

Needham Finance Committee
Minutes of Meeting of September 14, 2022

The meeting of the Finance Committee was called to order by Chair John Connelly at approximately 7:00 pm in the Great Plain Room at Needham Town Hall.

Present from the Finance Committee:

John Connelly, Vice Chair; Louise Miller, Vice Chair

Members: Karen Calton; Carol Fachetti, James Healy, Joshua Levy, Richard Reilly

Others present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Citizen Requests to Address the Finance Committee

No requests.

Approval of Minutes of Prior Meetings

The Committee deferred voting on unreleased Executive Session minutes.

MOVED: By Mr. Healy that the minutes of the meeting of June 27, 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. (Ms. Fachetti had not yet arrived.)

Town Manager's FY 2024 Budget Consultation

Ms. Fitzpatrick stated that this annual consultation is required under the Town by-laws and kicks off the budget preparations, providing an opportunity to collaborate from the start. She stated that her unofficial budget theme for FY24 will be "finish what you start." There are a number of items that have been funded, such as capital item and studies, that have been delayed primarily due to Covid and related issues. She is pushing to finish those projects and expects that some previously planned projects will be moved from FY24 to future years. Mr. Connelly stated that it would be helpful to see a list of funded projects. Ms. Fitzpatrick stated that she would update her annual report to Town Meeting and add the items funded in May.

Ms. Fitzpatrick stated that the Select Board is struggling to prioritize its long list of goals. Once the goals are adopted, she will inform the Finance Committee. She would like to form a working group that includes Finance Committee members to review the budget process and consider how to work most effectively to move the Select Board priorities forward. She stated that she will prepare an agenda of what she would like the working group to discuss.

Mr. Reilly asked whether extraordinary funding from state or federal aid is expected. Ms. Fitzpatrick stated that there is much available. The Town received a call that Route 135 will be paved by the state at no cost to the Town due to special funding for paving state-owned roads. She stated that the Town has been wanting to address some bridges including the Central

Ave/Centre St. bridge. The Chestnut St. bridge has also been a major need, and the Town has learned that it will be replaced using federal funding and ARPA funds. Mr. Davison stated that there are a lot of one-time funds that will be affecting the budget in FY24. He stated that he expects the recurring growth rate to be about 4%. Mr. Reilly asked how the Town evaluates projects funded with grants and accounts for ongoing operating costs. Mr. Davison stated that the projects that Ms. Fitzpatrick described are all true one-time costs and should not impact annual operating costs. He stated that any position or project that is funded from a grant is not guaranteed to continue after the grant funding is finished. In order to continue, the department would have to submit a DSR4 request for new funding and be approved in the annual budget process. He stated that one notable example of grant funding that did end up as a permanent item in the operating budget was the salaries of eight new firefighters that were originally funded through the SAFER grant. He noted that the transition to the operating budget was planned from the beginning.

Mr. Levy asked if the Town is open to priority-based budgeting review for FY24. He stated that it is helpful to be sure to align department activities with goals. Last year, the Committee used priority-based budgeting to look closely at the Building Commissioner and the Planning Department budgets. Ms. Fitzpatrick asked if the Committee found the exercise useful. Mr. Reilly stated that he felt it was helpful to step back and look at the functioning of the department in that way. He felt that Mr. Roche seemed to get a lot out of the process though it was challenging. Mr. Connelly asked if there were recommendations or which departments to look at this year. Mr. Levy suggested DPW. Mr. Reilly stated that it would need to be a small part, such as one division.

Mr. Healy stated that the Select Board used to compile a prioritized list of items that were recommended for funding if the Town were to have additional funds available after the budget is finalized. He stated that such a list would be helpful to the Finance Committee's discussions. He noted that the list that he is describing is different from the DSR4s which are prioritized in the department budget requests because it would prioritize items across all departments.

Mr. Healy stated that he was disappointed in the way that funds were moved from one line to another at Town Meeting without acknowledging the months of work that went into analyzing, debating, and approving the final proposed budget by many Town personnel. Mr. Connelly stated that he would like have seen more support from the Select Board, the School Committee, and any department to which funds are proposed to be moved to be more clear about the process and to firmly say "thank you but no" to the additional funds. Mr. Levy stated that the best approach is educating people. He noted that Town Meeting is the ultimate arbiter and does have the right to change the budget. Ms. Miller stated that other boards may need a better understanding of the process as well, and Mr. Healy agreed stating that if Town Meeting were provided with a better understanding of how the budget is formed over many months, they might be reluctant to change line items. Ms. Fitzpatrick stated Needham cable television is doing a project of various Town processes and it might be helpful for the Finance Committee to work with them on a video of how the Finance Committee works. Ms. Miller stated that she has previously proposed the idea of having the Finance Committee hold a "boot camp" for Town Meeting Members to learn what the Finance Committee does and why. Ms. Fachetti stated that it should be in person and not taped to be most effective. Ms. Calton stated that that would be helpful for both new and experienced Town Meeting Members.

