

**Needham Finance Committee
Minutes of Meeting of October 3, 2018**

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

Present from the Finance Committee:

Barry Coffman, Chair; Tom Jacob, Vice Chair

Members: John Connelly, William Doyle, Joshua Levy, Richard Lunetta, Louise Miller, Richard Reilly, Carol Smith-Fachetti

Others present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Dan Matthews, Board of Selectmen

Matthew Borrelli, Board of Selectmen

George Kent, Chair, Permanent Public Building Committee

Dennis Condon, Fire Chief

John Schlittler, Police Chief

Steve Popper, Director, Public Facilities Construction

Hank Haff, Senior Project Manager

Ken Sargent, Senior Project Manager

Citizen Requests to Address Finance Committee: No citizens requested to speak.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Reilly that the minutes of September 26, 2018, be approved as distributed. Mr. Jacob seconded the motion. The motion was approved by a vote of 7-0. (Ms. Miller and Ms. Smith-Fachetti had not yet arrived.)

Special Town Meeting Warrant Articles

Article 9 - Zoning – Public Safety Communications

Article 10 - Public Safety Building Construction

Mr. Connelly suggested that Article 9 and 10 be discussed together, as they share common issues, but to vote them separately. Mr. Coffman stated that many questions regarding the wireless towers had been answered. Mr. Levy stated that he was still concerned about whether the zoning for the wireless towers should allow all municipal uses, and not be restricted to public safety. Mr. Matthews stated that the DPW may need to use the towers, but their communications would fall within the definition of public safety. Mr. Coffman stated that there is a revised budget for the Public Safety construction project. Mr. Kent explained that he understood that the Finance Committee wanted the project budget to be less than \$70 million, so he went through everything in the \$73.745 million budget looking for possible reductions. The most flexible items were the contingency and escalation factors since they were based on assumptions. He stated that the early September budget numbers were based on 75% drawings because there was not time to wait until the drawings were 100% complete. He approached Consigli about reducing the 3% contingency and escalation, which had been determined by the architect and the

construction manager at-risk (CMR.) He stated that they agreed to reduce the contingency to 2%. The escalation was reduced by \$982K, but the marketplace is uncertain enough that they were not comfortable reducing it further. He noted that those buffers are owner's numbers, and if not needed, the funds will not be spent, and will come back to the owner. He stated that he thinks the budget is reasonable, and that the numbers cannot go any lower. He presented a list of reductions. \$617K was moved to cash capital, including FF&E (furniture, fixtures, and equipment) and fitness equipment. \$200K of IT upgrades could be pulled from the project budget, though the work does need to be done. He consulted with Mr. Davison who reduced borrowing costs from \$340K to \$278K. He stated that he also reduced the Town contingency to 6%, plus the additional amount needed to get the total below \$70 million. He stated that the net result of all of his efforts was a reduction from \$73.745M to \$69.995M. There were additional phones and AV equipment that could have been pulled out or reduced, but he felt it was not necessary. Mr. Reilly stated that the true savings, due to reduced costs rather than changed assumptions was about \$420K, in the areas such as FF&E, IT and project management. Mr. Coffman added that the reduced borrowing costs were arguably a lower cost. Mr. Kent stated that there were no other savings available, since he did not intend to reduce the scope of the project after spending a year developing a reasonable scope. He would not recommend reducing the contingency further because he does not want to come back asking for more money.

Mr. Levy stated that the Finance Committee did not discuss the project between September 2017 and September 2018, and asked about the change in scope in that time period. Mr. Kent stated that a memo was circulated describing the change in building size. He stated that the size of Fire Station #2 is essentially the identical size to the original design. He stated that the headquarters has had some significant changes, amounting to about 1900 additional square feet, which is within the normal range of change during design development. Mr. Connelly stated that there are \$600K of developer bonds, and asked why the Town is paying to protect the contractor from risk. Mr. Popper stated that it is their policy, and they require it in order to meet the guaranteed maximum price (GMP.) He stated that the GMP is a huge risk for them. He stated that such a cost would be in the design/bid/build process as well as the CMR, but it would be embedded, not a line item. Mr. Connelly stated that he struggled with that part of the budget. He stated that in this process, the Town is losing its ability to go out to bid, which has its own risk.

