

**Needham Finance Committee  
Minutes of Meeting of September 8, 2021**

The meeting of the Finance Committee was called to order by Chair Joshua Levy at approximately 7:15 pm in Powers Hall at Needham Town Hall.

Present from the Finance Committee:

Joshua Levy, Chair; John Connelly, Vice Chair

Members: Carol Fachetti, James Healy, Tom Jacob, Richard Lunetta, Louise Miller, Richard Reilly

Others:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Matthew Borrelli, Chair, Select Board

Hank Haff, Senior Project Manager

Stuart Chandler, Chair, Permanent Public Building Committee (PPBC)

Anne Gulati, Assistant Superintendent for Finance and Operations

**Citizen Requests to Address the Finance Committee**

No requests.

**Approval of Minutes of Prior Meetings**

MOVED: By Mr. Reilly that the minutes of the meetings of August 18, 2021 be approved as distributed, subject to technical corrections. Ms. Miller seconded the motion. The motion was approved by a vote of 8-0.

**Solar Panel Proposal - Jack Cogswell Building**

Mr. Borrelli stated that, at a recent committee chairs/vice chairs meeting, he raised the issue of adding solar panels to the Jack Cogswell Building. There is \$2 million left in the project budget. Since this issue was not raised when Town Meeting voted the funds, the proposal should be brought to Town Meeting before proceeding. He wanted to review the project and the costs and benefits with the Finance Committee. Mr. Chandler stated that the PPBC has been doing a number of building projects lately, and has been considering solar arrays for various projects. He stated that there is a solar array at the RTS, and that the Sunita Williams School also has solar panels. He stated that adding solar panels to the Jack Cogswell Building provides the Town an opportunity to feed solar energy back to the Town, and to provide an electric vehicle charging station. He stated that the PPCB strongly supports this.

Mr. Haff provided three handouts. He stated that 90% of the energy produced could be net metered back to the grid. It would be credited back toward use at other meters, and not provide cash, but the amount should be sufficient to cover the energy needs of all other buildings on the RTS site. He noted that the estimates for the solar array at the RTS were low, and that the actual cash benefit has been 34% higher. He stated that the slides focus on the best case scenario, which is still realistic. He noted that the worst case scenario still breaks even. The conservative approach, which is between the other two, has a positive cash flow for the Town. Mr. Levy

asked if the forecasts have been changed since the discussion about the project in 2020. Mr. Haff stated that the Town would now have to participate in capacity block 5 under the SMART program, having missed the opportunity for block 4, so that reduces the value of solar incentives. Mr. Levy asked which year would have the revenue be higher than the debt payments, since he would like to see an early benefit. Mr. Haff stated that they did not look at that factor. He stated that if the project were done as strictly cash capital, the payback would be in 11 years, and the following 15 years would all be net revenue. He noted this project will cost approximately \$650K, depending on the bids. He stated that the remaining \$2 million in the project budget is debt capacity, so those funds have not been borrowed. Mr. Connelly noted that only \$650K would need to be borrowed. He asked for a breakdown of the \$650K costs (shown on the slides as \$646,400.) Ms. Fachetti commented that 11 years seems like a long time for payback. Mr. Haff stated that there will be a positive cash flow from the start if the funds are borrowed.

Ms. Miller suggested a public/private partnership like at the RTS, so the Town would not have to own or maintain the solar array, whatever happened, and so there can be a guaranteed minimum output. Mr. Davison stated that the Town did not tell bond counsel that there was a potential for private involvement, and since this is tax exempt debt, that would violate tax laws. Mr. Reilly asked if there could be a “new” borrowing that is not tax exempt so the Town would not have to commit as much capital. Mr. Davison stated that could be done, noting that the interest premium for taxable debt is very small. Mr. Levy asked if it would be possible to provide a comparison of the costs and benefits of the project with a public/private taxable debt versus an all public project with nontaxable debt.

Ms. Miller asked about the project timeline. Mr. Chandler stated that they have taken some steps to hedge against losing ground, but by October will need to commit to the project or lose the current position. Mr. Haff stated that they have signed an interconnection agreement, which they can back out of, and need to make a design payment of approximately \$7500. Once the design work begins, that payment is nonrefundable. The following step would be a payment of \$22K which means they are committed to the project. He stated that they hope to issue the bid documents right after Town Meeting, and to begin construction by February 2022. Mr. Levy asked if the Facility Financing Plan assumed that the \$2 million additional project funds were used. Mr. Davison stated that he assumes that all authorized debt is fully expended. If that \$2 million is rescinded, and \$650K is issued, there would be a net reduction in outstanding debt.

