

Needham Finance Committee
Minutes of Meeting of November 4, 2020

The meeting of the Finance Committee was called to order by Chair Carol Fachetti at approximately 7:00 pm via Zoom Video Webinar <https://us02web.zoom.us/j/89269748341>

Present from the Finance Committee:

Carol Fachetti, Chair ; Joshua Levy, Vice Chair

Members: Barry Coffman, John Connelly, Tom Jacob, Richard Lunetta, Louise Miller (arrived 8:30 pm), Richard Reilly

Others:

David Davison, Assistant Town Manager/Finance Director

Dan Gutekanst, Superintendent of Schools

Anne Gulati, Assistant Superintendent for Finance and Operations

Aaron Pressman, Chair, School Committee

Andrea Longo Carter, School Committee

Connie Barr, Chair, School Committee

Michael Greis, School Committee

Susan Neckes, School Committee

Steve Popper, Director, Public Facilities Construction

Hank Haff, Senior Project Manager

Don Walter, Dore & Whittier

Michele Rogers, Dore & Whittier

Jason Boone, Dore & Whittier

Joel Bargman, BH+A

Reese Schroeder, BH+A

Citizen Requests to Address Finance Committee

There were no requests to speak.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Connelly that the minutes of September 23, 2020 be approved as distributed, subject to technical corrections. Mr. Levy seconded the motion. The motion was approved by a unanimous roll call vote of 7-0. (Ms. Miller had not yet arrived.)

School Facilities Master Plan; Emery Grover Capital Project

Dr. Gutekanst stated that the School Committee has reviewed the School Master Plan and the study of the Emery Grover study and voted on options. He stated that three buildings need significant work: Emery Grover administrative building and the Pollard and Mitchell Schools. The proposed work will complete the work needed on the whole inventory of school buildings. It is very expensive, approximately \$275 million, for all of the construction and renovation work, but will satisfy the needs of the students in the district for generations. He stated that the presentations at this meeting are the beginning of the conversation. He stated that they still need

to see how this fits in with the Town's finances and the MSBA, and then it would go to the voters.

Mr. Schroeder gave a presentation describing the process of studying the Emery Grover building, including its current condition, the space needs for the school administration, and the best use of the current building. Six options were considered including options at the Emery Grover site to tear down and build all new, keep the façade with new construction, or renovate the existing building. Also considered were offsite options at the Stephen Palmer building, and at Hillside. The proposals at Emery Grover had various parking considerations, including adding a garage or having some offsite parking. Parking needs to accommodate 48 full-time employees, plus 18 transitional spaces.

Mr. Haff presented a proposed construction schedule with design funds to be sought at the May 2021 Annual Town Meeting, construction funding in May 2022, and move-in during the summer of 2025. The Hillside School building would be used for temporary space for the school administration.

Mr. Reese stated that the Option 3 of the proposals was selected as the preferred proposal, which included building a new facility at the current Emery Grover site, rotated from the existing orientation. It was chosen because it provided good natural light and was a compromise between preservation of the historical building and addressing the department needs, including parking. The garage is not being proposed. They considered the cost of renting space versus construction and found that for \$1 million per year in rent for a 20-year lease was not cost effective.

Mr. Walter presented the School Master Plan. He stated that the work began as a grade K-8 space study, and then shifted focus to Pollard and Mitchell Schools since those had the most significant needs. They reviewed the enrollment projections in conjunction with capacity and space. They developed needs assessments, and projected cost estimates. The report is being finalized, but the results have been presented to the PPBC and the School Committee. The School Committee voted in favor of the plan.

Ms. Rogers stated that they assessed all schools and found that High Rock is above capacity. The estimated cost for the proposed project at Pollard is \$40 million and at Mitchell is \$25 million. She stated that work is needed at Pollard in the meantime to keep functioning, but they need to be aware that at a certain threshold of work, requirements for accessibility and fire protection upgrades. Mr. Boone stated that they studied a wide range of options, and seven were studied with various grade configurations. There were three final options: status quo with upgrades, costing \$305M-\$318M; discontinue High Rock and enlarge Mitchell to 5 sections per grade, costing \$288M; or add High Rock as a sixth elementary school, costing \$252M-\$281M. They prepared a timeline and determined that the first option could be completed in 2032, the second option in 2022 and the third option in 2027. The third option was found to be the best, but will require partnering with the MSBA for the work at Mitchell, while the Town would handle the work at Pollard on its own.