Mr. Reilly asked about the value engineering that was performed. Mr. Kent stated that the work was done throughout the last year. He stated that there was a working group with the architect, the Town Manager, the Police and Fire Chiefs, who made value decisions along the way, and he compiled a list of the reduced costs. Ms. Miller asked about the mitigation funds. Ms. Fitzpatrick stated that they were used in the purchase of 43 Lincoln St., and that the balance is earmarked for public safety equipment including radios, motorcycles and an off-road utility vehicle, as well as inflow and infiltration detection work (I/I.)

Mr. Coffman asked about the cost of this building compared to public safety buildings in other towns. Mr. Popper stated that there was no update of the information from 2017, but that he has recently heard that Dedham's current public safety project has a cost of \$577 per square foot while Needham's is \$585/sf. Such comparisons are not always valid as there are different ways to account for indirect costs, but the charts last year showed that Needham was in the middle in terms of cost.

Mr. Connelly stated that he supports the project, and will vote in favor, but has reservations about whether the Town has cut costs everywhere it could. This is the most expensive project

that the Town has undertaken, and will amount to \$11K for the average home owner, and he is concerned about the burden, particularly on those with a fixed income. He stated that it is possible to be too conservative. He stated that Consigli will know the final budget numbers, and will push to spend it. He thinks that there could be further sharpening of the numbers, and that he had hoped for a lower bottom line, but that time is running out. Mr. Kent stated that they are using the same process that they have used for 20 years very successfully to get the best possible estimates. He is confident that they know what they are doing, and have an outstanding track record. They have reconciled these numbers many times. Mr. Coffman noted that there will be a significant turnback on the Sunita Williams School project. Mr. Kent noted that that marketplace was very different when that project was bid. He stated that they underestimated how good the marketplace was then. He stated that this project is using a very different process as well with the CMR rather than Chapter 139 project management. This project is complex, with essentially three projects in one, and not as straightforward.

Ms. Miller stated that she is in favor of the project. She stated that the FAQ sheet for Town Meeting should make clear the real reason for upgrading the Police and Fire Stations is resulting from the growth at the New England Business Center brought about by intentional zoning changes, and the change in types of services and the number and nature of service calls. She also noted that the Town should be taking advantage of the additional revenue from the commercial growth and that should be considered when determining how to finance projects. Ms. Fitzpatrick stated that she agreed and that the Town has financed significant projects within the levy.

Ms. Miller also stated that the Town knew that the decision to combine all of the Public Safety projects together came at a cost, but that it was called for because of the level of complexity. Mr. Kent stated that he believed that if the projects were done separately, it would have cost more, not less. Mr. Popper stated that once one station was upgraded, the others would have need to be upgraded as well.

Mr. Levy asked whether the \$3.5 million for wireless communications in the construction article should be removed if the zoning article did not pass at Town Meeting. Ms. Fitzpatrick stated that the communications system needs to be upgraded, whether or not the towers are allowed. If the zoning change were to fail, a different upgrade would be pursued. Mr. Kent stated that a detailed design of the communications system will be done in January and the actual cost is not yet known. It may be higher, and would use up some contingency funds. Ms. Miller asked whether the wireless tower that will be built on DOT property will be restricted from being leased to private entities for the duration of the borrowing. Mr. Davison confirmed that that is true. Ms. Fitzpatrick stated that the Town is able to lease that property for zero cost only because it is being used for public safety. Mr. Reilly asked why the communications system cost has risen from \$2.3 to \$3.5 million. Ms. Fitzpatrick stated that the original plan had antennas attached to other structures, and now the Town needs to build monopoles.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of October 2018 Special Town Meeting Warrant Article 9 - Amend Zoning By-Law – Wireless Communications Facilities. Mr. Levy seconded the motion. The motion was approved by a vote of 9-0.

MOVED: By Mr. Lunetta that the Finance Committee recommend adoption of October 2018 Special Town Meeting Warrant Article 10: Appropriate for Public Safety

Buildings Construction in the amount of \$69,995,000. Mr. Reilly seconded the motion. The motion was approved by a vote of 9-0.