Mr. Reilly stated that he met with Mr. Davison to discuss the Towns stabilization funds, and he think they should be actively considered for funding during the budget process, and not be funded only as an afterthought if there are additional funds available.

Mr. Healy stated that Annual Town Meeting Article 2 (Committee and Officer Reports) provides an important opportunity, and that next spring the Committee should address the issues of debt financing and total debt as well as the reserve funds. Mr. Connelly stated that he was already considering addressing the stabilization funds. Ms. Miller added that debt service is due to be addressed again. Mr. Levy stated that the Town Clerk has a listserv of Town Meeting Member emails that could be used to send Town Meeting Members a list of meetings and topics. Ms. Fitzpatrick stated that she would like to commit to having information provided and questions asked earlier in the year and to avoid the sense of information being provided late in the process.

Special Town Meeting Warrant Articles

Amend FY23 General Fund Operating Budget

Mr. Davison stated that the article would increase the operating budget by \$168,023 which is an increase, all in the Debt Service line, to meet the Town's debt service obligations. There was still one debt sale that was planned to be finalized in FY22 when the budget was set. Since interest rates were increasing, the Town locked into a lower interest rate and sold a larger amount of the remaining debt on the Public Safety project than was originally planned for the spring of 2022. This will cost more in FY23, but save substantially over the next 20 years. Mr. Davison circulated a chart showing debt service payments for excluded debt for FY2022 – FY2045 under the sale compared to the payments if the Town had sold the debt more slowly as previously planned. He stated that the true rate that the Town locked into is 2.4% and the true rate would have been approximately 4-4.5%. He stated that the Town received a 1% decrease in interest rates and will be receiving premiums that will be applied to the principal. He stated that this budget amendment must be made before the tax rate is set or the Town would be forced to default on its debt payments and would lose its current credit rating.

The draft warrant also shows a possible amendment to the Needham Electric, Gas and Light line. He stated that this will be removed from the warrant, though he does want to point out that energy costs will likely be over budget in FY23. He stated that May and June bills were significantly higher than anticipated and the FY22 energy costs exceeded the budget by \$54K. He stated that the supply cost for electricity is contractually fixed through December 2024, but consumption has increased, mostly due to the air handlers that are using much for power to provide more building ventilation. He stated that natural gas and oil prices have increased as well, and that natural gas volume has also increased. He plans to have Town Meeting vote on increasing the energy budget at the spring Special Town Meeting, and will seek a Reserve Fund Transfer if necessary before that time. The increase for this article will come from the tax levy.

MOVED: By Mr. Healy that the Finance Committee recommend adoption of Special Town Meeting Warrant Article: Amend the FY2023 Operating Budget, to amend line item 2, Debt Service as discussed. Ms. Fachetti seconded the motion. The motion was approved by a vote of 7-0.

Amend the FY2023 Sewer Operating Budget

Mr. Davison stated that this amendment will decrease the MWRA assessment by \$61,277. The MWRA decreased Needham's assessment from the original estimate, since they were able to apply grants and one-time funds to mitigate the assessments.

MOVED: By Mr. Healy that the Finance Committee recommend adoption of Special Town Meeting Warrant Article: Amend the FY2023 Sewer Operating Budget. Mr. Reilly seconded the motion. The motion was approved by a vote of 7-0.

Amend the FY2023 Water Operating Budget

Mr. Davison stated that the Water Enterprise Fund budget is being amended to increase the salary line to cover the increase in salaries for non-represented employees. Their pay scale had not been increased when the budget was approved. This budget does not have a line equivalent to the Classification, Performance and Settlement line in the general fund operating budget, so the budget must be amended to fund the increased salaries. He stated that this is not needed in the Sewer budget because there are no non-represented employees in that budget. If the Town reaches agreement with NIPEA, then that budget and salary line will need to be amended. However, that seems unlikely. He stated that the funds for this article will come from the Water Enterprise Fund reserves. The MWRA did not change the Water assessment from the estimate, so that line is unchanged.

MOVED: By Mr. Healy that the Finance Committee recommend adoption of Special Town Meeting Warrant Article: Amend the FY2023 Water Operating Budget. Ms. Miller seconded the motion. The motion was approved by a vote of 7-0.

Appropriate Transportation Improvement Fees

Mr. Davison stated that this is an annual article at the fall Special Town Meeting to appropriate fees from ride-share rides that originate in Needham (10 cents per ride) to be used for transportation-related expenditures. This will be used for bike lanes in the area of Greendale Ave., West St., Central Ave. and smaller roads.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of Special Town Meeting Warrant Article: Appropriate Transportation Improvement Fees. Ms. Miller seconded the motion. The motion was approved by a vote of 7-0.

