

**Needham Finance Committee
Minutes of Meeting of October 13, 2021**

The meeting of the Finance Committee was called to order by Chair Joshua Levy at approximately 7:00 pm in the Great Plain Room at Needham Town Hall. The meeting was a hybrid meeting, also made available through the following link:
<https://us02web.zoom.us/j/89568989359?pwd=MS9KNkZWT3dIR0JMeFd4b0pJeGxsZz09>

Present from the Finance Committee:

Joshua Levy, Chair; John Connelly, Vice Chair

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

Others present:

David Davison, Assistant Town Manager/Finance Director

Marianne Cooley, Select Board Vice Chair

Steve Popper, Director, Public Facilities Construction

Hank Haff, Senior Project Manager

Dan Gutekanst, Superintendent of Schools

Anne Gulati, Assistant Superintendent for Finance and Operations

Andrea Longo Carter, School Committee

Connie Barr, School Committee

Citizen Requests to Address the Finance Committee

No requests.

Approval of Minutes of Prior Meetings

Approval of minutes was deferred.

October 2021 Special Town Meeting Warrant Articles

Article 8: Authorize Solar Installation at Jack Cogswell Building

Mr. Haff stated that that the Finance Committee suggested looking into net metering and a power purchase agreement (PPA) for this project. The Town is now going in that direction. Additional information is included in the updated slide presentation. The expected annual energy generation has not changed. Approximately 10% of that is expected to be used by the Jack Cogswell Building (JCB) and the other 90% would be net metered to other RTS accounts or to other Town accounts. It is expected that the project will create a bit more energy than is used at the whole RTS site on an annual basis. He stated that the Town has secured the benefits of Capacity Block 4 in the SMART Incentive Program. He stated that the Town now needs to apply to DPU for an exception in order to have two net metered facilities on a single site, since that is not allowed under the regulations. They are working with the Town Counsel and the Town Manager, and should know by late October. Projects in other Towns have been granted exceptions for solar projects. If no exception is granted, the Town is allowed by right to take advantage of Alternative On-Bill Credit. With net metering, the Town would receive benefit at retail rates, while the On-Bill Credit is given at lower wholesale rates.

The big advantage of this process is the Town will not have to borrow or use any Town funds for design and construction. There will be some additional costs to complete the application with Town Counsel and Beacon Integrated Solutions, the consultant. This can be paid for with the Jack Cogswell Building construction project funding. He stated that the Town will not be responsible for the operating or maintenance costs of the solar array. The developer bears the risk of repairs and technical obsolescence. There are also some guarantees by the equipment owner that hedge against energy volatility and price escalation, similar to the agreement for the RTS landfill solar array. He noted that the agreement will be through a renewable energy procurement process that will avoid the need to go out to public bid, and will be better for the Town.

Mr. Haff stated that if Town Meeting approves of this project in late October, then it could take 6-8 months for DPU approval. In the meantime, the Town will draft the PPA agreement. The overall schedule will depend to some extent on factors outside of the Town's control such as supply chain issues. He stated that they hope that the facility would be online in early to mid spring 2023. He stated that if the DPU were to decline the exception, then Alternative On-Bill credit would be available. The warrant article gives the Select Board the authority to negotiate the PPA for a term of up to 30 years. Usually these agreements are 25 years, and the calculations are based on a 25-year contract.

Ms. Miller asked if special counsel has been hired for this work. Mr. Haff stated that they are working with Town Counsel Chris Heap who felt that he could handle it. The Town is following the format on the DPU website in conjunction with the legal advice from Town Counsel. He stated that he has been working with the consultant to put together background documents. Ms. Miller asked if they are planning to have the solar provider on board early in the process as Lexington did. Mr. Haff stated that this situation is different from Lexington. He stated that the Town is in the early stages of getting the PPA together. They were told verbally of the rates. He noted that the consultant is highly experienced in this area. Mr. Reilly asked how significant of a potential barrier getting the DPU exception could be, and what the rationale for the restriction is. Mr. Haff stated that the intent of the regulation is to avoid having one parcel subdivided so that a community can get more agreements with different providers. However, this property is actually a group of parcels that were previously consolidated, so he did not expect it would cause a major problem. Ms. Cooley stated that at the beginning of the program, the state was concerned that one property owner would subdivide their property to take advantage of more of the incentives, since they were limited. Ms. Miller asked what the 90% of the amount generated would equate to in other buildings. Mr. Haff stated that it would be slightly more energy than generated annually at the Sunita Williams which generates 20-40% of the energy used at that building.

