalante asked for the definition of "municipal building." Ms. Fitzpatrick stated that she would have to get back to the Finance Committee with the definition. Richard Creem moved that the motion currently pending be postponed to a time certain, namely, to the first order of business after "citizen requests to address the Finance Committee" at the Finance Committee's meeting scheduled for October 6, 2008. Mr. Taggart seconded Mr. Creem's motion to postpone to a time certain. Discussion: none. Mr. Creem's motion to postpone to a time certain was approved by unanimous vote: 7-0.

Discussion of Special Town Meeting Warrant Article 4, entitled "Amend the FY 2009 Operating Budget": David Escalante stated that he requested that the line items be inserted to address two issues: first, the addition of crossing guards to the Police Department budget as a result of the change to the School Department transportation policy, and second, to cover the additional costs of the temporary heating and ventilation system at the Newman school. Louise Miller, executive secretary, stated that full extent of costs from the Newman temporary heating and ventilation system are not yet known. There is the additional cost from the temporary heating and ventilation system contract totaling a little more than $40,000, and the cost of tree removal totaling approximately $12,500. The work is not yet complete and so the total amount charged to the Public Facilities Department budget is not yet known and will not be known until the end of October. The amount for the crossing guards was estimated at approximately $25,000 last May. Mr. Escalante stated that there is a concern on the part of the School Department that taking any action that affects the School Department budget before the operating override for High Rock will be politically tricky. Lisa Zappala stated that the amounts are very small and questioned the need for transfers at this time. Scott Brightman stated that he did not see why any transfers should impact an override for the High Rock school.

Further Discussion of Special Town Meeting Article 5, entitled "Appropriate for Public Services Administration Building": Scott Brightman asked whether the construction of the Public Services Administration Building (PSAB) could be delayed to the Annual Town Meeting. Ms. Fitzpatrick stated that the Finance Committee requested that the design and construction of the PSAB be split into two requests. The reason the PSAB construction fund request is on the Special Town Meeting is to meet the schedule for using the PSAB as swing space for Town Hall.

Further discussion of Special Town Meeting Warrant Article 7, entitled "Appropriate for Facility Repairs/Newman School": also present for the discussion was Marianne Cooley, member of the School Committee, and James Healy, chair of the Board of Selectmen. The Article may be deferred by the Board of Selectmen in consultation with the School Committee. Lisa Zappala stated that there would need to be another Special Town Meeting to approve design funds for Newman if construction were to begin next summer. Scott Brightman asked for the contingency plan. Ms. Cooley stated that the School Department is still working on it. Ms. Cooley stated that the Town had been told by the professionals who assessed the building that the Newman school would be usable for another 50 years. Ms. Cooley stated that the question whether repairing the heating and ventilation at Newman would be a wise investment has been set aside. Mr. Zimbone stated that he would like to know the cost of doing repairs at Newman versus the cost of a new building. Ms. Cooley stated that the cost of a new building would be in the $60 million range. Mr. Healy stated that there would be further discussion about the options for Newman in November. Mr. Brightman stated that the Newman school looks great. The Town did a great job with the repair work done over the summer. The temporary heating and ventilation system appears to be working fine.

Discussion and Vote of Special Town Meeting Warrant Article 8, entitled "Appropriate to Capital Improvement Fund:" Mr. Davison stated that there are three major components to the Capital Improvement Fund (CIF) resulting in the Town's ability to appropriate $46,273 to the CIF. David Escalante asked the source of the funds that are available. Mr. Davison stated that he estimates that there will be additional revenue of approximately $400,000 over the projected revenue. Of that $400,000, approximately $350,000 will be used to replenish the overlay. The remainder can be appropriated to the CIF.

Richard Creem moved that the Finance Committee recommend adoption of Special Town Meeting Warrant Article 8, entitled "Appropriate to Capital Improvement Fund," and that the Finance Committee recommend appropriation of the sum of $46,273 to the Capital Improvement Fund. Lisa Zappala seconded the motion. Discussion: none. The motion was approved by unanimous vote: 7-0.

Finance Committee Updates: Richard Creem stated that the Board of Selectmen had voted in favor of Option 4 for Town Hall. The Town Hall Study Committee also supports Option 4 for Town Hall. David Escalante asked whether any member of the Finance Committee is interested in being appointed to the Senior Center Exploratory Committee. Richard Reilly stated that he would be interested in being on the Committee.

