

**Needham Finance Committee
Minutes of Meeting of April 6, 2022**

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 Zoom video conference.

Present from the Finance Committee:

Joshua Levy, Chair; John Connelly, Vice Chair

Members: Barry Coffman, Carol Fachetti, James Healy, Rick Lunetta, Richard Reilly

Others present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Lee Newman, Director, Planning and Community Development

Paul Alpert, Chairperson, Planning Board

Adam Block, Planning Board

Karen Sunnarborg, Community Housing Specialist

Dan Gutekanst, Superintendent of Schools

Anne Gulati, Assistant Superintendent for Finance and Operations

Hank Haff, Senior Project Manager

Peter Pingitore, CPC Chair

Rick Zimbone, CPC Member

Paul Siegenthaler, Citizen Petitioner

Citizen Requests to Address the Finance Committee

No requests.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Healy that the minutes of the meeting of March 30, 2022, be approved as distributed, subject to technical corrections. Mr. Reilly seconded the motion. The motion was approved by a unanimous roll call vote of 6-0-1. (Mr. Connelly abstained.)

Annual and Special Town Meeting Warrant Articles

Annual Town Meeting Warrant Article 6: Small Repair Grant Program

Ms. Newman stated that this is the third request for this program, which was previously funded in FY22 and FY20. It provides assistance for smaller home repairs to people with an income of 80% or less of the median income level. The awards are usually around \$5K. Ms. Sunnarborg stated that there have been two rounds of funding each year. The first year, there were a total of 13 participants. In FY22, there have been two rounds of funding, with 6 and 7 participants. The first year, the maximum grant was for \$4K, and in FY22, the maximum was \$5K. Much of the focus has been on health and safety measures for disabled or elderly homeowners such as installing handrails. Mr. Lunetta asked if there have been any unspent funds. Ms. Sunnarborg stated that two participants dropped out, and in two other cases, the estimate was higher than the

final invoice, so the difference not spent. There is approximately \$12K remaining because of those issues.

MOVED: By Mr. Healy that the Finance Committee recommend adoption of Annual Town Meeting Article 6: Small Repair Grant Program in the amount of \$50,000. Mr. Reilly seconded the motion. The motion was approved by a vote of 7-0.

Special Town Meeting Warrant Article 8: Schedule of Use Regulations – Brew Pub and Microbreweries

Mr. Block stated that this proposal is a result of community interest. Someone approached the Economic Development Manager with interest in locating a brew pub or microbrewery in Needham. The Building Commissioner and the Planning Board found that the uses were not allowed, since they are not included on the schedule of allowed uses. The main goal is to create clarity and promote diversity of businesses. The bylaw changes are needed to specify what the Town wants and where they want it. A brew pub is defined as having a primary business as a restaurant and an accessory business of producing and selling malt beverages. No more than 40% of the malt beverage produced can be sold to other establishments.

Mr. Reilly asked for the definition of “primary” business, since the brew pub must have a primary business as a restaurant. Ms. Newman described how the article would define the brew pub which is primarily a restaurant differently from the microbrewery which may have an accessory use of a restaurant. She stated that the bylaw change defines the zoning district where these uses may be allowed, and that both will require special permit. It also defines who has the authority to grant the special permit. Mr. Healy asked for an example of a brew pub. Mr. Alpert stated that John Harvard’s Brew House in Framingham was a brew pub. Mr. Block stated that they are not restricted on the overall sales, but no more than 40% of production can be to other businesses. Mr. Levy asked if they could sell alcohol they did not produce. Mr. Block stated that they did not envision that. Mr. Alpert stated that the proposed zoning bylaw would not prohibit the sale of alcohol for consumption on premises that was not also produced on premises; however, the proposed zoning bylaw would prohibit the sale of alcohol for consumption off premises that was not also produced on premises. Mr. Lunetta asked how a brew pub is different from other restaurants. Mr. Block stated that they would be authorized to sell only their own alcohol. Microbreweries would be able to make more and sell more malt beverages. Mr. Lunetta asked why they would differentiate a brew pub from a restaurant. Mr. Alpert stated that there is a distinction in the licensing: the Select Board can provide liquor licenses to restaurants while a microbrewery must get a different set of licenses from the federal and state governments before they go before the Select Board. The main business of the microbrewery would be manufacturing malt beverages.

