

**Needham Finance Committee  
Minutes of Meeting of August 3, 2011**

The meeting of the Finance Committee was called to order by the Chair, Matthew Borrelli, at approximately 7:00 pm in the Charles River Conference Room at the Public Services Administration Building (Temporary Town Hall.)

Present from the Finance Committee:

Matthew Borrelli, Chair; Richard Reilly, Vice Chair

Members: John Connelly, Richard Creem, Richard Lunetta, Steven Rosenstock, Lisa Zappala, Richard Zimbone

Also Present:

David Davison, Assistant Town Manager/Director of Finance

Jamie Brenner Gutner, Executive Director, Council on Aging

Carol deLemos, Vice Chair, Council on Aging Board

Steve Popper, Director of Construction and Renovation

George Kent, Chair, Permanent Public Building Committee

Jerry Wasserman, Vice Chair, Board of Selectmen

Jim Healy, Member, Board of Selectmen; previous member of SCEC

**Citizen Requests**

No citizens requested to speak.

**Senior Center Financing – Building Discussion**

Mr. Borrelli reported that the Board of Selectmen voted to recommend proceeding with the Senior Center project without seeking funding through an override. For this meeting he wished to address three issues: the size of the building and whether changes could achieve savings; the impact of the proposed project on Town infrastructure, specifically the roads program; and global effects, meaning how the financial plan will affect the entire Town, including whether the Emery Grover site is still an option, and what the opportunity costs are at that location.

Mr. Borrelli asked Ms. Gutner, Ms. deLemos, Mr. Popper and Mr. Kent to address whether the 20,000 square feet of space is needed. Mr. Gutner referred to a document prepared by Mr. Popper entitled “Response to Finance Committee Impact of Any Reduction in the Size of the Senior Center.” She stated that Option 1 which would decrease the multipurpose room would not increase capacity significantly over the current center, and would hamper the improvements expected to be achieved by the project. She added that the new space was envisioned to be available to other groups in Town off hours. Option 2 which called for reduction of game or fitness space would defeat the goals of health and wellness for seniors. Currently the game room is one of the most well-used spaces. Option 3 that eliminates the basement and takes away some program space will leave insufficient storage space. If program space is used for storage space, it will impair the use and flexibility of the space. Ms. Gutner would not support option 4 which

calls for removal of program space and a game or fitness room for the reasons already stated for 2 and 3.

In a follow-up to the last meeting, Ms. Gutner reported that she spoke with senior center staff from other towns, and they required no increase in staffing for a new senior center. There were increases in volunteers and instructors, but at no cost to the towns. All towns told her that they found there were increases in participation in a new senior center, and that they all wished they had additional space.

Mr. Zimbone asked Mr. Popper what the document meant by the extension of “schedule” and “general conditions” that would could increase costs if the project is delayed. Mr. Popper replied that if there is a delay, then the funding cannot be appropriated until the May Town Meeting, and the building could not be enclosed before winter. Working in winter conditions will push the project out approximately two months in his opinion. Mr. Rosenstock asked about delaying the project a full year to avoid the winter issue. Mr. Popper stated that there is the risk of escalation. Mr. Kent stated that now is a reasonably good bidding climate and though the economy is showing signs of improvement, there is no way to know what will happen. He added there is not as good a bidding climate now as one year ago. There is a chance of a worse bidding climate on top of escalation.

### **Senior Center Financing – Financing Plan**

Mr. Borrelli reported that there was a school liaison meeting to discuss the costs of the Hillside, Mitchell, and Pollard work. Mr. Zimbone also met with the Town Manager to discuss the costs. Mr. Zimbone stated that the Hillside and Mitchell work is expected to be done with cash capital over the next five years. The Pollard assessment, however, showed that the scope of needed work was much larger than expected. There is some short-term work needed, but the project will be \$13-\$14 million, and will require an override. The Mitchell and Hillside schools will also need to be rebuilt which will also require an override. Both overrides will be needed in the next 4-8 years. At Pollard, \$1.1 million of work for science classrooms and the auditorium is being deferred from the current project and added to the later project. This \$1.1 million could be shifted to roads in the Town financing plan. Mr. Zimbone stated that the schools want to raise the idea of an operating override because they are concerned about class size. Ms. Zappala stated that there is a 4-6 year horizon for paying for the schools. If the Town wants to build in 2014-2016, the override vote will need to be before that.

