

**Needham Finance Committee
Minutes of Meeting of May 27, 2020**

The meeting of the Finance Committee was called to order by Chair Tom Jacob at approximately 7:00 pm via Zoom Video Webinar <https://us02web.zoom.us/j/85369005261>

Present from the Finance Committee:

Tom Jacob, Chair; Carol Smith-Fachetti, Vice Chair

Members: Barry Coffman, John Connelly, Joshua Levy, Richard Lunetta, Garrett Parker, Richard Reilly

Others speaking:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Dan Gutekanst, Superintendent of Schools

Anne Gulati, Assistant Superintendent for Finance and Operations

Marianne Cooley, Select Board Member

2020 Annual Town Meeting Warrant Articles: Discuss and/or Vote

Article 32 – Citizen’s Petition - Sewer Line Extension

Proponent did not appear.

Article 14 - FY 2021 General Fund Operating Budget (School Dept.)

Dr. Gutekanst described the Schools’ response to the COVID-19 crisis. 5,700 Needham public school students are learning remotely through June 19. They have increased the number of devices (iPads and laptop computers) in use to a total of 4,100. All staff are supporting the efforts. The clerical staff is still running the business side of things, and some are reading to students or keeping in contact with parents. Van drivers are assisting with the delivery of meals to the elderly in Town. Nutrition services have provided 31,000 meals to students in the past few months. Most students are involved in over 4 hours of live interaction with teachers per week, which is higher than the 1.7 hours per week happening in other local communities. The special education students have been most adversely affected by the change to remote learning. The department has been awarded \$80K in grant funding which will be used for summer school programs for student identified as being less engaged, to provide them additional remote learning opportunities.

Dr. Gutekanst stated that he is waiting for guidance from the Commonwealth to determine when the schools will re-open. There are five task forces in Town looking at different aspects for planning the re-opening or partial re-opening of schools in the fall, in the following areas: teaching, technology, health, operations, and support services. He stated that his biggest concerns are the loss of learning, the emotional toll the separation is taking due to the school closure, and the ability of the schools to manage additional health protocols in terms of tools, time, and capacity going forward.

Dr. Gutekanst stated that the Department had expected to request a large transfer from the Reserve Fund to cover a previously projected budget shortfall. However, they have been able to

stave that off and will end the year with surplus funds. He stated that this was accomplished due to several measures. After in consultation with the School Committee in January, the School Department implemented a frost on the budget, and allowed the hiring of only essential staff members, and leaving vacancies in a number of positions, including an administrative assistant and a technology assistant. They also held back on some services to save money. The changes due to COVID-19 also saved money on services and supplies and avoided some out-of-district tuition costs and transportation costs. At this point, they anticipate that there will be over \$1 million left at year-end. He stated that he will recommend to the School Committee that they use these funds to prepare as they move into next year. He stated that they do not have newly identified costs that are outside of the budget such as unexpected tuitions, and they feel that the FY21 voted budget will fund the FY21 needs. The surplus FY20 funds will be used to provide additional services to catch up from the negative effects of the school closure, or to fund changed needs such as additional buses if there is a need to have fewer riders per bus. Each additional bus costs \$80K per year. He stated that there is uncertainty about the state budget for FY21 which may affect School aid.

Dr. Gutekanst stated that they are also planning to seek savings in FY21. They will start the fiscal year on July 1 holding off on the performance budget expenditures, and will not add staff or other positions that are not needed to open the schools. They will wait until the October Town Meeting before considering changes to the FY21 operating budget so that they can better understand the state budget and other available resources, and also to better understand what is needed to meet student needs. He stated that enrollment is expected to increase by 65 students next year. They have received \$80K in grant funding which will be used for summer school.

Dr. Gutekanst stated that they had successful negotiations with 5 employee groups and have almost wrapped up the collective bargaining agreements. Over the next 3 years, the average annual COLA will be 1.4%.