Mr. Lunetta asked if there are any potential negatives to the project. Mr. Haff stated that they expect to cover all of the energy needs at the RTS, though there is a potential for a lower financial return, meaning a lower amount of money saved, if the DPU exception is not granted. In that case, they will need to use the Alternative On-Bill credits which would provide a smaller benefit. He stated that the PPA will hedge against future costs. He noted that one benefit that has not been discussed is the potential to set up a charging station for electric vehicles for the Town. It is possible that solar power will be able to cover all of the buildings at the RTS and also charge all electric vehicles. Mr. Healy asked if there would be another opportunity for the Committee to weigh in if the DPU exception is not granted. Ms. Cooley stated that she did not think that there would be another article, but that the Town would consider Alternative On-Bill

credits, and would confer with the Finance Committee. Ms. Miller asked that the Select Board think about electric vehicles going forward and also to consider more storage.

MOVED: By Mr. Coffman that the Finance Committee recommend adoption of Special Town Meeting Warrant Article 8: Authorize Solar Installation at Jack Cogswell Building. Mr. Reilly seconded the motion. The motion was approved by a motion 9-0.

Article 7: Appropriate for Emery Grover Building Design

Dr. Gutekanst stated that he sent a recent memo that addresses a number of issues that have been raised about this project including the value of the Emery Grover Building if it were put up for sale, as well as information (from March) regarding leasing space, costs of preparing and using Hillside as swing space, and a comparison of costs with the Town Hall project. He stated that people want this project to go away, and he feels that the Town should make a decision. He also feels that the project as proposed in Article 7 is appropriate and feasible and will meet the critical needs of the School Department to support teachers, students, families and staff.

Mr. Levy stated that there have been several areas of discussion for this project. The scope of the building has been discussed, and the current scaled down version seems appropriate. The proposed funding is through debt within the levy and CPA debt, which will both affect the debt limits. The timing of the project has been discussed but includes two issues. First, there is the need to move School Administration out of the old building. He fully supports the renovations at Hillside for this purpose. Second, there are still ongoing discussions of the timing of the renovation projects at Mitchell and Pollard. He feels that using debt capacity for this project without a full discussion of Mitchell and Pollard is concerning.

Mr. Connelly stated that he understands the scope of the work at Hillside to prepare for SA but requested the cost estimate for that work alone. Mr. Popper stated that \$1.7 million is the estimated hard costs, and a total of \$3 million has been set aside to also allow for soft costs and contingency. \$3 million of the \$21 million in the construction costs is for the work at Hillside. Mr. Reilly stated that a substantial portion of the decrease in the scale of the project and of the cost is due to the removal of the IT department space. He asked why this was included in the first place, and what factors are involved. In particular, he asked for clarification on whether the IT costs were simply being deferred and would have to be addressed separately in the near future. Dr. Gutekanst stated the Broadmeadow was used for IT since the most recent renovation of that building, but the space is underground and damp. Most of the staff had to be moved out because of mold. The department was spread over different buildings, and this project was seen as an opportunity to bring the department together. After the Fire Department moved out of Hillside, some of IT moved into the kindergarten classrooms at Hillside. Since the School Department felt they had to reduce the scope of the Emery Grover project, they felt that IT could work out of Broadmeadow and Hillside for the foreseeable future. They plan to add approximately 4,000 square feet to either the Mitchell or the Broadmeadow project for IT. Mr. Lunetta asked if that is just deferring something that needs to be done. Dr. Gutekanst stated that he feels that it can be reasonably done as part of either project for the long term.