Mr. Levy asked if it would be possible to use High Rock for swing space and then for school administration offices if the option to discontinue High Rock was pursued. He also asked for clarification if the school administration building is a top priority. Dr. Gutekanst stated that the School Committee has a responsibility to the students, but also to support the administrative staff. The school administration building is not a priority over a dilapidated school building, but

the Town has spent resources to help Mitchell, but the same has not happened at Emery Grover. He stated that the building is no longer sustainable. As an example, the furnace needs repair, and there has been no heat since March. He stated that the School Committee feels both projects need to move forward right away, and that they need to start working with the MSBA on the Mitchell project. Emery Grover will not last until 2027 when High Rock becomes available. Mr. Popper stated that it would be 2028.

Mr. Coffman asked the cost of renovating the Hillside School to meet programmatic needs after Public Safety moves out, since parking would not be an issue. Mr. Schroeder stated that they looked at Hillside in preliminary studies but with the environmental cleanup that would be needed, the cost with contingency would be \$28.6M, which was at the high end of the options. Mr. Popper stated that the Police Department will be there until early 2022. Mr. Reilly stated that he is sympathetic to the shortcomings of Emery Grover and asked if they could lease space. He added that it is likely that there will be a reset of the cost of commercial space after the pandemic, so the cost of leased space may change dramatically. Mr. Connelly also suggested considering a 5-year lease. He stated that they don't need a 20-year lease, and they should consider spaces on the other side of Route 128 that could be available for 3-5 years to keep the administration safe and warm. Dr. Gutkanst stated that they had not considered a short-term lease. He added that they do expect to fix the furnace, so that will be resolved, but many other issues remain. Mr. Haff stated that the roof is failing and the 3rd floor has been condemned, and has buckets to catch drips which need to be emptied by maintenance staff.

There was a discussion about selling the Emery Grover property. Mr. Haff stated that there are a range of values, with the highest being \$1.8 million sold (after demolition) as a site for condominiums. He stated that some of the values are negative, such as if the property is redeveloped. He noted that there is a potential oil spill on the site. Mr. Coffman asked if one of the reasons underlying the recommendation to keep the school administration on site in the renovated building would be the use of CPA funds. Dr. Gutkanst stated that the decision is based on the fact that the location near Town Hall and the Town Center is centralized among the schools, making it ideal for families and also valuable for the finance and operations functions. In addition, the Town already owns the property and the building is historical. He stated that they have not yet requested funding from the CPC, so the possibility of CPA funds was not a driver in the decision,

Mr. Lunetta asked if the school administration considered having more work done remotely and to lease more modern but smaller and possibly less expensive space. Dr. Gutkanst stated that they have not studied post-COVID needs. However, when school is in session, they need to handle many school services in person. Some things can be done remotely, but mostly, it is a business that requires in-person interactions with bus drivers and with families, including some cash transactions.

Ms. Fachetti asked if they feel that they should revisit the economic and enrollment assumptions in the Master Plan. Dr. Gutkanst stated that they will, but the next step is to start the process with the MSBA, since regardless of what the Town does, the MSBA will do their own enrollment analysis to determine what they consider a right-size project. The consulting demographer, Mr. McKibben, is now working to develop enrollment projections. Ms. Gulati stated that they can compare where they are now versus where they expected to be. Mr. Haff stated that tear-downs have not seemed to slow down during COVID, and they are often a driver of school enrollment. Dr. Gutkanst stated that there are 300 fewer students, including 70

kindergarteners that did not show up this year. Most of them will probably show up in 1st grade. Mr. Connelly suggested that this information seems to support slowing down to figure out what is happening rather than to move forward based on a pre-Covid plan and assume that everything will be back to the same place soon. Dr. Gutekanst stated that the main question is what to do next, but he is not sure that the Town should pause. The MSBA is not taking projects now, but they may soon open up to consider new projects. Mr. Haff stated that the MSBA process has slow-downs, and that it can take up to a year to be admitted. Once admitted, the Town can do more study. Dr. Gutekanst stated that the Statement of Interest (SOI) needs to be submitted early next year, and they already have all of the information needed. Mr. Boone stated that the typical deadline for an SOI is early April, though in 2020 it was delayed. Mr. Reilly asked how much flexibility is allowed, and whether they can essentially save a spot but remain open to change. Mr. Boone stated that the SOI must address one major need, but there is some wiggle room, since they have allowed some towns to explore different options. Ms. Rogers stated that a town really submits a problem to the MSBA, not a solution.