Ms. Gulati addressed the technology budget. She stated that they are trying to be flexible with resources, and are thinking about what students will need in hand for the summer and/or the coming school year. She stated that they have received money through the Municipal CARES Act to provide laptops for elementary schools. Mr. Connelly stated that he would like to schedule a school liaisons meeting in the next 2 weeks to discuss the \$81K of CARES funds, as well as the \$1.2 million from FY20 to be used for FY21. He asked whether the CARES funds would go directly to the schools to be used just for the summer. Ms. Gulati stated that it would. He asked what specific lower costs led to the \$1.2 million surplus. Ms. Gulati stated that it is based on three numbers: (1) they had previously believed that they would spend all or more than the budgeted amount for special education tuitions, so they held back on spending, saving \$420K; (2) they saved \$255K by not filling vacancies for administrative and technical staff; and (3) they achieve approximately \$500K of savings from having remote learning due to COVID-19, because the spring athletic season was cancelled and there were no coaches hired, and no substitute teachers were needed, and they did not fill vacant positions or pay for any professional development. In response to a question from Mr. Connelly, Ms. Gulati confirmed that there were approximately \$700K of spending holdbacks and \$500K of COVID-19 related savings.

Mr. Connelly requested a tracking of the how the \$1.2 million will be spent after 7/1/20 and will be applied to the components of the FY21 budget. He stated that he wanted to understand the operating expenses of FY21 in preparation for working toward the FY22 budget.

Mr. Coffman stated that as he understood it, they plan to roll \$1.2 million forward from FY20, and they will use some to re-assess needs, and then will determine how remaining funds will be used in October when they know the needs better and have seen where the state budget lands. Ms. Gulati confirmed those plans, and stated that they will need to know not only the amount of state school aid, but also the amount of special education circuit breaker reimbursement. Mr. Coffman asked if they would be coming back to Town Meeting or the Finance Committee once they have re-assessed needs, or whether the funds would be in an account without Finance Committee review. Dr. Gutekanst stated that the School Committee has always worked collaboratively with the Finance Committee and Town Manager to address the School budget, and they expect to do the same. He hopes to address the School Committee in July to tell them how the schools will look in the fall. If the plans will use a significant portion of the funds, they will discuss it with the Finance Committee. He stated that they will carefully track the funds as Mr. Connelly requested. If they need more funds than appropriated in October, they will work through it with the School Committee and collaborate with others to make sure everyone is on the same page. In response to a question from Ms. Fachetti, Dr. Gutekanst stated that they are not currently planning to redirect any funds from the FY21 budget, but are planning to open in the fall, with the programs planned for FY21, and to hold fall sports, and send students to out-of-district schools as needed. Ms. Fachetti asked whether they expected lower transportation costs since parents may not want kids crowding on buses, and parents may be working from home and more flexible to drive. Dr. Gutekanst stated that they are currently holding the bus registration which will help gauge how parents feel. He hopes that people will sign up, since he feels that the buses are the safest way to get to school, though he does not yet know what the necessary public health measures will be. He stated if there are fewer riders, there will be traffic issues and an increased need for additional crossing guards.

Mr. Levy stated that 4.15 hours of live instruction per week for students may be high compared to other towns, but seems low compared to in-person classes. He would like the quality and quantity of instruction to be as close as possible to in-class. He stated that he would support shifting funding for capital requests such as the capital technology items that have a life of greater than 5 years in favor of increasing funding for digital learning. Dr. Gutekanst stated that the current plan the schools are working under had to be created and implemented very quickly. It is working well for the short term. He stated that more professional development is needed. Ms. Gulati noted that some of the capital plan is for wireless service and infrastructure needed to support remote learning.