Rescind Debt Authorizations

Mr. Davison stated that this article is expected to rescind debt related to the construction of the DPW Jack Cogswell Building, but it should be deferred until after the PPBC has taken action to wrap up the project and release the funds.

Committee Update – Emery Grover Project

Mr. Connelly stated that there is a request for supplemental funds for the construction project. The PPBC stated at a recent meeting that they are forecasting a need for an increase of \$4.5 million for construction. He stated that the sub-bids will come in in late September and the general contractor bids will come in on October 6. This project and funding will be discussed at the October 12 and potentially the October 19 Finance Committee meetings. He stated that the

PPBC wants to maintain a 20% contingency, but he feels that may be too much at this stage. He stated that an escalator was built into the last numbers, but the amount needed is still far above what was expected. Mr. Levy asked what the proposed funding source is. Mr. Davison stated that it will be a collection of sources, but he is not yet sure.

Mr. Reilly stated that the Town is also requesting supplemental funding for the Ridge Hill demolition project that amounts to an additional 35%-40% of the project cost, and brings the cost back up to the cost that originally seemed much too high. Mr. Connelly stated that the project is a demolition, so there should be no materials and no supply chain issues to deal with. Mr. Levy asked if it would be realistic to determine the tax implication for these increases for individuals. Ms. Miller stated that they would seem small if they are broken down in that way. Mr. Healy stated that the root of the problem is that the Select Board has not yet released a debt financing schedule, which he finds to be unacceptable at this late date. He would like to renew his request for a debt financing schedule with projects approved to date, those now being considered, and those reasonably expected in the future. He suggested inserting placeholders for projects that are reasonably expected. It is only through an analysis of our current and future debt position that we can best decide which projects to support, at what cost, and at what timeframe. Mr. Connelly stated that he understands that the Committee will have the debt financing schedule in November, and he plans to make it clear to Town Meeting that these various projects should be considered in the context of all upcoming projects and not in isolation. The Town should understand that these various costs will either replace another planned expenditure or will add to the bottom line. Mr. Healy stated in the past, the Town has made plans that exceeded the 10% debt policy, but there was always a specific plan how to get back within that policy. He stated that currently, the Committee does not know how these costs will affect the big picture for the Town. The Town also needs to consider whether a project cost might ever be deemed too high to justify continuing – such as with Emery Grover.

Updates:

Ms. Miller stated that she was disappointed in the process leading up to the proposed property purchase. She felt that the email from the Select Board publicly announcing the intent to acquire the property when the Finance Committee had no information had set up a potential conflict with the Finance Committee.

Mr. Connelly stated that the proponents of the article have asked for questions from the Committee before the meeting next week. Ms. Miller stated that she would like them to provide the current zoning, the wetlands delineation and how much river front property is in the proposed parcels. She noted that the proposed project cannot be done under the current zoning, and asked for an outline of the process and what is needed for approval to build the proposed development. Mr. Healy noted that this might contravene conservation laws and regulations, he asked if the Town has ever proceeded with a “friendly 40(b)” project that was in contravention of conservation regulations.

Ms. Miller stated that she would like to know the projected operating costs for maintaining the property, as well as for Town Services including sewer and other infrastructure, including roads and trails. She also asked for information on the expected impact on traffic and what kind of transportation is available to this area. Ms. Fachetti noted that the affordable units could be in effect unaffordable if there is no public transportation.

Mr. Connelly stated that it is not clear what the process of acquiring this property is and whether the Town is buying the property from the family that has owned it or a developer. He stated that it seems backwards for the Town to be the first one spending money in order to help the developer. He stated that he felt the photo of a wooded lot was deceptive since the area trees would be cut down to build the proposed project. Ms. Miller asked why the Town was not accomplishing the same thing through a restriction on the use of the property and not incurring ongoing maintenance costs. Mr. Levy stated that at the Select Board meeting, the idea of holding some of the property in trust to use for conservation offsets was mentioned. Mr. Connelly stated that there is 350 acres of Town-owned property at Ridge Hill that can be used for “no net loss” purposes. Mr. Healy also inquired how much “open space” was already located on the eastern side of Needham, as opposed to where this potential project was located on the western side.

Mr. Connelly noted that the purchase may look good in isolation, but it needs to be viewed in the context of the Town’s other known needs.

Mr. Reilly noted that the draft warrant also includes the brew-up zoning article from the spring, and did not add a definition of what constitutes a “primary business” of serving food that differentiates a brewpub from a brewery.

Adjournment

MOVED: By Mr. Healy that the Finance Committee meeting be adjourned, there being no further business. Mr. Reilly seconded the motion. The motion was approved by a vote of 7-0 at approximately 8:10 p.m.

Documents: October 24, 2022 Special Town Meeting Warrant (09-09-22 draft); Chart showing long term interest on excluded debt.

Respectfully submitted,

Louise Mizgerd
Staff Analyst

Approved September 21, 2022