Mr. Healy asked if there was a limit to the portion of restaurant sales attributable to alcohol. Mr. Davison stated that the 25% policy has loosened up, and that he would follow up with the specific ratio. Mr. Healy expressed concern that if there is not a clear distinction between brew pubs and restaurants, then similar businesses could be treated inconsistently. The Town has intended not to have bars and to make sure that restaurants primarily sell food. Mr. Coffman stated that one distinction is that brew pubs can have retail sales of alcoholic beverages and restaurants cannot (aside from Covid-related waivers.) Mr. Connelly agreed that there is potential to be treating restaurants differently if brew pubs are allowed to sell more alcohol than other restaurants. Mr. Block stated that the distinction is intentional, and that the alcohol sold for

consumption off premises by a brew pub is packaged differently and is not for immediate consumption. Also, the business model is different, and requires a significant investment in equipment, and a multi-permit process.

Mr. Reilly stated that it is hard to see how a business can be said to have a restaurant as the primary business if 40% of sales could be food, 20% could be on-premises alcohol sales, and 40% could be alcohol sold to other businesses. Mr. Lunetta stated that the main distinction seems to be that one can buy a case of beer from the brew pub. He stated that this might have the potential to harm other restaurants that have been in town a long time. Mr. Alpert stated that a brew pub would be another restaurant but also licensed to make its own malt beverages, with any wholesale selling as an ancillary business. The 60/40 split applies to the amount of malt beverage produced, not the ratio of sales. Mr. Reilly stated that the restaurant can be the primary business but amount to less than 50% of the total sales, which does not make sense. Ms. Fachetti asked how this issue is handled in different towns. Mr. Alpert stated that the proposed by-law was drafted based on what other towns have done. Ms. Newman stated that towns such as Framingham, Natick and Wrentham have restaurants in their downtown and microbreweries in industrial areas, so Needham had based the model on that. She noted that some towns allow these uses by right, but Needham will require a special permit.

Mr. Block stated that microbreweries would produce beer for wholesale distribution with a maximum capacity of 15,000 barrels per year. They would be allowed a secondary use for food service and events, including live indoor entertainment or tours. He described the zoning locations specified in the article. Ms. Newman noted that the zoning had been narrowed since the public comments. She stated that they are excluded from areas that are exclusively residential or industrial areas. Mr. Healy suggested they might consider a limitation on ancillary uses since, for example, a microbrewery with a significant restaurant could morph into a brew pub. He asked why these uses were being excluded from industrial areas. Mr. Block stated that the industrial areas are mostly surrounded by dense residential areas. After feedback from those communities, they chose to avoid picking some locations to allow these uses over others and decided to exclude all industrial areas and to consider changing that later if there is a specific request.

Mr. Levy stated that the Committee seems to be generally positive about this proposed zoning, but there is a concern it could be detrimental to other businesses. Ms. Fachetti asked if a restaurant could call itself a brew pub if it manufactured a small amount of beer. Ms. Newman stated that the use is not allowed by right, so they would have to go through the Zoning Board of Appeals or the Planning Board. They would be held to follow the intent of the bylaw. These uses require special permits so that the Town will have oversight. Mr. Lunetta stated this zoning seems fundamentally positive to the Town but similar businesses should not be treated differently. Mr. Block stated that restaurants differ widely in terms of size, types of food, etc., but these businesses would use a different business model. The decision now is whether the proposed model is considered attractive or beneficial to the Town. Mr. Healy stated that he would like restaurants to have an even playing field. He stated that Mr. Reilly had made a good point that since restaurants have to show that they are not functioning as a bar, and the brew pub and microbrewery should have to show that as well. Mr. Coffman stated that this would allow what is essentially two businesses under one roof: retail sales and a restaurant. The question is whether they have to meet the same requirements as other restaurants, or whether this is a separate and distinct kind of business. Mr. Alpert stated that he expects that they would have to follow restaurant rules, and that he expects that the Select Board would have them follow the

requirements for a liquor license, but they had not discussed this with the Select Board. Mr. Connelly stated that he does not like to consider issues in isolation. There is much at play here including how the Town regulates restaurants and the sale of alcohol that seem not to have been discussed with the Select Board. He stated that he would probably not support this as a Town Meeting Member, since he would like there to be a comprehensive look at this issue, but he thought he will favor it as a Finance Committee member because of the financial impact.