Mr. Parker asked Dr. Gutekanst what most concerned him. Dr. Gutekanst stated that he is concerned about the lost learning and loss of social interaction. He stated that he hopes that the students will be back in school in the fall, and if they have to close the schools again at some point they will be more ready to do that. Mr. Reilly asked whether they expect a significant shift in the number of students coming from private schools into the public schools. Dr. Gutekanst stated that approximately 20% of school-age children in Needham are in private schools. The percentage has remained steady even through economic downturns, so while he does not know what will happen, he is not expecting a big shift. Mr. Reilly stated that students may be committed for school year 20-21, but noted that there could be a shift in school year 21-22. Mr. Reilly asked if they expected a shift in the use of capital technology funds. Ms. Gulati stated that there will be no changes in hardware, but there may be some tweaks. As buildings become more technologically complex, different aspects may not communicate well, so some changes may be needed such as making paging systems become part of the other building technology. They are also now including hardware for hearing impaired within the classroom AV systems, but in general,

there are not many changes in how the technology funds are being used compared to recent years.

Mr. Lunetta stated that his wife is a special education teacher and he has been impressed by how the shift to remote learning has been handled. He asked if they might accelerate the introduction of electronic devices to younger students. Dr. Gutekanst stated that they have iPads on carts for children in 1st to 3rd grades, but students do not take them home except when schools are closed or for an extended illness. Anything different would be beyond the proposed FY21 funding. Ms. Gulati stated that they will need to extend summer school for special education students because of time lost due to remote learning. They are concerned about an increased need for additional services because of what has been missed this year. Also, the FY21 assumes that \$1.6 million of circuit breaker funds will be received toward tuitions, but that is uncertain. Dr. Gutekanst stated that compensatory services are required if a team determines that a special education student did not receive what he/she needed during school. In those situations, the Town is required to provide the needed services outside of school, such as in an extended day or summer program. There is a budget of \$300K for some compensatory services, but they are concerned that this need will balloon. Mr. Lunetta asked how much special education tuition was planned and not spent in FY20. Dr. Gutekanst stated that it was \$125K.

Mr. Jacob asked for further clarification of the 3 steps that are planned in FY21 to control expenses, which have been outlined as holding back on the implementation of new programs, the purchase of certain supplies, services and also professional development which will all save \$750K. Dr. Gutekanst stated that there are 14 additional necessary FTEs in the budget, so they will be hiring those unless a position is part of the hold-back. They typically hire teaching assistants late in the summer, and this year they will reassess the needs before those hires. He stated that there is \$80K of new programming that they will hold off on. He stated that the positions that they will hire are special education and other teachers who will be needed, whether or not school is remote. Mr. Jacob asked if the \$750K covered all three categories, and Dr. Gutekanst confirmed that it did.

Mr. Jacob asked what contingency is planned if the \$1.6 circuit breaker funds are not received. Dr. Gutekanst stated that the lowest reimbursement rate has been 35%, then 50%, and the maximum, which occurred recently, was 75%. He does not expect it will dry up completely. They will have an idea of where it will come in when the state budget is approved, but the actual percentage should be known in the fall. Mr. Jacob stated that he expects to be asked at Town Meeting whether the budget should be dramatically reduced to avoid overspending. Dr. Gutekanst stated that he would argue that such measures would set the Schools back and exacerbate the problems from COVID-19. It is better to start with the well-considered budget that meets the known needs and keeps the Town ready to move into the future. The students are not going away, and the Town needs to provide the services to meet their needs. They will pause certain spending until there is more clarity about the situation, and will spend carefully and collaborate on spending plans.

Mr. Reilly asked when they might decide on whether to get laptops for primary school students. Dr. Gutekanst stated that they were considering iPads. Ms. Gulati stated that the cost would be about \$500K.

Article 21 - General Fund Cash Capital (School Technology; NPDES; Library Space Planning)

Mr. Jacob state that there were three areas of concern. There were questions about the Library's space planning study, but the funding request has been withdrawn. School Technology was just discussed. Mr. Reilly researched the NPDES proposed spending. The list provided by the DPW included only \$730K. Mr. Reilly learned that the additional \$34.5K is needed for catch basin cleaning. Mr. Reilly asked if the article is approved for a lower amount, what would happen to the funds that had been planned for this appropriation. Mr. Davison stated that, similar to when an article is withdrawn, any amount not appropriated in an article will close out to the fund balance at the end of the year, and will be available in the fall or next spring. Mr. Reilly stated that he had thought that the \$144K might be available for school iPads, but he will not pursue that idea. Mr. Davison stated that the Town Manager recommended an amendment to the Select Board to remove the funds for Library furniture and the space planning consulting, and the Board approved. The Board will make the amendment to Town Meeting.