Article 11 - Emery Grover Feasibility

Mr. Coffman stated that the Finance Committee was looking for a larger scope. Mr. Kent stated that the goal is to work within the budget and get as much answered as possible, and to be able to stop studying and to move forward. Mr. Jacob stated that an evaluation of the cost of selling the property and leasing space would be helpful. There is no need to find specific available properties for lease, but the study should look at the cost of leasing and the square footage needed. Mr. Kent stated that they know the cost to rent per square foot. Mr. Haff stated that the appraisal in 2013 found that the value of the property was \$1.45 million. The old study looked at the cost of purchasing and renovating a commercial property.

Ms. Miller stated that she would vote against this article because of the process. She stated that there is a 5-year capital plan that considers upcoming projects and funding sources. This was considered high priority for CPA funding. Town Meeting wanted to look at more options so it no longer qualifies for CPA funding. Now the cost of the study is almost double, and it is being funded from the levy. It should be considered in the spring and be weighed against other projects being funded within the levy. To fund this now from the levy prioritizes this project for this \$130K. She is not sure that this would have been recommended for funding now if it had originally been planned for funding within the levy. She feels that the DPW project is a higher priority. Mr. Coffman stated that the study will provide useful information about what to do. Mr. Reilly agreed that it is generally better to make these decisions in the spring. Mr. Connelly stated that the Town would have the option of spending this \$130K on other items in the spring, and this does not represent an emergency or immediate safety issue. Mr. Kent stated that the condition of the building is very poor. Mr. Matthews commented that this article is not advancing next year's project, but is a project from last year being considered late. Town Meeting wanted to make sure that demolishing the building was considered, which was not possible with CPA funding. Ms. Miller asked why there are funds available within the levy. Mr. Davison stated that Town Meeting chose not to fund certain items planned for funding from the levy, and also, in the fall, there is a better understanding of the amount in the levy. Mr. Borrelli noted that the project would be delayed a year if this is put off until spring. The study information would not be available in that case until May 2020, and the construction funding would not be considered that fall, but in May 2021. Mr. Doyle asked if it would be possible to bifurcate the study and fund part with the CPA funds, and part within the levy. Mr. Davison stated that Town Meeting cannot designate CPA funds without prior approval of the CPC that is an appropriate use of CPA funds. The CPC has an annual process and the deadline has passed.

MOVED: By Mr. Lunetta that the Finance Committee recommend adoption of October 2018 Special Town Meeting Warrant Article 11: Appropriate for Emery Grover Feasibility in the amount of \$130,000. Mr. Jacob seconded the motion.

Discussion: Mr. Connelly asked where the Emery Grover project was in the Capital Improvement Plan and what the timeline was. Mr. Davison stated that the CIP for 2017-21 anticipated feasibility in 2019, design in 2020, with a construction to take place from May 2022 for 24 months, at a cost of \$13.9 million escalated to \$17 million. Then the building would open in June 2024. He stated that the plan expected 50% CPA funding. Mr. Haff stated that renovation is more complicated than new construction, and that the timing was predicated on

using the Hillside School as swing space when available. Ms. Fitzpatrick stated that items in the capital plan generally need to be known in August/September to be considered in the May cycle.

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

Mr. Connelly requested that the presentation to Town Meeting include the point that this project is being considered off-cycle.

Article 15 - Stormwater By-Law

Ms. Fitzpatrick stated that there is a proposed amendment to reserve some sections of the proposed by-law until the final details of the language can be worked out. There will still be significant provisions about discharge of pollutants into storm drains. Mr. Borrelli stated that there were last minute comments by members of the working group that some parts of the text of the proposed bylaw are not clear. Since the Town has an obligation to get a bylaw in place before June, this is the last chance. Therefore, the Town needs to move ahead with the agreed-upon language, and to reserve sections where the language is still being finalized. This will avoid unnecessary delays that could happen if it goes to Town Meeting and gets referred back. He stated that the additional language will be ready in May.

