

**Needham Finance Committee
Minutes of Meeting of September 22, 2010**

Mr. Zimbone, chair, called the meeting of the Finance Committee to order at approximately 7:05 p.m. in the Charles River Conference Room at the PSAB Building (temporary Town Hall).

Present from the Finance Committee:

Richard Zimbone, Chair, Matthew Borrelli, Vice Chair,
Members: John Connelly, Richard Creem, Steven Rosenstock, Lisa Zappala

Also Present:

Kate Fitzpatrick, Town Manager
David Davison, Assistant Town Manager and Finance Director
Scott Brightman, Council on Aging Member

Citizen Requests:

Mr. Brightman commented that the parking lot for the DeFazio fields is in extremely bad condition, and should be repaired. Ms. Fitzpatrick stated that it would be a \$10 million project, and that she expects to include it in the next Capital Improvement Plan.

Approval of Minutes

Mr. Zimbone asked for comments or corrections for the September 1, 2010 minutes that had been previously distributed. Mr. Rosenstock had a question about the section on MBTA parking lots. Ms. Zappala suggested replacing the sentence, "They would get the first \$100,000 of revenue." with the following sentence: "Any revenue remaining on Town-owned land would be retained by the Town."

MOVED: By Mr. Connelly that the Minutes of September 1, 2010, be approved as submitted, with the modifications indicated by Ms. Zappala. Ms. Zappala seconded the motion. There was no further discussion. The motion was approved by a unanimous vote of 6-0.

Senior Center Update

Mr. Borrelli stated that the Senior Center Exploratory Committee (SCEC) held a public hearing to hear residents' opinions, particularly regarding the Emery Grover and Heights MBTA lot sites. The SCEC heard many concerns about traffic and safety issues with respect to the Emery Grover site. Overall opinions for the Emery Grover site were more negative than he expected. The comments regarding the Heights MBTA lot were mostly positive. There was discussion about the best placement of the building on the lot, but the abutters generally supported the site. Mr. Borrelli stated that Mr. Creem spoke on behalf of the Transportation Committee which determined that swapping the upper Hersey commuter lot (which the Town owns) for the Heights lot (which the MBTA owns) and removing about 143 Heights lot commuter parking spaces and replacing those spaces with a municipal use would not adversely affect commuters.

The SCEC held a committee meeting on September 16. They discussed whether the type of financing, particularly the possibility of needing an override, should affect the choice of a site. They also discussed the possibility of a different size building. No consensus was reached on these issues. The purpose of the meeting was to discuss the issues rather than make decisions.

Mr. Borrelli reported that no sites were eliminated from consideration at the meeting, though there seemed to be no will to keep the Rosemary site on the list. The committee discussed the possibility that costs could escalate at the Emery Grover site since it involves rehabilitating an old structure rather than new construction. Mr. Borrelli said he personally does not like the limited expansion potential of that site and the potential for escalating costs. Mr. Borrelli stated that there are opinions on both sides for the Greene's Field site. The cost estimates are favorable, but there are concerns that political issues could make it difficult to move forward at that site. They did not discuss the Ridge Hill site at the meeting, since it is not near the town center and the meeting focused on sites that were closer to town. The Ridge Hill site was put aside for discussion at the next meeting. Mr. Borrelli stated that the SCEC received two separate e-mails advocating locating the Senior Center on the MBTA lots, but at opposite ends.

Mr. Zimbone asked Ms. Fitzpatrick the status of the MBTA land swap, since it is in the November Special Town meeting warrant. Ms. Fitzpatrick replied that the Board of Selectmen discussed it last night, and were very supportive. They expect to vote on it next week

Mr. Borrelli stated that the SCEC expects to recommend a Senior Center site and vote to put forward their top two choices next Monday. Mr. Zimbone noted that it is important to keep moving forward since he is working on another construction project and has seen that construction costs have increased by approximately 10% in the past 6 months as the economy starts to recover and contractors are filling their project commitments.

Mr. Creem stated that the Finance Committee has over the years maintained that only one building project could be comfortably funded within the 3% general fund debt service limit. The tandem projects of the Town Hall renovation and PSAB building had good reasons to be done together, and were done within the 3% limit. The Town recently elected to expand that project further. Mr. Creem stated that with the exception of the Town Hall/PSAB project, he has maintained that building projects such as the proposed senior center should be financed through a debt exclusion override. The \$5 million available within the 3% limit would not adequately fund a senior center. He would not support increasing the 3% limit under any circumstances. He supports building a senior center only if it is the right project, at the right size, at the right place, at the right price, and with an appropriate funding source. He believes the only choices are to finance the project through a debt exclusion override for the full \$8 million or to cobble together financing with a combination of 3% and CPA debt capacity. He believes that financing a senior center project using a combination of 3% debt capacity and the rest through a debt exclusion override is unlikely to be politically viable. He feels that any project chosen should be one that qualifies for at least partial funding under the CPA. Unless Ridge Hill is still an option, the only possible site satisfying these requirements is Emery Grover, which he currently supports.