MOVED: By Mr. Levy that the Finance Committee recommend a reduction in the funds being appropriated in Article 21 for NPDES Support Projects from \$770,500 to \$736,000, and to reduce the School Technology to \$113K.

Mr. Levy stated that it would also be prudent to reduce the School Technology appropriation in case the need is lower. Mr. Jacob asked if it would be rational to decrease the NPDES funding. Mr. Reilly stated that he opposed it, since the \$34.5K has been left off the list of projects due to an oversight. Mr. Levy withdrew the motion as it applied to the NPDES Support Projects. Mr. Davison stated that it is possible that Free Cash will not be certified in time to appropriate the funds at the fall Special Town Meeting. Therefore, if School Technology is reduced at the Annual Town Meeting, the funds may not be available to appropriate in the fall. Mr. Levy stated that it is not known how revenue might be affected, and so the Town needs to be conservative. To the extent there is no immediate need, funds should not be appropriated. He stated that there may be remote learning in the fall. Mr. Jacob asked Mr. Levy why he was focused on this item. Mr. Levy stated that, similar to situation where the Library withdrew the requests since the future is unclear, the Schools don't know what will be happening in the fall. Ms. Fachetti stated that the Library furniture is different because they need to take out chairs to provide for social distancing, so more chairs are not needed. Also, the Library space planning has nothing to do with COVID-19. The School Department is planning to open in the fall, and they need to plan for that. They may need the additional technology and furniture to be able to de-densify the classes. She would not recommend a reduction.

Mr. Lunetta stated that he thinks that there is a need. Devices on carts are not sufficient, and they said that they had a plan to buy the devices for next year. Mr. Levy stated that iPads have a useful life of less than 5 years, and would not be part of this capital request. Mr. Reilly stated that in addition, the issue about the library chairs is on the merits of spending \$2,000 per chair. In addition, the School Technology needs may be different if they are remote, but it is not likely the costs will go down. Mr. Levy stated that he thinks most costs associated with remote learning are not in the capital budget. He stated that he is looking for ways to save money. Mr. Reilly stated that effort is prudent, but if these funds are not appropriated now, there may be not access to them in October. Mr. Jacob noted that the Town has reduced the spending plan by \$4.9 million by withdrawing warrant articles, so this is conservative. He stated that the projected \$201M of projected revenue has been reduced to \$198M, and there have been corresponding reductions in expenses. Mr. Jacob stated that he agreed with the point, but feels that the Town administration has done much to save money. They cannot spend more than Town Meeting

appropriates, and are planning to spend as little as possible. He stated that he is comfortable with the level of cash capital as reduced. Mr. Levy stated that he would prefer that there is money left over to spend in October, than to have to cut.

Mr. Jacob stated that the biggest component of the spending plan is the operating budget, and to change that appropriation would require reviewing each department to avoid devastating services. In fact, some budget areas may need to increase services. He is comfortable with the operating budget as it is, and with the overall plan. Mr. Reilly noted that the number of DSR4s has been pared down, and the Committee should be ready for questions at Town Meeting. Mr. Levy presented a list of the requested DSR4s. Mr. Coffman stated this is a valid discussion, but that not enough is known yet to make such changes. Ms. Fachetti stated that it is a good list and good to convey to Town Meeting that the Committee has reconsidered the DSR4s, but she doesn't think that the Committee should recommend reductions. Mr. Parker stated that he does not think that the Committee should make changes. Mr. Reilly noted that the Committee had an extended discussion about the new maintenance positions including the custodian, and feels that in the current environment, less cleaning is not an approach that the Town will want to take. Spending could be slowed in other areas, but these positions should be funded. Mr. Levy stated that his numbers do not include benefits, and he thinks that people will raise the issue of the additional benefits costs of new positions. He noted that other Towns are furloughing staff, so it may be better to defer new positions. Mr. Reilly stated that, as Mr. Coffman indicated, they can choose to defer hiring for a position that is in the budget, but cannot hire a person not in the budget. Mr. Lunetta agreed that the Town administration will make decisions as best they can, and to tie their hands now may impair them. He would prefer to leave the budget as is, and to be ready to answer the questions that people raise.