Mr. Reilly asked if they could show the ecological benefit as well as the cost and benefits of the project. Mr. Chandler stated that the impact ecological impact per panel is the same if there are more or fewer panels. Mr. Connelly agreed that the Town should aspire to having more solar energy. He feels that since there has been success with the solar project at the RTS, the Town should use the same model. He is not convinced that the Town should take on the whole project alone.

Mr. Levy noted that the next payment is needed on October 13, but Town Meeting is not until October 25. Mr. Haff stated that the PPBC has funds to pay the next payment. If they think that the payment is important to keep the ball rolling, they will make the payment. If the Town backs out of this payment, the project will drop to a lower level of SMART program payments. Mr. Chandler stated that they made an initial payment to hedge in order to keep the higher SMART payments. Mr. Healy expressed concern that, although it was a small amount of money, the Finance Committee did not know about the payment. He suggested the PPBC or BOS inform the Finance Committee of such spending. Mr. Chandler stated that the PPBC is very careful with

Town funds, and thought it was prudent to pay the sum to keep the project going. Ms. Miller recommended that if the Select Board has a goal of increasing solar, solar should be included at the start of building projects so the solar aspect is considered when the project is presented to Town Meeting.

### **NUARI Vision Statement**

Mr. Levy stated that the Select Board has asked all boards and committees to adopt the NUARI Vision Statement, Guiding Principles, and Intentional Practices. He stated that the vision statement is meant to change the way the Town does things. For example, it states “The town will take proactive measures to support a more racially and economically diverse and inclusive population...” The Finance Committee already supports measures such as the Property Tax Assistance Program that help with economic diversity. He hypothesized that further measures to promote these principles in housing would likely focus on either incentivizing the building of additional housing, or incentivizing potential future residents who bring greater diversity to move to town as current residents choose to leave town. Mr. Levy added that in the latter situation, he envisions potential conflicts between the needs of current residents with the Finance Committee’s goal of working on behalf of residents.

Mr. Healy stated that he does not agree with certain aspects of the statement, and does not support the Finance Committee adopting it. He explained that there are several statements in the Vision Statement and Guiding Principles that assume facts not demonstrated, and that he has lived in Needham almost his entire life he does not believe certain of the inferences and presumptions fairly or accurately apply to what he experienced and observed living in the Town for over 54 years. He agrees that the Town, like all towns, can and should strive to make improvements in racial equity and diversity, but that the Resolution goes well beyond those important goals. He also pointed out he feels that the document appears to suggest that the Police Department treats people of color unfairly, and he does not agree with that sentiment. He also noted that the Resolution does not at this time have a financial impact. He stated if there were a warrant article related to this Resolution, he would be able to better evaluate it. Mr. Levy stated that he feels that the statement does have a financial implication, since a budget is a value statement. Mr. Connelly stated that he is happy to consider budget items and proposals of how the Town spends money in light of the statement, but does not feel it is the Finance Committee’s role to adopt broad principles. As an appointed member of the Finance Committee, he will not support adopting this statement. Ms. Fachetti stated that she is always careful to make the distinction that the Finance Committee is appointed not elected. While the vision statement is an important statement, it is not the role of the Committee to adopt a policy statement, but rather to consider costs.

Ms. Miller stated that she is concerned that the vision statement could be revised or later abandoned. She stated that it is not the role of the Finance Committee to agree or disagree with the Select Board policies. The Finance Committee can be made aware of policies, but should not be part of setting policy. Mr. Lunetta stated that he has great respect for those who put together the statement. As a private resident, it is fine to bring things before the Finance Committee that reflect these policies, but the Finance Committee should judge proposals on the merits. He agrees with what they are saying, but the vision statement is not the Finance Committee’s role.

Mr. Jacob stated that he agreed with the vision statement, but questioned how the choice of either adopting or not adopting the vision statement would affect the Committee’s decision making. Mr. Levy stated that most of the vision statement is a policy position, but did feel that it could

create a conflict where the interests of current residents differed from the interests of potential residents. Mr. Jacob agreed that the Finance Committee's role is not as a policy-maker, though he recognizes the priorities are set in the budgeting process. He feels that the Committee should not take a position on the vision statement. Mr. Connelly agreed that the Committee should not take a position. Mr. Reilly stated that the statement seems too abstract for the Committee to weigh in. He felt that the Committee members should be conscious of whether proposals might have an adverse impact on certain groups, but he does not think the Committee should play an active role.

Mr. Levy stated that a budget is a value statement reflecting policies. Mr. Healy stated that he disagreed. The budget reflects where money is needed. He further stated that the Finance Committee's deliberations and decisions on spending requests should not seek to advance a particular agenda but rather whether the request is in the best interest of the Town's taxpayers. Mr. Lunetta stated that the Committee is careful in its decision-making and how these decisions affect people, and he feels that this is being done anyway. Mr. Healy agreed that the Committee makes careful decisions and will continue to do so regardless of whether this statement is adopted. Mr. Levy stated that the Committee seems not ready to take a position. Mr. Healy stated that he feels that the Committee does not wish to take a position at all. Mr. Jacob stated that he is open to consider it in the future. Mr. Healy stated that he does not close his mind to anything, and that it can be reconsidered, but not now.