Discuss Facilities Financing Plan dated September 9, 2008: Present for the discussion was James Healy, Chair of the Board of Selectmen. Louise Miller presented an analysis of the Facilities Financing Plan dated September 9, 2008. Mr. Davison presented the funding proposal for Town Hall. David Escalante stated that there are many assumptions around the Capital Improvement Plan (CIP) and the funding of capital projects. There are many requests that are currently unfunded, whether they are unfunded because of a lack of funds or because of a desire to not do the projects. Mr. Escalante presented the amount of capital projects that were requested last year by department managers and the amount of those requests that was unfunded. Mr. Escalante also presented the total amount that would be required to fund all capital facilities requests in the CIP. The Town's total debt service would increase to 15%. Mr. Escalante also stated that, in looking at the Financing Plan, the Senior Center could be delayed. Richard Zimbone asked about the origin of the 3% debt service limit and suggested that the amount could be changed. There was a discussion of the 3% debt service limit and the types of projects that should be funded within the tax levy. Mr. Healy stated that the cost of projects drives the funding source. Projects that are too large to be funded within the tax levy are funded through debt exclusions. Mr. Zimbone stated that as the Finance Committee considers its recommendation to Town Meeting, the Committee needs to be able to say that the additional funds for Option 4 can be justified and that there is room for funding Option 4. Mr. Zimbone stated he would be more comfortable with a few funding scenarios having been developed. Mr. Zimbone is uncomfortable with the level of contingency in the Financing Plan and the concept of the Senior Center at $4 million that is in the Financing Plan. The $4 million is significantly less than had been discussed previously. Mr. Healy stated that there are three options for the Senior Center: 1. a shift in size and cost to make it affordable within the tax levy, 2. fundraising for additional funds, or 3. a debt exclusion. Lisa Zappala stated that capital items could be reprioritized in the future. As far as scenarios, they would need to be reasonably defined. Ms. Zappala stated that she does not see large cost items in the future that could not be funded. She is comfortable that funding the additional $2.6 million for Town Hall within the 3% debt service limit does not disrupt the capital plans for the Town. Mr. Reilly requested that there be an elaboration on the need for a large amount for contingency within the 3% debt service. Mr. Davison's assumptions about interest rates are very conservative. The Financing Plan assumes interest at 6.5%. The Town is paying in the 4% range. Richard Creem stated that the conservative approach to financing plans used by Mr. Davison is tested. Mr. Creem is concerned about the balance between present and future needs. Mr. Creem stated that some of the fiscal assumption will probably turn out to be more favorable than are in the Financing Plan, such as interest rates. Mr. Creem stated that the Financing Plan presents a worst case scenario that works fiscally. Mr. Creem also stated that 15% as the worst case scenario for the Town funding all capital facilities projects based upon requests and cost estimates to date is not such a high debt service ratio for a AAA rated community like Needham. Scott Brightman stated that part of the analysis includes assumptions about Free Cash. Mr. Brightman stated that Free Cash contributes 2% of the operating budget. The remainder of Free Cash is used for capital items. Mr. Brightman stated that the Finance Committee cannot commit to funding the Senior Center within the tax levy. Mr. Brightman agrees generally with Mr. Creem. Mr. Brightman also agrees with Ms. Miller and Mr. Healy that the Town should not request debt exclusions from the voters more than needed. In this instance, Option 4 can be financed within the tax levy. There was a discussion of the frequency of operating overrides and the impact of debt exclusions on operating overrides. Mr. Brightman stated that the Senior Center may be a project that should appropriately be funded through debt exclusion. Ms. Fitzpatrick stated that the Financing Plan includes an amount for the Senior Center that the Town could finance. Mr. Healy stated that $4 million is all that the Town can afford for a Senior Center within the tax levy. Mr. Healy also stated that if the Town cannot afford to fund the additional $2.6 million for Town Hall Option 4, then the Town cannot afford to fund other items with that $2.6 million. The Board of Selectmen and Town Manager have prioritized the Town needs and the capital projects in the CIP and in the Financing Plan.

Richard Zimbone moved to adjourn the meeting, seconded by Richard Creem. The meeting was adjourned by unanimous vote: 7-0 at approximately 9:50 pm.

Respectfully submitted,

Louise Miller
Executive Secretary