Mr. Connelly stated that this has been a great discussion, and he appreciated Mr. Levy raising the issue, but he is impressed with, and trusts, the judgment of Mr. Davison and Ms. Fitzpatrick, and what they will do in light of COVID. He does not want to micro-manage in this manner, and feels it would set a dangerous precedent to make these changes at this time, via Zoom, where there is no opportunity for the departments affected to respond. He does not support the changes. Mr. Levy stated that he has not made a motion, only presented a template. Mr. Jacob stated that he appreciates the spreadsheet to aid in the consideration of changes to the budget, but thinks that second guessing the budget at this point is not the best approach. Mr. Coffman added that there have been \$4.9 million of adjustments. At this point, so much is unknown, and there will be a chance for further adjustments in October.

FURTHER ACTION ON MR. LEVY'S MOTION: Mr. Jacob stated that Mr. Levy had a motion on the floor that has not been seconded. Mr. Connelly seconded the motion. Mr. Levy stated that in light of the discussion and the fact that Free Cash may not be certified in time for the fall Special Town Meeting, he would withdraw his motion. Mr. Connelly withdrew his second.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of the Article 21 - General Fund Cash Capital, as amended, for a total of \$3,969,433. Mr. Coffman seconded the motion. The motion was unanimously approved 8-0 by a unanimous roll call vote.

Requests for Reserve Fund Transfers

No requests made.

May 2020 Special Town Meeting Warrant Articles: Discuss and/or Vote

Article 1 – Traffic Consulting and Engineering

Article withdrawn.

Article 2 – Appropriate for Unpaid Bills for Prior Years

Mr. Davison stated that this article would authorize the Town to pay bills for costs incurred in FY19 but not received until after the close of the fiscal year. There is a total of five invoices for pre-employment physical exams for new public safety staff. The total cost of all bills is \$6,286.50. Mr. Coffman asked why the vendor did not send them on time. Mr. Davison stated that he does not know, but this happens from time to time.

MOVED: By Mr. Coffman that the Finance Committee recommend adoption of Special Town Meeting Article 2 – Unpaid Bills from Prior Years in the amount of \$6286.50. Mr. Coffman seconded the motion. The motion was unanimously approved 7-0 by a unanimous roll call vote. (Ms. Fachetti had stepped away from the meeting.)

2020 Annual Town Meeting Warrant Articles: Discuss and/or Vote

Article 10 - Planning Consulting Assistance

Ms. Cooley stated that she was speaking for the Select Board. She stated that the Select Board withdrew the Highway / Commercial 1 zoning in favor of pursuing this traffic build-out analysis. The Town is moving forward with this in order to be ready to include these projects for funding next year. The work needs to start prior to October to be included in the public process in time for next year. She stated that part of it may be used for the Highway / Commercial 1 area, but the Planning Board is also considering Chestnut Street zoning and the Highland Ave business district from May St. to Rosemary St. which fall under old zoning laws. The funds will be able to support different zoning initiatives. Mr. Connelly asked if the Planning Board will make decisions on its own, or whether there will be input from the Select Board and the Finance Committee before decisions are made. Ms. Cooley stated that they would spend this money under the oversight of the Town Manager. They don't typically come to the Select Board or Finance Committee before using the money. Mr. Levy asked how long the funds would last. Mr. Davison stated that the funds are available until the purpose ceases to exist. The last appropriation lasted 3-4 years. Ms. Cooley stated that there was an appropriation in FY11, and a Reserve Fund transfer last year for planning consulting funds. Ms. Cooley stated the how long the funds last will depend on the scope of work, and they will be used only as needed. Mr. Davison stated that there had been a request to include consulting funds in the operating budget, and the Finance Committee recommended that the funds be requested in a financial warrant article to be able to use as needed.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of the Article 10 - Planning Consulting Assistance in the amount of \$60,000. Mr. Connelly

seconded the motion. The motion was unanimously approved 8-0 by a unanimous roll call vote.