Mr. Reilly stated that he would like to make sure that microbreweries could not cross over into brew pubs. He stated that he would also support this as a Finance Committee member but would vocally be against it as a Town Meeting Member. Mr. Alpert stated that there are distinctions in the locations and that while brew pubs would be allowed where restaurants are located, microbreweries will be in different zones. He noted that there will be federal and state licensing involved as well. Ms. Fachetti stated that she would like a better understanding of the alcohol permitting and how it will be applied, and whether the Select Board supports it before taking a position. Mr. Alpert stated that this whole process was started when the Economic Development Manager brought this idea to the Select Board which brought it to the Planning Board. There was a joint meeting and the Select Board supported the idea, but the first step was for the Planning Board to create the zoning. Mr. Connelly stated that the process needs to finish. Mr. Block stated that the Planning Board would submit more information in writing.

Annual Town Meeting Warrant Article 21: Emery Grover Construction Design

Mr. Levy stated that there was a meeting of the Chairs of the Finance Committee, Select Board, School Committee and PPBC to discuss the estimated costs of this project, which are now expected to be \$2 million higher than the amount in the warrant article, and how best to proceed. Mr. Connelly stated that at that meeting, he suggested that the Town finish the design and bid the project to determine if there will be a need to request more funding rather than amend the article now. The article has sufficient funding to get that far, so they could seek further funding in a fall special town meeting if necessary.

Dr. Gutekanst stated that the project design is moving forward. He stated that they have decided not to change the Hillside space at all and will move into the Police and Fire space intact. There will be some life and safety upgrades such as the installation of a sprinkler system, an elevator and heating system repairs, which will be covered in a separate warrant article. The Emery Grover design has been reduced in scope to fit within the four corners of the existing building. He stated that the CPC voted to support the project with \$6 million of funding. He stated that last week the project estimators reconciled the costs and are expecting the costs to increase \$2 million over the previous budget, as discussed at the meeting with the chairs of the PPBC, Finance Committee, Select Board and School Committee. The plan is for the architect to try to get bids by early October in order to request any funds needed from Town Meeting in the fall. Mr. Levy stated that the Chairs meeting discussed the idea of holding off on all of the construction costs, but there was concern that at least some of the money should be appropriated in order to encourage bidding. He stated that \$4.5 million is proposed to come from Free Cash, and the rest from the CPC or from General Fund debt. Mr. Coffman asked if there was any consideration of changing the scope of the project as a result of the cost estimates. Dr. Gutekanst stated that Mr. Haff can address the value engineering that has been done, but there was no discussion of changing the current scope. There is minimal work planned at Hillside, and Emery Grover has nothing extravagant. He hopes that the project can go forward as planned, and that costs will stabilize. He stated that there is a 20% project contingency.

Mr. Haff presented a handout showing the estimated project costs and the reconciliation. He stated that costs have been going up as much as 1% per month. The PPBC wants to maintain a 20% contingency on the projected cost. That amount is allocated as follows: 3% bidding, 7% construction and 10% owner contingency funds. He noted that any amount appropriated and not spent can be rescinded later. He believes that the \$19.4 million in the article is sufficient to award the contract, but that more funding may be needed. Mr. Lunetta expressed concern that by deferring the \$2 million to the fall and not voting it now, the amount may grow. Mr. Haff stated that they will have a cost estimate at 50% of the design, in June or July and can brief the Committee then. Mr. Levy asked if there is an expected difference in cost of following the regular schedule versus the accelerated schedule. Mr. Haff stated that there will be no bid awarded until November, so they will be moving forward with a 50% cost estimate instead of 90%. He stated that in his experience, costs increase quickly, but come down slowly.

Dr. Gutekanst stated that it will be important to make it clear to Town Meeting that it is likely that more funding will be needed for this project in the fall. Mr. Levy commented that there needs to be a point at which they are working within a budget. Mr. Coffman stated that the additional \$2 million affects the facilities financing plan. Mr. Levy stated that it will impact all borrowing. Mr. Reilly stated that it will be important for the Finance Committee to reserve the right to say the costs are too high and the Town would need to rethink the scope of the project. Mr. Healy stated that the Town also needs to keep moving forward and not to worry today about every possibility. The current construction cost estimate is \$14.7 million. If the costs come in significantly higher, such \$20 million, then, he stated, there should be a discussion if that amount is appropriate for this facility. Mr. Lunetta agreed that the Town needs to be sure to hold that discussion. Mr. Levy suggested that the process should move forward and there should not be too much focus on meeting the October 24 date for Town Meeting since that can be changed. Mr. Connelly also agreed that the Town should keep moving forward, since there is likely to be better bidding earlier. Mr. Coffman asked if approval of the current article would be tantamount to approval of the current design. Mr. Connelly stated that the goal is to seek to design the building to come within the amount in the article. Mr. Levy added that approval of the article would not mean that there won't be future discussions about the project.