Mr. Reilly raised the concern that not taking a position might be sending some kind of message. Ms. Miller stated that the Finance Committee is in the legislative branch, not executive, and she does not understand why the Committee was asked to vote. Mr. Levy stated that Town Meeting has already voted to adopt it in a nonbinding resolution, and the Select Board asked all boards and committees to take a position. Mr. Connelly stated that he felt no further action was needed by the Committee. Ms. Miller noted that once the Select Board voted to support the statement, it became the executive policy of the Town.

### **Facilities Financing Plan**

Mr. Davison stated that the plan looks at capital projects for the next 10 years in order to provide information so that the Facility Financing Working Group could see the effects of the proposed capital projects on the debt policy and on the tax payments of the average single family homeowner. He described the underlying assumptions in the plan including that all debt projects will be funded exclusively with debt, and will borrow the full authorized amount. He used the School Department's timelines, and made assumptions about the interest rates and the length of borrowing. The interest rates used are conservative but not impossible, starting at 6% for borrowing in the next 18 months, and 7% after that. He assumed the MSBA reimbursement rate to be 20% although the Sunita Williams School rate was about 30%. He assumed that excluded debt would be paid for through a single tax rate, rather than a split rate with a higher rate for commercial properties. The plan shows different scenarios for different rates of revenue growth. Greater revenue growth means that more debt would be available as part of the 3% debt policy, but the converse is true as well. He looked at different interest rates to see how the excluded debt would affect residential taxpayers. Mr. Levy noted that the Reserve Fund transfer in August to expand the school master plan was a reflection of concerns about what is shown in the facility financing plan. He stated that the additional study will look at new scenarios from the School Committee and asked if the Finance Committee could also request different scenarios. Mr. Davison stated that for each scenario he would need the timeline for different projects, the

assumed cost, and whether the projects are MSBA eligible. Mr. Levy asked about the projects included in the plan. Mr. Davison stated that he looked at DPW and Emery Grover, plus smaller projects in the capital plan to be funded by debt including firefighting equipment, a project at Cricket Field (the cost of which he thinks is understated), and some sewer and water projects.

Mr. Jacob stated that page 10 showed the amount of excluded debt and where it came from, but Emery Grover is not listed. Mr. Davison stated that the amounts show the additional taxes due to excluded debt. He stated that the Emery Grover project is not proposed to be funded with excluded debt, but rather to be funded within the 3% debt limit in the operating budget, plus \$6 million of CPA-funded debt. He noted that debt service from existing projects will be decreasing. He stated that the difference in scenarios C and D are a result of the different timelines and the different costs for Mitchell and Pollard projects depending when projects start.

Mr. Reilly commented that page 2 shows a substantial amount of debt that has been authorized but not issued for several years. He asked if this debt is expected to be issued. Mr. Davison stated that it depends on timing issues. Some funds have not been borrowed yet because the projects are just beginning or still ongoing, including the additional debt for the Public Safety building and the water system improvements. Some will not be borrowed. He stated that he anticipates that the PPBC will close out the Memorial Park project soon, but at most there will be about \$38K to rescind. Mr. Reilly asked if the Cogswell Building was only 1/3 finished since there is 2/3 of the authorized debt left. Mr. Davison stated that the Town is legally required to spend any cash appropriated before it can start borrowing. He stated that \$1.2 million has been borrowed and there is still more than \$2 million authorization left to borrow or be closed out, depending on the proposed solar panels. Mr. Levy stated that the facility financing conversation would continue. Mr. Davison stated that the plan is meant to provide some information for discussion not to make any particular recommendation.

### **Town Manager - Budget Consultation**

Ms. Fitzpatrick stated that she comes to the Committee annually to consult before issuing budget guidelines. She noted that the current budget assumed no supplementary appropriation for Covid-related costs despite some increased demands for services, and that all costs have been absorbed with current resources and with grant funding. She noted that there are four labor agreements coming up: the Fire union has not settled for FY21, and the Police, Police superior officers and DPW have not settled for FY22. She stated that they need to accept the new classification and compensation which has no cost of living increase, but has new salary schedules. She stated that there were no COLAs for management for FY22. She stated that there have been questions about the impact of the post-Covid world, but most of Town staff is not office workers, so movement toward remote work does not have as much impact as other businesses. Mr. Connelly asked how demands have changed with Covid. Ms. Fitzpatrick stated that there has been increased demand for youth mental health and behavioral health services, and also for engineering projects, with additional management needs.