Article 22 - Cit. Pet. Zoning - Pediatric Med. Facility in New England Business Center

Mr. Connelly stated that he continued to have questions. He is concerned about the valuation on which the PILOT agreement is based. It assumes a valuation of \$40 million, while the construction cost is over \$130 million. He would need the additional information before he could vote. Mr. Reilly stated that the real estate taxes in the PILOT agreement are based on an assumed “standard” office building. The personal property taxes are the amount a normal commercial business would be expected to generate. Ms. Fitzpatrick stated that the Town Assessor, not the proponent, determined the valuation that was the basis for the agreement, using a value of income approach. Mr. Davison stated that commercial properties are valued based on the income that they bring in. There is insufficient turnover to value a building on selling prices, so rent generation is the usual approach for commercial properties. It is consistent with the valuations of other properties in the Needham Crossing area. Mr. Coffman asked how the presumed economic impact was determined. Ms. Fitzpatrick stated that that is an analysis that the developer shows to make a point. The Town does not have empirical data about whether there will be coffee shops, etc. generated from the new use. The Town did not do its own analysis on the external economic impact, but it was not a real consideration in reaching the agreement.

MOVED: By Mr. Coffman that the Finance Committee recommend adoption of the Article 22 - Cit. Pet. Zoning - Pediatric Med. Facility in New England Business Center.
Mr. Reilly seconded the motion.

DISCUSSION: Ms. Fachetti asked if the Committee should delay the vote in light of Mr. Connelly’s interest in getting additional information. Mr. Connelly stated that he was not asking the Committee to delay, but questioned the valuation of a build-out that costs \$130 million at the selling price of \$44 million. Mr. Jacob stated that the cost of construction is not attached to the valuation, and that all commercial property is valued in the same manner. Mr. Davison stated that if this is discussed next time, people will find that this is a true assessment for the property, and uses a widely accepted method. Mr. Connelly stated that Children’s Hospital is not building this facility to rent it. Mr. Reilly noted that there is logic to the argument that the building is not going to be used for rental income, but in this case, the entity is not required to pay taxes so the valuation is negotiated. This issue here is whether this approach is reasonable. He feels that it is reasonable to use the rental value. Mr. Connelly stated that he was explaining his position, and not seeking to hold up the vote. Mr. Jacob stated that he would like to hold the vote.

VOTE: The motion was approved 7-0-1 by a roll call vote, with Mr. Connelly abstaining.

Finance Committee Updates

Mr. Jacob stated that he received a question from a citizen requesting cuts to the FY21 operating budget. He stated that he intended to explain in his presentation to Town Meeting that the Town is cutting as much as possible, and that the Committee is being prudent. He felt that the earlier discussion answered the questions. Mr. Levy stated that the opportunity for citizens to speak should be included at every Finance Committee meeting.

Mr. Coffman asked if there are any abnormalities in collections now that it is almost June 1. Mr. Davison stated that since the deadline has been extended from May 1 to June 1, the escrow companies are taking advantage and remitting the funds as late as possible. He expects that collections, once completed, will be close to collections in other years.

Adjournment

MOVED: By Mr. Levy that the Finance Committee meeting be adjourned, there being no further business. Mr. Reilly seconded the motion. The motion was approved by a unanimous roll call vote of 8-0 at approximately 9:34 p.m.

Documents: School Presentation to Finance Committee; DPW- NPDES FY21 Cost Breakdown; Proposed reductions.

Respectfully submitted,

Louise Mizgerd
Staff Analyst