

**Needham Finance Committee
Minutes of Meeting of October 15, 2008**

The meeting of the Finance Committee was called to order by the Chair, David Escalante, at 7:10 pm in the Selectmen's Meeting Room at Town Hall.

Present from the	David Escalante, Chair	Richard Reilly
Finance Committee:	Lisa Zappala, Vice Chair	Steven Rosenstock
	Scott Brightman	Michael Taggart
	Richard Creem	Richard Zimbone

Also Present: Kate Fitzpatrick, Town Manager
Denise Garlick, member, Board of Selectmen (departed 8:45 pm)
James Healy, Chair, Board of Selectmen (arrived 8:45 pm)
Steven Popper, Manager of Construction Division, Public Facilities
(arrived 9:15 pm)
Richard Merson, Department of Public Works Director (arrived 9:15 pm)
David Davison, Finance Director – Assistant Town Manager
(arrived 9:15 pm)

There were no public comments.

Acceptance of Minutes of Prior Meetings: Richard Reilly moved that the minutes of the Finance Committee meeting of October 1, 2008 be accepted as amended by the Executive Secretary. Richard Creem seconded the motion. Discussion: none. The minutes of the Finance Committee meeting of October 1, 2008 were accepted by a vote of 7-0-1 (Steven Rosenstock abstaining).

Michael Taggart proposed that the minutes of the Finance Committee Meeting of October 6, 2008 be amended on page 2, to replace the third sentence from the end of the first paragraph with: "Michael Taggart stated that internal School Department memoranda on the subject of transportation options assumed that the increased transportation fees would cover costs of additional crossing guards." Richard Zimbone moved that the minutes of the Finance Committee meeting of October 6, 2008 be accepted with the amendment proposed by Mr. Taggart. Richard Creem seconded the motion. Discussion: none. The minutes of the Finance Committee meeting of October 6, 2008 were accepted with the amendment by a vote of 7-0-1 (Richard Reilly abstaining).

Discussion and Vote of Special Town Meeting Warrant Article 6, entitled "Town Hall Historic Preservation": There was a brief discussion of the proposed financing plan dated September 9, 2008, the level of funds left for contingency under the plan, what can be reasonably assumed for Free Cash in the coming years and the consequences of funding for capital items based on the Free Cash assumptions. Kate Fitzpatrick stated that only three capital items are shifted from debt to cash in the financing plan based on Free Cash estimates. Lisa Zappala stated that a drop in revenue could cause Free Cash to drop below the \$4 million being projected and possibly below \$3 million or \$3.5 million. The financing plan is very optimistic in setting aside very little contingency funds. Scott Brightman stated that energy

costs should be expected to moderate. Richard Zimbone stated that the Town Hall debt cannot be rescinded even if CPA is rescinded in Needham. By approving CPA funds beyond the amount of cash currently in CPA accounts, the Town is approving the continuation of funding for the Town Hall debt. The prioritized capital projects are the Senior Center, Town Hall and the DPW building. The Financing Plan assumes \$4 million for the Senior Center, which leaves the Town with no contingency. \$4 million for the Senior Center may or may not be adequate funding. Steven Rosenstock stated that the Senior Center was planned to be funded through an override until the most recent financing plan. Mr. Rosenstock stated that the Senior Center funds are really the Town's contingency. David Escalante stated that the Finance Committee should be careful in its review of the financing plan. The question that was asked is whether there are any funds available to finance a Senior Center. From the financing plan, \$4 million may be available. This should be reviewed in light of the most recent estimate of a Senior Center costing \$8 million. Richard Reilly stated that, in looking at the funding for the Senior Center, two questions need to be answered: would \$4 million be sufficient for a Senior Center and will the \$4 million assumed in the financing plan truly be available.