Ms. Fitzpatrick provided some history. The Town got its first NPDES permit in 2003, and was given the choice of creating a bylaw, but chose other methods of compliance. The new NPDES permit effective in 2018 requires a bylaw and good faith effort to comply. Mr. Connelly asked if the Town has gotten confirmation that the by-law being presented is acceptable to the EPA. Mr. Matthews stated that the Town has reported that it will present a bylaw to Town Meeting for its consideration as evidence of good faith efforts to comply. Mr. Lunetta asked what the cost could be if this were challenged. Ms. Fitzpatrick stated that they were threatened with a \$25K per day fine for another issue. Ms. Miller stated that by enacting a bylaw, the Town is in compliance with that requirement, so there is no new violation, but there is ultimately the responsibility to reduce phosphorus in the water. Ms. Fitzpatrick stated that the Town is required to reduce phosphorus by 40% in 20 years, which cannot be done. They are filing a plan to get there in 40 years, and will see what happens. Mr. Jacob asked if the Town is in compliance if the bylaw is presented but does not pass. Mr. Matthews stated that would mean a greater level of exposure.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of October 2018 Special Town Meeting Warrant Article 15 Amend General By-Law – Stormwater By-Law, as amended. Mr. Jacob seconded the motion.

Discussion: Mr. Levy asked if the draft regulations have changed. Ms. Fitzpatrick stated that they have not changed, but they are still preliminary because they need to mirror the bylaw, and parts are being worked on.

VOTE: The motion was approved by a vote of 9-0.

Article 16 – Amend General By-law / Non-Criminal Disposition

Mr. Jacob asked why there is a 15-day waiting period before the fine kicks in. Ms. Fitzpatrick stated that this gives people the opportunity to cure the problem. Mr. Reilly stated that the fine

could be made retroactive if not cured in 15 days. Mr. Matthews stated that the goal is not to bring in revenue, but to encourage people to act in good faith. Ms. Fitzpatrick noted that the guts of the bylaw will be enforceable through the granting of or refusal to grant, a permit, which is strong incentive.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of October 2018 Special Town Meeting Warrant Article 16 – Amend General By-law / Non-Criminal Disposition. Mr. Connelly seconded the motion. The motion was approved by a vote of 9-0.

Collective Bargaining:
Article 3- Fund Collective Bargaining Agreement ITWA

Ms. Fitzpatrick stated that the terms are as discussed previously. ITWA has about 50 members. The overall growth rate is about 4.1%, assuming no staff turnover and no savings from retirements. There is a 3% wage increase to take place on 11/1/18.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of October 2018 Special Town Meeting Warrant Article 3- Fund Collective Bargaining Agreement Independent Town Workers' Association. Mr. Lunetta seconded the motion. The motion was approved by a vote of 9-0.

Finance Committee Updates

Mr. Levy stated that he received positive feedback for specifying the Finance Committee's vote in a presentation to Town Meeting, and suggested that others do that as well. Ms. Miller stated that there are no minority opinions, and that the Committee takes one position. Mr. Reilly stated that typically, the members say either that the vote was unanimous, or simply report the Committee's position with further qualification. Mr. Jacob suggested that if the question is directly asked, the vote should be told. Members noted that it is important that various considerations be addressed, but that the vote count did not need to be reported at the outset. Mr. Levy stated that the vote is a good way to summarize how people felt. Mr. Coffman stated that the number does not necessarily reflect the spirit of the discussion, and could be potentially misleading. Mr. Reilly noted that the Moderator feels strongly that the Committee has one position. Mr. Levy noted that saying the vote is unanimous has the same effect as any mention of the vote. Mr. Coffman stated that he felt that members that members could go either way in their presentations.

Adjournment

MOVED: By Mr. Jacob that the Finance Committee meeting be adjourned, there being no further business. Mr. Reilly seconded the motion. The motion was approved by a vote of 9-0 at approximately 9:00 p.m.

Documents: October 10, 2018 Special Town Meeting Warrant; Kaestle Boos Memorandum – Needham Public Safety Projects: Regarding HQ and FS2 Building Area Increases, dated

September 20,2018; Emery Grover Feasibility Study – 2018 Draft BD&C Budget 10/2/2018;
Value Engineering Considerations (Public Safety) September 13, 2018; Needham Public Safety
Project FAQs October 2018; Communications Systems Costs; Needham Combined Public Safety
Projects CD Level Opinion of Probable Cost, Kaestle Boos, September 18, 2018; October 2018
Special Town Meeting Motion to Amend Article 15; Opinion of Probable Cost (OPC)
Adjustments, 9/18/2018.

Respectfully submitted,
Louise Mizgerd
Staff Analyst

Approved October 1, 2018