Mr. Jacob asked how long the project would take once School Administration is moved out of Emery Grover. Mr. Popper stated that it would take about 6 months to complete the design work for Hillside and then 6 months for the renovation work, taking until the end of 2022. School

Administration will move out of Emery Grover into the renovated Hillside, and then the work at Emery Grover will take 18 months. Mr. Haff stated that School Administration would then be able to move into the renovated Emery Grover in the summer of 2024. Mr. Jacob asked whether it would cost less in the long run to save the \$3 million set aside for Hillside and move School Administration right away to leased space for 18 months to get them back into Emery Grover faster. He understands that this would mean money spent, but fewer upgrades to Hillside. Dr. Gutekanst stated that this made sense, but it should be noted that the \$3 million would not be retrofitting for solely for School Administration but would seek to make improvements that would also be needed to prepare Hillside to be used as swing space for the school building projects. Mr. Levy stated that as he understood it, Hillside was not approved for use by students. Dr. Gutekanst stated that he understands that the Building Inspector has ideas of what would be needed to prepare for students, but they have not yet had that conversation. Mr. Levy asked whether the funds in Article 7 are intended to prepare Hillside only for School Administration. Dr. Gutekanst stated that they intend use as little money as possible to prepare for SA, and will have a view toward the future uses. Ms. Miller stated that it seems that not many changes would be needed after the space was used for the Police and Fire departments. Dr. Gutekanst stated that he intends to keep the changes as restrained as possible. Mr. Haff noted that the building now falls under the code requirements for office space, but the school building codes are much more restrictive. Mr. Jacob noted that there should not be any upgrades for use by students until it is certain that the building will be needed for students.

Mr. Lunetta stated that he thinks the sooner that SA is out of EG, the better, and that to allow SA to function properly, there should be a temporary and quickly workable solution. He feels that the Town can find appropriate office space for SA without spending \$21 million. He stated that in all of the studies, there has never been a discussion of other pieces of school property. He noted that the recent School Master Plan did not include SA. He asked whether they could find some smaller space, without bringing in IT and without spending \$21 million. He stated that he would support selling Emery Grover and using the \$1 million expected price toward other space. He supports funding the work at Hillside but he does not think the Emery Grover is the right place for SA.

Mr. Connelly stated that he shares some of the same thoughts. He thinks that SA needs to move from Emery Grover to Hillside. He wished that the article could be amended to include only the funding for the temporary space. He stated that he agreed with Mr. Levy's comments on the timing. He can't justify spending \$21 million on Emery Grover without looking further for a less expensive option given the known needs at Mitchell and Pollard. If you look at the project in a silo, it is a good project, but it cannot be looked at in that way, and it should not be prioritized. He would not support the Article as written, but would support just the design work at Hillside.

Ms. Miller stated that she objects based on different reasons. She feels that the Town should not spend money to upgrade Hillside. The Town should spend as little money as possible on temporary space. She thinks the Town should consider other pieces of property for SA. She sees value in Emery Grover as a historic property with a great location in the center of Town. She thinks that the Town should be careful of getting rid of a property in the center of Town, particularly given the synergy with the High School and Town Administration. Mr. Healy questioned why there is resistance to the idea that Mr. Jacob mentioned of transitioning to office space for 12-18 months to get SA out of Emery Grover quickly and then conclude the collective review of permanent space for the School Administration.

Mr. Coffman stated that two issues are being mixed together: finding a temporary solution for SA and figuring out a long-term solution SA. There are not a lot of parcels in Town. He stated that all Town building projects cost a lot because of the process involved. He thought there might be a creative solution to this, but other options have been looked at and found to disrupt neighborhoods or have other issues relating to the lot or the surrounding location. It is fair to ask whether this project should be prioritized, but he feels that this proposal is a good compromise, even if it is not cheap or ideal. There are not a lot of other options. Mr. Lunetta stated that there should be a deep dive into all other school buildings to see if they could add SA to the site. Ms. Fachetti asked about the operating costs, of leasing space at the Trip Advisor building versus renovating Hillside. Dr. Gutekanst stated that he does not have that answer, but does know that the leasing cost of \$45 per square foot had included \$10 of operating costs, which would escalate after the first year. He stated that any lease at Trip Advisor would need to end in 2030, because that is when Trip Advisor's term ends. He does not know the operating costs at Hillside.