The Finance Committee reviewed a history of Free Cash, and the assumptions of how much Free Cash can be expected on an annual basis. Ms. Zappala stated that a couple of lean years for Free Cash will impact the capital plan. Ms. Zappala also stated that the financing plan assumes that the Town Hall renovated with an open second floor is a higher priority than additional funding for a Senior Center without an override. Mr. Rosenstock stated that the Town Hall should be a building that houses Town government and functions properly. Option 4 for the Town Hall achieves these goals and is the right building for the Town Hall. Richard Creem stated that the Capital Improvement Fund was created to account for variability in funding for cash capital. Mr. Rosenstock suggested that excess Free Cash above \$4 million should be placed in the capital funds, with the understanding that funds will be appropriated if Free Cash falls below \$4 million. Mr. Brightman stated his concern that capital funds would be over funded, leaving future generations to raid the funds. Mr. Brightman stated that had Option 4 been presented to the Finance Committee before the 2008 Annual Town Meeting, then Option 4 would have been the preferred option. Since the 2008 Annual Town Meeting, additional information about the lack of scalability of Option 1 has been provided to the Finance Committee. Mr. Brightman believes that Option 1 would, therefore, be a mistake. Option 4, for an additional \$2.7 million is scalable, and, therefore, a better option. Michael Taggart stated that he had never thought that Option 1 would meet the Town's long-term needs. Option 4 better meets the Town's needs. Mr. Zimbone stated that the Finance Committee needs to be clear in its message to Town Meeting what the consequences of funding an additional \$2.7 million out of the debt service within the tax levy. Ms. Fitzpatrick stated that the Board of Selectmen is not asking for a commitment from the Finance Committee for the funding of a Senior Center. Ms. Miller stated that the funding for a Senior Center within the tax levy could be accommodated if the project is funded later than proposed in the Financing Plan. Ms. Miller also stated that it is unlikely that the Senior Center can be planned and funded within the time frame envisioned in the financing plan. Mr. Escalante stated that assuming \$3.5 million of Free Cash would be a better assumption in the financing plan.

Mr. Brightman asked whether the questions about the HVAC system requirements for the second floor of the Town Hall had been resolved. Mr. Rosenstock stated that the HVAC needs to be adequate for 350-person civic uses of the second floor. If performances are envisioned for the space, then there is a need for other acoustical items. Mr. Rosenstock stated

that Town Meeting member Michael Niden stated that there would be fundraising for additional acoustical items.

Richard Creem moved that the Finance Committee recommend approval of Special Town Meeting Warrant Article 6, entitled "Town Hall Historic Preservation". Richard Reilly seconded the motion. Discussion: none. The motion was approved by unanimous vote: 8-0.

Discussion and Vote of Special Town Meeting Warrant Article 7, entitled "Appropriate for Facility Repairs/ Newman School": David Escalante stated that the Superintendent of Schools had sent an e-mail to parents with the estimated costs of repairs at Newman ranging from \$17 million to \$21 million. The cost estimates from the engineers doing the feasibility study are \$25 million to \$30 million, including modular classrooms for the Newman students during construction. Other options for student housing during construction are being looked at. Mr. Escalante stated that, from a Finance Committee perspective, different options for the interim housing of the Newman students falls into different budget categories. The Finance Committee also wants to see what different long-term uses there might be for the Newman School. Richard Zimbone stated that the Finance Committee's questions regarding the Newman School were provided to the engineering firm doing the feasibility study and that the engineering firm will be answering the questions directly. Scott Brightman stated that the possibility of using High Rock as swing space is much more realistic for FY 2009 than later years. If design funds are not appropriated at this Special Town Meeting, then construction cannot begin in June 2009. Steven Rosenstock stated that if construction work at Newman begins in the summer of 2010, then the High Rock School will have been open for one year. Michael Taggart stated that using the High Rock School as swing space would be tough. When the feasibility study for Newman was started, the earliest that construction could begin was the fall of 2009. The School Committee is comfortable waiting until 2010 to begin work. The construction at Newman would require two summers and one full school year. Mr. Brightman stated that there needs to be a contingency plan should the Newman School building not be safe before construction is scheduled to begin. If there is a contingency plan in place, then there will be more time to make better decisions. Mr. Brightman would like to know how easily Newman could be converted to a middle school in the future, even if it will continue to be used as an elementary school in the near future. Mr. Rosenstock stated that he would like to see a group other than the School Committee developing a plan to meet the school building needs, through a process similar to the Town Hall Study Committee.

Discussion re. Energy Use in the Town's Buildings: Richard Zimbone distributed his analysis of energy usage in the Town's buildings. Mr. Zimbone stated that energy usage and energy conservation programs will need to be monitored during the course of the year.

The meeting of the Finance Committee was suspended at 9:10 pm and resumed at 9:20 pm.