Mr. Rosenstock asked Mr. Davison whether the projects could be funded with override funds or whether they must be paid from the 3%, since the designs need to be made before the override. Mr. Davison responded that when a project is debt-excluded, it can be paid from the debt exclusion funds as long as it has not yet been bonded. The debt for the design can be authorized and borrowed on temporary notes, which need to eventually be converted to bonds. Mr. Davison stated that the Town must still demonstrate a way to cover the costs in case the override does not pass. Mr. Wasserman added that the Town used to do full designs before an override, but now just do come specs and cost estimates.

Mr. Borrelli stated that he understood that there were plans to do some work in-house to save money. Mr. Davison stated that certain kinds of work, if done in-house, cannot be funded with debt. Ms. Zappala stated there was also an issue as to whether the Public Facilities staff could handle that amount of additional work. Mr. Healy stated that it would be a matter of prioritization of which usual maintenance work would be done, and which project work. Mr. Rosenstock asked for a plan from Mr. Laffey showing which work that would have otherwise been done would be put off for these projects. Mr. Kent stated that there will be a final report on August 22 that will be distributed to all committees.

Mr. Borrelli stated he had had a meeting with the DPW about the proposed reduction in roads funding. Mr. Reilly referred to the document handed out at the previous Finance Committee meeting, "Public Works Infrastructure Contingency Capital Budget" which showed the department's capital requests, the Town Manager's recommendation, and "contingent" which are changes to the Town Manager's recommendations under the proposed financial plan. Mr. Reilly reported the following changes: Street Resurfacing decreased \$445,000; Intersection Improvements decreased \$520,000; and Sidewalks decreased \$245,000. The net decrease is approximately \$1.2 million. He noted that about half of the reduction was for Intersection Improvement in FY 2014. This was attributable to the intersection at Great Plan and Greendale Avenues. It now appeared advisable to defer this project until the traffic patterns following the Route 128 project became established. So the main concern is the \$700,000 reduction in Street Resurfacing and Sidewalks. However, Mr. Reilly stated that he believed that no one on the Finance Committee had the expertise to evaluate this. Mr. Davison added there is a benefit to the proposed changes in that the DPW can focus on other projects that have been slowed because of the focus on roads. Sewer lines and the sewer pump station issues need to be addressed in November. Mr. Healy stated that it would be good to reallocate contract management efforts to water and sewer because for a limited time, the Town is currently eligible for reimbursement for water and sewer projects. Mr. Davison stated that since the Town does the contract management for these projects, the focus can be shifted from roads to water and sewer. Also, the MWRA recently told the Town that there is a sunset date for certain programs under which the Town is getting grants and favorable borrowing rates. Mr. Davison stated that the Town already has the approval for money for the Reservoir B project, so the Town has fast-tracked the project. Other Towns have put off projects for financial reasons, so funding has been available. Mr. Davison expects the Reservoir B project to be on the November Town Meeting Warrant with an emergency preamble. Mr. Davison added that there has been a separate issue of slower work on water and sewer connections holding up work on roads. This would allow the water and sewer work to catch up.

Mr. Rosenstock expressed concern that putting off road work tends to increase cost geometrically as the roads deteriorate. Mr. Reilly stated that some of the reduction was from the sidewalk program. He stated that the DPW has prioritized the road work based on an analysis of road surface conditions. Mr. Healy stated that the figures Mr. Reilly stated earlier constitute the worst case scenario. Mr. Rosenstock stated that there would be no contingency left for any other needs. Mr. Wasserman stated that there will be money to maintain the roads, and there will not be the problems that have happened in the past. Mr. Reilly stated it would be reasonable to assume that the reduced infrastructure program will be sufficient. He feels Mr. Davison's financing plan indicated the Town could probably absorb an additional \$2 million project

because it was reasonable to assume that the current low interest rate would continue for a few years. He added that the political reality is that the Town would be using the “3% bucket” to finance the Senior Center with the result bring that an emergency in excess of the \$2 million that may arise would itself require an override—a more realistic possibility.

Mr. Zimbone stated that the Committee is trying to examine the broader picture to see if the Town can redistribute the funds and still cover unforeseen expenses. He suggested the Committee discuss the issue and vote. Mr. Borrelli added that a vote would allow fundraising efforts to move forward.