Mr. Brightman stated that there was not a formal vote, but the majority of the Council on Aging is not in favor of the Emery Grover site, and supports the MBTA lot as the best spot.

Mr. Zimbone raised two concerns regarding the senior center. First, he expressed concern that the group that speaks the loudest when a specific site is up for discussion unduly influences the process. He would like everyone to consider what is best for the seniors in Town, rather than focusing on issues raised by people speaking out of self-interest. Second, the Finance Committee has a responsibility to offer its opinion to Town Meeting as to how to finance the project, and to state what the Town can afford. He wants the Finance Committee members to think about this issue for discussion later.

Mr. Rosenstock stated that he agreed with Mr. Zimbone's first issue with respect to the volume of those speaking out, but commented that the Town should consider not what is best solely for the seniors, but best for the whole Town. With respect to the second issue, Mr. Rosenstock stated that it is clearly the Finance Committee's role to make a recommendation to Town Meeting, but that the Committee should not step in during the executive process, while a site is still being chosen.

FY2012 Budget Guidelines

Ms. Fitzpatrick stated that she will issue budget guidelines to Town departments next week. She views the options for next year as (1) continuing to struggle through another difficult year, or (2) face "Armageddon" if the state ballot question cutting sales tax to 3% is approved by the voters in November. The upward exposure of the Town if that were to occur is \$7 million. She expects at this point to make it through FY2012 without significant service cuts. She is going to ask department heads to submit budgets based on what they need to get through FY2012 without significant service cuts, based on actual experience rather than a percentage or mathematical formula. She wants them to go through their main operations and determine what they really need, based on their historical obligations. The Town is not adding any services, and hoping not to cut any.

Ms. Zappala stated that the Town asked the unions for a 0% cost of living adjustment last year and that the Fire Department agreed for two years, and asked where the other unions ended up. Ms. Fitzpatrick stated that the Fire Department did agree to a 0% COLA, but that other terms cost 1% through FY2012 because of other extras that are not part of the salary schedule. One of the teachers unions agreed to move over to rate saver health plans, with the savings allowing for a 1% COLA, and that the Town is still working with the other unions.

Mr. Borrelli asked how they would address the town's technology needs going forward. Ms. Fitzpatrick stated that the current needs are mostly for hardware, as there is a global software change that will be phased in soon using cash. It will not be ready for FY2012. Mr. Zimbone stated that the Committee has concerns about both hardware and software issues, and that we may want to have a meeting to discuss these issues in more detail, and bring in people from the Town to address them.

Mr. Zimbone stated that Ms. Fitzpatrick and Mr. Laffey have done a great job to reduce energy costs in Town, and Mr. Davison has attained favorable pricing contracts, and that he hopes to continue the progress. Ms. Fitzpatrick stated that they have drafted the FY2010 actuals to

compare to budgeted numbers. Mr. Zimbone stated he would like Mr. Creem and Ms. Mizgerd to work with Mr. Laffey and Ms. Lustig to have some input on energy issues.

Mr. Rosenstock asked Ms. Fitzpatrick whether there is anything happening that could affect the Town financially that the Committee might not know about. Ms. Fitzpatrick stated that there are big issues like the senior center, but that the Committee knows about them. There had been talk of a need for a new early childhood education building, but the need is not there at this time.

Mr. Borrelli asked when there would be a decision on whether the MSBA will fund part of the Pollard roof project. Ms. Fitzpatrick stated that the deadline for the application was today, and that there will be discussions in November. There is an issue regarding timing of the project since the building is in use and the Town wanted two summers to complete the work, but the MSBA-funded project work must be completed by December 31, 2011. The Town can work within that deadline.

Facility Financing Plan

Ms. Fitzpatrick and Mr. Davison presented the Facility Financing Plan as presented to the Board of Selectmen. She stated that the main point of interest was page 7, which showed how the Town could spend \$5 million on a senior center and stay with the Town's policy limiting the general fund debt service to 3% of general fund revenue. Mr. Zimbone asked whether there was any discussion of increasing the 3%. Ms. Fitzpatrick stated that the issue was not considered, as it would eat into the Town's operating budget.

In response to a question from Mr. Rosenstock, Mr. Davison stated that the Fire Department expects to replace a fire truck with cash. He added that he expects the cash capital request to come in about the same as last year. He expects free cash to be in the low \$3 million range.