Mr. Connelly stated that he had reservations about using \$4.5 million of Free Cash for the project. The usual process is to borrow for capital and to use Free Cash for known obligations that cannot be borrowed for, such as OPEB liabilities. He would like the Committee to discuss this use of Free Cash rather than debt. Mr. Reilly asked whether that reasoning would apply to the use of Overlay Surplus as well, and Mr. Connelly said that it would. Mr. Levy stated that the use of Free Cash for this project would alleviate some of the debt burden. Mr. Healy stated that the Schools should not get the benefit of both the debt management policy and the Free Cash policy, and agreed that it would be worthwhile to consider other uses of Free Cash to benefit other parts of the Town. Mr. Reilly agreed but felt that the discussion should be framed by whether the needs are long-term and what is the best way to fund long term capital projects rather than by which departments are involved. Mr. Lunetta stated that if the borrowing is increased for this project, it will affect the financing of the Pollard and Mitchell projects. Mr. Connelly stated that the DPW project could also be affected. He added that he had no issue with the amount of this article, but only with the composition of the funding. Mr. Coffman stated that he feels that there is already too much in some reserves, and that it could be a huge benefit to minimize borrowing. He is in favor of preserving more borrowing capacity. Mr. Levy suggested meeting in the middle by using the Capital Facilities Fund to support the Emery Grover project.

Mr. Healy stated that he would like to see ideas of where the Free Cash would go if it is not used for this project. Mr. Connelly stated that he would put together a list.

Mr. Healy pointed out that the CPC has recommended \$4 million of CPA-supported debt and \$2 million of CPA Free Cash for this project. He noted that he feels that housing should be the highest priority for CPA funds, since the schools have a dedicated advocacy group and those projects will be supported, but he does not feel that housing has as strong an advocacy base. Mr. Zimbone stated that he has been working for two months on the issue of how the CPC can fund Emery Grover in addition to the expected requests from the Needham Housing Authority and requests from Park and Rec and others. The CPC discussed this issue as a committee and developed scenarios to consider and ultimately arrived at the plan of \$2 million CPA Free Cash and \$4 million CPA borrowing. He stated that they are now doubling the funding into the CPA housing “bucket” to prepare for the NHA projects. Mr. Healy asked whether, after using the funds planned for Emery Grover, the CPC will have enough money to provide the amount the Town is expected to provide for the NHA projects, assuming the Town gets the state and federal money that they are seeking for those projects. Mr. Zimbone stated that they may need to fund it in increments but they do have a plan to meet the needs of the NHA projects. Mr. Pingitore stated that they looked at the actual numbers for the requests that will be coming and planned accordingly. The first one will be for Linden Chambers. He added that they are using an estimate for High Rock Homes which they believe is a very high estimate for what is needed. They have \$4-\$5 million in cash which they think will meet the needs. They wanted to use some Free Cash for Emery Grover, but not to drain it. After the Town Hall borrowing winds down the will be more room for borrowing. He stated that they can borrow against the 70% of the CPA property tax surcharge.

Mr. Reilly asked what the Town’s rationale was for the proposed allocation of General Fund Free Cash. Mr. Davison stated that the decision was based on two factors: the concerns voiced last year about the amount of debt and the desire to possibly find ways to reduce debt, and also to use more of the exceptional amount of Free Cash from last year rather than rolling it over. He stated that this would also give the Town more flexibility within the 3% debt policy. He noted that interest rates for borrowing are increasing, while interest on investments are not, so the cost of debt is increasing. He stated if all of the proposed appropriations are approved by Town Meeting in May, there will be just under \$1 million of current Free Cash to roll into next year’s Free Cash. Mr. Levy suggested that the funds could be put into reserves so that they could be spent in the fall. Mr. Davison stated that he would not object to have more money in stabilization funds.

Mr. Connelly stated that he will put together a Free Cash schedule. Mr. Levy stated that he felt strongly that the Finance Committee should request that the Select Board put more Free Cash into a reserve fund. Mr. Reilly stated that he would be concerned if the funds are locked into a particular use. Mr. Coffman stated that the currently planned appropriations do not result in an extraordinary amount of unused Free Cash.