Discuss and Vote of Special Town Meeting Warrant Article 5, entitled "Appropriate for Public Services Administration Building": The Board of Selectmen voted to appropriate \$5,725,000 for construction of the Public Services Administration building (PSA building). Scott Brightman asked about the landscaping and the technology budgets for the project. Steven Popper stated that the Department of Public Works will be doing some of the work for the project, including paving and some landscaping. David Davison stated that the technology

included in the construction budget is only the technology required for the building infrastructure. There is no additional technology budget. David Escalante asked whether the project will include the necessary electrical outputs and data drops for the temporary housing of the Information Technology Center while the PSA building is used as swing space for Town Hall during the Town Hall construction, assuming that the Town Hall project is approved. Mr. Popper stated that it did. Mr. Davison stated that a technology center would remain in the PSA building as a redundant system. Richard Zimbone stated that use of geothermal energy is still being evaluated for the project and that a certain number of items have been value engineered. Steven Rosenstock stated that the geothermal energy use proposed for the project would have a 3 to 4 year payback. The roofing that is being proposed is a rubber membrane, which is of some concern to Mr. Rosenstock. Mr. Popper stated that the roof would be warranted for 25 years. Mr. Rosenstock stated that the Town's experience is that rubber membrane roofs last less than 25 years. Furthermore, in the past, the Town's warranty for rubber membrane roofs was not good because Town employees were on the roof doing maintenance. Mr. Escalante stated that it is not enough to answer the question of how much the building will cost to construct. The question of how much it will cost to maintain in the long run also needs to be answered. Mr. Zimbone and Mr. Escalante asked about energy efficiency in the building, and possible energy savings devices. James Healy stated that the architects considered energy issues. To the extent that certain options for green technology were not pursued, they were dismissed either because they are too expensive or they don't provide sufficient long-term value. The site also has limitations in terms of where the building could be located so that some possible energy savings options could not be pursued. Mr. Escalante stated that the additional cost of operating the new PSA building is estimated at \$163,000 in FY 2011, which needs to be planned for. Mr. Rosenstock stated that the building is not being financed through debt exclusion but that approval for the funds will be at the Special Town Meeting. The Finance Committee should make Town Meeting aware of the additional operating costs.

Scott Brightman moved that the Finance Committee recommend that Town Meeting adopt Special Town Meeting Warrant Article 5, entitled "Appropriate for Public Services Administration Building" as amended to reflect an appropriation of \$5,725,000. Richard Creem seconded the motion. Discussion: David Escalante stated that he will vote against the motion. The original financing plan proposed financing Town Hall and the PSA building within the 3% debt service within the tax levy. Since then the repairs at Newman have come up. The lowest price quoted to date for the Newman work is \$17 million. Mr. Escalante stated that there are different funding sources for each project, with Town Hall funded through CPA funds and the 3% debt service within the levy. The PSA building is planned to be funded completely within the 3% debt service within the levy. Newman will require a debt exclusion override. Mr. Escalante stated that he would like to see as much funded as possible for the Newman repairs within the 3% debt service within the levy. Mr. Escalante also stated that he thinks that the PSA building should be funded through a debt exclusion override so that voters can decide whether they want to build a new building. Mr. Escalante stated that repairs to buildings appropriately can be funded within the tax levy but that new buildings should be funded by debt exclusions. Steven Rosenstock stated that, even if \$5 million is allocated to Newman within the levy, a debt exclusion override is still needed to cover the total cost of repairs. If the PSA building is not built, then the cost of Town Hall increases by \$1 million for the cost of swing space. Scott Brightman stated that he believes that the PSA building represents an investment in the Town's infrastructure, since it houses the Department of Public

Works, an infrastructure department. Mr. Brightman believes that the Town's infrastructure should be funded within the levy. Mr. Brightman stated that the 3% debt service should be managed so that projects can be scheduled to be funded within the levy. Mr. Brightman stated that he is concerned about a partial funding of the construction at Newman. Richard Reilly stated that the implications of how to use the debt service within the tax levy and of putting the PSA building on a debt exclusion override would need to be examined. Richard Zimbone asked what would happen if the Town could not raise sufficient funds in the capital market in light of economic conditions. James Healy stated that the Town's Pro Forma statements are conservative. People still need investments and it will be another year and half to two years before the bonds are issued for this project. Mr. Reilly stated that the worst case scenario is that the costs are approved by Town Meeting and the work is postponed. Mr. Brightman's motion was approved by a vote of 7-1 (David Escalante dissenting).

The meeting of the Finance Committee scheduled for October 23 is cancelled. The next meeting is at 7 pm on October 27 at the Newman Elementary School.

Scott Brightman moved to adjourn the meeting at 10:40 pm, seconded by Richard Creem. The meeting was adjourned by unanimous vote: 8-0

Respectfully submitted,

Louise Miller
Executive Secretary