Dr. Gutekanst stated that earlier studies have looked at space in the various school buildings, including studies by Dore and Whittier, BH+A, and Denisco. There is no space at any existing school. Mr. Healy stated that other properties, such as DeFazio Park and its "tot lot" area may have adequate space for a new School Administration building. Because of the extremely high cost associated with renovating Emery Grover for such a small number of employees, Mr. Healy suggested the Town confirm that there is no other workable solution. Mr. Connelly noted that when considering building the PSAB, the Town rolled up its sleeves and thought outside of the box to come up with an economical solution. Mr. Levy commented that many studies have been done, and they keep pointing back to this solution. Mr. Lunetta stated that there is a need to move SA, but there could be more options like DeFazio. Mr. Haff stated that the School Committee swapped jurisdiction over a ball field near Pollard for the parking lot at DeFazio Park as a possible site for another school. He stated that location could be needed if modular units are needed for temporary space for Mitchell. If SA is put in that location at DeFazio, the future options would be restricted. Ms. Cooley noted that much of the land in that area is wetlands and not buildable. Mr. Healy stated that there was never a serious plan to build a school at DeFazio and the wetlands issue can be mitigated.

Mr. Jacob stated that the proposed project is expensive, but he thinks the location of Emery Grover is too prime to sell the property. Mr. Coffman stated that this discussion would not be happening if the Town had not sold a number of buildings already such as the Stephen Palmer. Mr. Jacob stated that there is value in keeping the Emery Grover building, and if the Town does not invest now, it will need to invest later. Right now, the CPC is making CPA funds available. Mr. Healy asked if anyone has spoken to Crowninshield who leases the Stephen Palmer building. Mr. Haff stated that the idea of using that building was discussed, but the current lease does not end until 2027. Mr. Healy stated that much may have changed in the years since the last discussion. Dr. Gutekanst stated that use of that property would also involve moving the sports field at Greene's Field after 2027.

Mr. Reilly stated that there is a hard decision to make, and it should not be stalled further. Mr. Levy stated that the Committee needs to vote, and noted that the vote could be to approve part of the article or to recommend an amendment. Ms. Miller asked if the article were amended to allow only for the design of changes to Hillside, what the Finance Committee would be looking for in the long term. Mr. Levy stated that he wanted to see a plan in place for Mitchell and Pollard before starting the work on EG. Ms. Fachetti stated that moving SA out is a priority. She

would support immediately designing the work at Hillside and then moving SA out, then once the financial plan and timing of the work on the school buildings is settled, return to the discussion of EG. Dr. Barr stated that this is just delaying the decision, and that there would likely be another study. SA is the hub of the schools and they need an excellent facility to do their work and it should be at EG. Mr. Coffman noted that there are debt limits and asked if the School Committee is willing to take the risk of pushing out projects at Mitchell and Pollard further in order to use the debt capacity for EG. Mr. Reilly stated that is a false choice to suggest that the SA cannot function effectively if the Emery Grover project is not pursued. It has not been suggested that they will not function effectively from Hillside. Mr. Lunetta stated that the strength of the SA is the staff that they have and not the location. He feels that Hillside will serve well temporarily, and if he felt that it would affect service delivery, he would pull back.

Mr. Healy suggested segregating out the costs to prepare Hillside for SA. Mr. Connelly stated that, according to Attachment 5 of the PPBC's September 30 letter to the Superintendent, Hillside accounts for \$213,250 or 25% of the \$1.475 million design costs. He suggested applying the 25% of the reimbursable expenses = \$18,750; 25% of the OPM = \$25,000; 25% of the contingency = \$39,300; and adding the full bonding allowance = \$5,000; for a total of \$301,300. Mr. Popper stated that the estimated amounts assume that the building is being prepared for being occupied for 18-24 months. The Building Inspector will look at the project differently if the expected time frame is longer and will require additional upgrades. Mr. Haff added that if renovations costs are more than 30% of the value of the building, then they will need to bring the whole building up to more recent building codes. He stated that the calculations are cumulative, so they need to also count the funds already spent to prepare the building for Police and Fire. Mr. Popper noted that the timeline for the proposed project showed that SA would be moving from Hillside into the renovated Emery Grover by the summer of 2024. If the Emery Grover project is not approved, the Town would not have that timeline, and more significant upgrades to Hillside may be required.