Ms. Fitzpatrick stated that at a recent chairs meeting, there was a discussion about the use of ARPA funding. The Town will be getting about \$3 million from the state and \$6 million from the county, with about 2 years to spend the funds. She stated that the funds are not subject to Town Meeting appropriation. The Select Board has the authority to spend the funds, but will seek the support of the Finance Committee. She stated that there also are some major federal

infrastructure funds may also come to Town. The Town has wish list ready if funds do become available.

Mr. Reilly asked if the Town is still having hiring and retention issues that are often mentioned in the budget process. Ms. Fitzpatrick stated that there are still such issues, and that they are making efforts to attract early career employees. She stated that early career staff now tend to be less interested in overtime. She stated that the biggest areas of turnover are in the DPW, particularly custodians. Mr. Healy asked if there has been any positive financial impact of remote work. Mr. Davison stated that remote work has actually been more expensive because of additional technical needs, mostly due to needing more laptop computers. He stated that they hoped to be able to recruit more people with a new remote work policy but there seems to be no tangible difference. Ms. Fitzpatrick stated that the Town does not have enough people working remotely that people are sharing desks. She stated that there is not much savings because the Town has to keep buildings open. Many office positions are public facing and cannot be remote. Some analysts or administrative assistants can work remotely, but not many people.

Mr. Connelly stated that it will be useful to know how Town facilities are being utilized as the Committee looks at the next capital projects, including when buildings are open, how many people work there, how space is being used, and the allowed uses of space. He asked, for example, what would happen to the PSAB after the new DPW project. Ms. Fitzpatrick stated that the DPW project being discussed will be space where shops are and things are built, different from functions at the PSAB.

Mr. Levy stated that he would like to pilot a Priority-Based Budgeting approach, starting the Building Department and Planning & Community Development budgets, in order to look at departmental spending beyond the standard incremental budgeting approach that focuses on DSR4 requests. He stated that if it goes well, the approach can be used for other departments in future years. Ms. Fitzpatrick stated that she is happy to help, and that the earlier that requests for information can be made, the better.

#### **Finance Director - Budget Proforma**

Mr. Davison stated that the proforma, which will include updated trends and assumptions, is not yet finished.

#### **Housing Plan Working Group – Member appointment**

Mr. Levy stated that he wished to nominate Ms. Fachetti for the Housing Plan working group. Ms. Fachetti stated that she is interested and willing, but is concerned since the group will be working on policy issues and that the Finance Committee should be looking at financing rather than policy issues. Mr. Levy stated that she could limit herself to considering financial implications of proposals, but he feels that the Finance Committee should have a seat at the table. Ms. Miller stated that it may not be possible to limit her participation like that. Mr. Lunetta stated that it makes sense to go and to participate and see if it works. He noted that the Committee has wanted to be more proactive and to avoid being presented by issues too far into the process. Mr. Connelly commented that there is the potential for a misrepresentation of the role of the Finance Committee on the working group. Ms. Fachetti stated that she will make clear that she is not representing the Finance Committee but is there in order to bring information back to the Finance Committee. Mr. Reilly agreed that the role should be as a liaison and not a representative. Ms. Miller noted that the role should not be limited in any way, but the member

should be clear that they are speaking from themselves, and not speaking for the Finance Committee.

MOVED: By Mr. Levy to nominate Carol Fachetti as the Finance Committee's Appointee to the Housing Plan Working Group. Mr. Lunetta seconded the motion. The motion was approved by a vote of 8-0.

**Updates:**

Mr. Levy asked when there will be a recap of revenue. Mr. Davison stated that it will be closer to Thanksgiving. He noted that the DOR is understaffed and slower than usual.

**Adjournment**

MOVED: By Mr. Healy that the Finance Committee meeting be adjourned, there being no further business. Mr. Jacob seconded the motion. The motion was approved by a vote of 8-0 at approximately 9:07 p.m.

Documents:

Beacon Integrated Solutions 2020 Analysis of Solar Array at Cogswell Building; Jack Cogswell Building – Solar Array - Summary of Financial Options and Environmental Attributes, draft of 9/8/2021; Slide Presentation – Jack Cogswell Building Solar Voltaic Update, September 3, 2021; Town Of Needham Facility Financing Plan, July 21, 2021; NUARI Vision Statement, Guiding Principles, and Intentional Practices Created & Approved by the NUARI Working Group, March 22, 2021, Adopted by the Needham Select Board, March 23, 2021; Letter to Joshua Levy, Finance Committee Chair, from Lee Newman, Planning Director, dated August 19, 2021, re: Committee Appointments, Housing Plan Working Group.

Respectfully submitted,

Louise Mizgerd  
Staff Analyst

*Approved October 6, 2021*