Ms. Miller commented that the School Department has been talking about the needs at Pollard for a while, and that something needs to be done, and that the conditions at Mitchell are worse. She stated that they should be ready to move forward, but the level of costs needs to be on the table. The Schools should be thinking about an SOI, but the whole capital plan needs to be discussed. Mr. Connelly agreed, noting that the study was done in a silo, considering only what is the best for for the Schools' programs and activities. However, the Town needs to come up with \$280M to fund this plan, which is well in excess of the current debt of \$150M-\$160M. This is a component of a larger whole, and needs to be considered in conjunction with other Town projects in light of the debt policies and limits. He stated that there needs to be a robust discussion before rushing to say that the Town will fund a feasibility study for Emery Grover or design funds for Pollard.

Mr. Jacob stated that the Finance Committee cannot agree to move forward with this in the next few months. He questioned what would happen if the process is started and the Town cannot afford what the MSBA finds is needed. Dr. Gutekanst stated that he is not sure, but that if the Town goes forward in good faith, and has a good reason to pull back, it should not be a problem. The Town has a good relationship with the MSBA. Mr. Walter stated that nobody truly knows what the MSBA will say. The biggest outlay to start would be \$1M-\$1.5M. They will do a study and a site visit and will look into the finances to see what the community can do. They typically want to know how it will go before inviting the Town in, rather than having the Town back out later. Ms. Gulati stated that if the funding doesn't happen or other reasons come up, but the process can stop but it cannot be delayed. If the process stops, the Town would have to start over.

Ms. Fachetti asked when Mr. Davison would prepare the next capital financing analysis. Mr. Davison stated that he will be looking at debt financing in December or January, after finishing the Capital Improvement Plan. He will need to look at cash flow and the timing of debt authorizations. The Facility Financing Plan will be updated in time for the discussions to prepare for the Annual Town Meeting. Ms. Miller stated that the SOI will need to be submitted by the School Committee with the Select Board, and they are planning to do that within the next 8-10 weeks. She stated that the Select Board has not yet seen the presentation on the proposed projects, which will prompt discussion of whether they are interested in submitting the SOI. Mr. Levy asked when the final Master Plan would be available. Mr. Haff stated that it is in the final review. He stated that the executive summary is good, but the report will have greater detail on

each building including costs for renovations and improvements, and will include needs at other schools not part of this proposed project. Ms. Fachetti thanked the participants and stated that this is the beginning of a larger conversation.

Discussion: Ms. Fachetti stated that it will be important to see the Town's long term financing plan to see where these projects fit within the context of other planned projects. Mr. Reilly stated that the School Department has been talking about the problems at Emery Grover for a long time, and that there needs to be an action plan to address the needs. Mr. Connelly pointed out that the charts presented showed that Mitchell has many needs. It is a 70-year old building, and it should be the top priority. He stated that the work should be done in a linear way, since they are not going to be able to find \$275 million to do more at once. Mr. Jacob stated that adding to the existing tax burden for residents is not tenable. Mr. Coffman stated that the peak of debt payments is in the next year or two. Mr. Reilly stated that the overall tenor of the presentation was that deferring the work is bad economically, but they would need to make an overwhelming case to do it all at once. Mr. Jacob stated that a short-term lease would be manageable to address the immediate needs for School administration.

Adjournment

MOVED: By Mr. Reilly that the Finance Committee meeting be adjourned, there being no further business. Mr. Coffman seconded the motion. The motion was approved by a unanimous roll call vote of 8-0 at approximately 9:02 p.m.

Documents:

Respectfully submitted,

Louise Mizgerd
Staff Analyst

Approved December 9, 2020