Ms. Carter stated that putting this project off until the timeline is determined for Mitchell and Pollard may mean a very long time since the community is hoping to partner with the MSBA, which is a slow process and goes according to their timeline, which is unspecified. The best case scenario is that in 7 years, there will be one new school. The project for the other school would start after that, so it will be 10-15 years before both schools are done. She stated that the work at Emery Grover has been considered for 10 years, and it is time to make a decision. She thinks that making it based on the timeline will take too long. Mr. Levy stated that the intention is to delay until the financing plan is complete, which should be by December or January. He stated that the Facility Financing Working Group could not recommend any plan since they could not determine how the financing would work. Emery Grover should not be a subsidiary in the plan, but needs to be a part of a holistic plan considering all of the buildings.

Dr. Gutekanst stated that he is concerned that the temporary space at Hillside will become permanent if there is not a plan for moving out. Practically speaking, Hillside should be used for swing space for Mitchell after Police and Fire are moved out, and eventually made into park land. Mr. Healy stated that he thinks that the Town can and should come up with a financing plan that includes upgrades for School Administration and also for the two schools – and this plan should be developed now so that everyone will know the complete construction and financing strategies for these three projects. It doesn't seem right to simply look at the School Administration/Emery Grover project as a "one-off".

MOVED: By Mr. Lunetta that the Finance Committee recommend amending Article 7: Appropriate for Emery Grover Building Design in order to remove work related to Emery Grover and to provide funding for upgrades to Hillside to become temporary space for SA in the amount of \$301,300, as described by Mr. Connelly.

DISCUSSION: Mr. Connelly stated that the Finance Committee will also need to act on the main motion. He wanted to clarify that if the Article is amended as above, then the Finance Committee would also support the amended article, but without it, the Committee would not recommend adoption. Mr. Lunetta agreed.

Ms. Miller stated that there should be two separate votes on the recommendations regarding Article 7 as amended and the original article because people may vote differently. Mr. Reilly stated that the vote on the amendment needs to be made first. He noted that the amendment also would need to strike out the references to EG. The Committee agreed that the amount of \$301,300 should be increased to \$350,000 to allow for possible additional needs.

SECOND: Ms. Miller seconded the motion to recommend the article if amended with the references to Emery Grover stricken and in the amount of \$350,000.

Mr. Levy stated that the following changes would be made under the proposed amendment:

- To replace the sum of \$1,475,000 with the sum of \$350,000;
- To delete the words "renovation of and addition to the Emery Grover Building and associated grounds, including";
- To delete the words "and the creation of off-site parking at the Stephen Palmer Building"

VOTE: The motion was approved by a vote of 7-2 with Mr. Coffman and Mr. Jacob dissenting.

Mr. Levy stated that in the event that the amendment is rejected by Town Meeting, the Committee should vote on the Article as it appears in the warrant.

MOVED: By Mr. Healy that the Finance Committee recommend that Town Meeting not adopt Special Town Meeting Warrant Article 7: Appropriate for Emery Grover Building Design in the amount of \$1,475,000. Mr. Lunetta seconded the motion. The motion was approved by a motion 5-4 with Mr. Coffman, Mr. Jacob, Mr. Reilly and Ms. Miller dissenting.

Updates:

The Committee will meet at 7:00 pm prior to the October Special Town Meeting. Meeting logistics were discussed.

Adjournment

MOVED: By Mr. Healy that the Finance Committee meeting be adjourned, there being no further business. Mr. Connelly seconded the motion. The motion was approved by a vote of 9-0 at approximately 8:54 p.m.

Documents: October 2021 Special Town Meeting Warrant; Slide presentation: Jack Cogswell Building Solar Voltaic Update, by Beacon Integrated Solutions, October 13, 2021; Memo From Dan Gutekanst to Needham Finance Committee, Re: Updated Information on Article 7: Appropriate for Emery Grover Building Design; Letter from PPBC to School Department dated September 24, 2021.

Respectfully submitted,

Louise Mizgerd
Staff Analyst

Approved October 25, 2021