Mr. Borrelli asked about proposed modifications to the Pollard auditorium and science classrooms that had been part of the same project as the Pollard roof. Mr. Davison reported that the School Committee has separated out the roof project in order to apply funding under the MSBA repair program. Because the Town will not know about this funding before the Special Town Meeting, the Facilities Plan does not assume MSBA funding. Mr. Davison also stated that the roof work needs to be done immediately, but that the School Committee is not ready to move forward on the science rooms or the auditorium. He also stated that the School Committee is reconsidering the future of the Pollard building, and thus what to do with the auditorium.

Mr. Zimbone asked why the Hillside and Mitchell improvements do not show up in the facilities plan. Mr. Davison stated that only the condition assessment had been funded so far. Ms. Fitzpatrick added that the School Committee has not requested those projects in its capital plan yet, so it is too early to include them in this plan. However, she noted that they fully expect to do that work in the next 10 years, but they are not ready to plan the financing.

Mr. Zimbone asked whether, based on this facilities financing plan, \$5 million is the maximum the town could afford for a senior center. Mr. Davison replied yes, the \$5 million is the

maximum if staying within the 3% debt service limit. He stated that the figures shown on page 7 include contingencies.

Mr. Rosenstock expressed concern about the increasing costs of road work each year and whether there was enough money to cover needs. He asked whether the cost of designing and building the salt shed was coming from debt as stated in the FY2011 capital plan. Mr. Davison stated that there was a change and that the design was funded from cash, not debt.

Mr. Borrelli asked whether there might be additional money for the senior center project if the assumed interest rate were changed to 5%. He understands the need to be conservative, but does not want to miss an opportunity. Mr. Davison replied that the Town must be conservative in the factors that it can control. The plan shows what is expected, notwithstanding the senior center. Page 7 shows what the Town could afford. He can confidently say that there is \$5 million for a senior center. Mr. Davison stated that if shifting the assumed interest rate is the way to make the project workable, then the Town cannot afford the project. There are many factors involved. Saving \$0.5 million in roads would not translate into \$0.5 million more for a senior center. Mr. Zimbone asked for a bottom line: if the Town needs \$8-10 million for a senior center, how can it be financed? Mr. Davison replied that it cannot be done within the 3% debt service limit. Mr. Zimbone asked if the Town would need an override. Mr. Davison responded that the Town cannot fund an \$8-10 million project today within the 3% debt limit, but that there are several alternative possible funding sources that could be considered.

Mr. Rosenstock commented that there are also infrastructure issues not included in facilities plan that might need funding such as the Rosemary pool or replacing turf fields, and that it is hard to want to spend contingency money on a new project.

Mr. Borrelli asked if the state sales tax is cut to 3%, how it might affect CPA or MSBA funding. Mr. Davison reported that it should not affect the CPA funding which comes from real estate taxes and transactions. MSBA funding is not likely to be affected either since the funding comes from 1% of sales tax, and it will not likely be considered part of the amount cut. Another 1% of sales tax is pledged to regional transportation, mostly MBTA, which also will not likely be cut. The reduction would likely be in local aid.

Ms. Zappala asked whether the Selectmen discussed the issue of where the Town might use the \$1 million of the Pollard roof funding that may be covered by the MSBA. Mr. Davison said that the funds would improve the contingency line, and would not increase the \$5 million for the senior center. The \$5 million is firm right now. If the Town funds roads according to the current plans and the plans that build off those plans, as included in the facilities financing plan, then the Town cannot fund more than \$5 million within the levy limit. Any savings would go to improve contingency funding.

Finance Committee Updates

Mr. Creem reported that he will chair a panel on the new Open Meeting Law at the ATFC annual meeting on October 23 at the Tricounty Regional High School in Franklin. The panel will include a member of the AG's office and the Foxboro Town Clerk.

Ms. Zappala stated that at the end of FY2010, the schools were supposed to receive stimulus money from the federal government through the state, but that the amount had been decreased when the state paid. This reduction was more than offset by a grant through the federal Education Jobs Program (EdJobs), intended to support hiring or retain people who would be laid off. The net increase in federal grants funds is approximately \$400,000 in one-time money, which the School Committee is discussing how to use.

Adjournment

MOVED: By Mr. Rosenstock, that the meeting be adjourned, there being no further business. Ms. Zappala seconded the motion. The motion was approved by a vote of 6-0, at approximately 8:34 p.m.

Documents: Town of Needham Facility Financing Summary, September 21, 2010

Respectfully submitted,

Louise Mizgerd,
Executive Secretary

Approved September 29, 2010