Annual Town Meeting Warrant Article 22: Hillside Heating Repairs, Upgrades

Mr. Haff stated that they are required to add reliable heating and a sprinkler system to be able to continue to use the building for offices. They compared the cost of using all electric heat versus a hybrid system with heat pumps and found that the all-electric is cheaper. He stated that there is no demolition date for the building, since it will remain in use. The School IT department may

continue to work there after Emery Grover is finished. Hillside cannot be re-used as a school without significant upgrades required by the Fire Chief and Building Inspector. Mr. Levy asked why these repairs are in a separate warrant article from the Emery Grover project. Mr. Haff stated that it was originally thought that the PPBC would not manage this work. Mr. Davison noted that this work needs to be done for insurance reasons even if the Emery Grover project is not done.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of Annual Town Meeting Article 22: Appropriate for Hillside School Heating Repairs and Upgrades in the amount of \$275,000. Mr. Reilly seconded the motion. The motion was approved by a vote of 7-0.

Annual Town Meeting Warrant Article 23: General Fund Cash Capital

Ms. Gulati stated that the copier, furniture and musical equipment, and technology replacement requests are all annual requests to meet replacement cycles. She stated that the 1:1 devices are replaced within the operating budget because they do not meet the definition of capital. The technology request is for replacement of servers and network infrastructure and video displays. She stated the cost of technology replacement is typically in the \$450K-\$650K per year.

Mr. Levy stated that this article can be voted once the Committee receives the breakdown of the cost for the rooftop unit replacements from the DPW.

Annual Town Meeting Warrant Article 24: Appropriate for Pollard Locker Retrofit

Mr. Haff stated that this project will be handled by the PPBC because the cost will be more than \$500K. Mr. Levy asked how this work would interrelate with the later project to renovate Pollard. Dr. Gutekanst stated that the plan is that any current upgrades will continue to be usable in the renovated building. These upgrades are not only intended for only the near term. Mr. Healy added that the Town cannot stand still on these buildings, though there are major projects planned. He stated that he would support upgrades unless there is a plan to change these lockers in the major project. Mr. Haff stated that there will be an analysis of the building as part of the big project. The MSBA will not support new plans that include two gyms or a separate auditorium in a school, so the Town will want to keep these assets in the building, but these locker rooms are currently almost unusable.

Mr. Davison stated that the funds are coming from Free Cash and from premiums that were received as part of the Sunita Williams School. The premiums can be applied to another project with a similar purpose.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of Annual Town Meeting Article 24: Appropriate for Pollard Locker Retrofit in the amount of \$1,068,500. Mr. Healy seconded the motion. The motion was approved by a vote of 7-0.

Annual Town Meeting Warrant Article 40: Citizen's Petition – Amend General Bylaw

Mr. Siegenthaler stated that the idea for this petition developed when he walked his dog and noticed that unclaimed materials, particularly newspapers, on sidewalks or at the end of

driveways or in the street would sit out, unclaimed, in the weather and would begin to degrade. He was especially concerned about the plastic bags which disintegrate into microplastics and are harmful to the environment. This will be less of a concern as physical newspapers are less common, but there are also similar issues when contractors leave advertisements on doorsteps. He stated that he worked with Town Counsel to come up with this solution. He stated that he had wanted to have all delivered materials require the recipient to opt in, but according to case law from 40-50 years ago, in order to protect political leaflets, the Town can regulate, but not prohibit, the delivery of written materials. This will require that written materials must be left at least 15 feet into the property.

Mr. Levy stated that the financial impact of the article would be the cost of enforcement. Mr. Siegenthaler stated that the enforcement cost would be offset by fines. Mr. Lunetta stated that this is a praiseworthy cause, but the financial impact seems to be *de minimus*.

MOVED: By Mr. Reilly that the Finance Committee take no position with respect to Annual Town Meeting Article 40: Citizen's Petition – Amend General Bylaw due to the lack of a measurable financial impact. Mr. Lunetta seconded the motion. The motion was approved by a vote of 7-0.

Updates: There were no substantive updates.

Adjournment

MOVED: By Mr. Healy that the Finance Committee meeting be adjourned, there being no further business. Mr. Lunetta seconded the motion. The motion was approved by a vote of 7-0 at approximately 9:00 p.m.

Documents: 2022 Annual Town Meeting Warrant; May 9, 2022 Special Town Meeting Warrant (3/18/2022 draft); Town of Needham Capital Improvement Plan FY2023 – FY2027; School Administration – Design Development – Estimated Project Costs, March 28, 2022; Needham Emery Grover Renovations – Reconciliation of Estimates – 3/24/22; Emery Grove & Hillside School Design & Construction Schedule – 3/28/2022 draft and draft update 4/4/2022; Hillside School Temporary Use Cost Comparison, 09-Mar-22.

Respectfully submitted,

Louise Mizgerd
Staff Analyst

Approved April 20, 2022