Mr. Creem asked Mr. Kent whether he would consider the proposed Senior Center to be a “skinny rabbit” as he had characterized the PSA Building. Mr. Kent stated that unlike the PSAB, the Senior Center project is not aiming for minimal cost and fastest construction, but is intended to be a building that will last 50 years. Mr. Creem stated that since the project is being shoehorned into the 3% debt limit, any possible savings would be helpful. Mr. Kent stated that they will seek low costs, but within the design requirements. Mr. Creem asked Mr. Popper about \$200,000 in services for the Senior Center project that might be done by the Town. Mr. Popper stated that it is possible that some related road work may be done by the DPW. Mr. Kent added that no work on the building itself would be in-house. Mr. Creem expressed concern that over the years, the Town has scaled back on the proposed contingency that is needed for this project.

Mr. Creem asked Mr. Davison whether he was concerned about Needham’s credit rating based on the possibility that the federal government’s AAA rating could be downgraded, and on the fact that Moody’s is also considering downgrading the rating of a number of nearby AAA rated communities. Mr. Davison stated that he does not know what S&P is thinking, but they are usually more aggressive than Moody’s. He noted that if politics are removed from the discussion, Needham is not very dependent on federal funds. Needham does not get much aid, and thus is less affected when aid is decreased. Therefore, he did not see a reason that the Town would be downgraded. However, he noted that there is a potential issue of whether a Town can have a credit rating higher than the federal government. Mr. Rosenstock noted that even if the Town’s credit rating remains the same, there could be issues such as whether people in the community will be able to meet their tax burdens if they depend on Social Security or their work involves federal funding. Mr. Davison added that the Town has been resilient in the past, and that housing prices have remained high. He agreed that people will be affected by a weakening national economy, but that he did not think it would affect the Town’s credit rating. Ms. Zappala stated that she thinks the important issue is that the Town is not very dependent on federal money.

Mr. Reilly stated that the Board of Selectmen has found that an override does not make sense politically for this project. Thus, the Committee needs to answer the question whether or not it is fiscally responsible to fund the Senior Center project according to the proposed plan. Mr. Reilly stated while he is not entirely comfortable with the plan, he is comfortable enough to support it. Mr. Lunetta stated that he is concerned that the Town is planning to build at one location, when there was potentially \$5.2 million in CPA funding available for building at a different location. He feels the issue must be raised to be able to move forward responsibly. Mr. Healy stated that the SCEC had debated the Emery Grover location on two separate occasions and twice voted not

to move forward with plans for that location. The Board of Selectmen also considered that location, and voted to support the Heights location. Mr. Healy stated that Emery Grover has been considered, and the Town must move forward with the Heights location for the following reasons: The Town Hall project has not yet been entirely bonded, so it is not known how much CPA money is available; the Emery Grover numbers were only quick estimates, and plan was never developed for Emery Grover with reliable cost estimates; the Town does not know what portion of Emery Grover costs would be eligible for CPA funding; the cost of moving the School Administration would place an additional cost at that location; there were many access and traffic issues raised by the neighbors with the Emery Grover Building location; and there were issues about creating an accessible entrance and load bearing walls that could not be moved that limited the building options at the site. Mr. Reilly stated that this information had not been expressly stated and put on the record at a Finance Committee meeting.

Mr. Creem stated that the Ridge Hill site also allowed for possible CPA funding. He stated that the Town owns two decaying buildings, and is doing nothing about them. He stated that this was a perfect opportunity to repair one building. He stated that he feels the Heights location is marginal at best, and that the Town has not sufficiently explored the Emery Grover and Ridge Hill options.

MOVED: By Mr. Zimbone to reconsider Mr. Creem's July 13 motion. [Mr. Creem had moved that the Finance Committee strongly recommend to the Board of Selectman that action on the facility financing plan, as presented, be deferred until the completion of the Finance Committee's FY13 budgetary and capital review, and that as a consequence of such deferral, any warrant article seeking funding for the construction of the proposed senior center project at Needham Heights be deferred until the May 2012 annual town meeting.] Mr. Reilly seconded the motion.

Discussion: Mr. Creem stated that he made the motion because there were too many issues that should be examined in the course of the budget and capital spending review process for the next fiscal year to make a determination on the Senior Center financing at this time. He stated that the Committee should hear from the principals of departments that will be affected and have a chance to probe. He stated that he stands by that position. He added that since the last meeting, there has been evidence that the federal economy is stalling and the federal government is in a precarious position. He agrees with Mr. Rosenstock's suggestion that the Town should consider deferring the project for a full year if a six month pushback causes problems with the weather. In that case, he would amend his motion that the issue be deferred until November 2012.

VOTE: The Committee voted 8-0 to reconsider Mr. Creem's motion.

MOVED: By Mr. Creem that his previous motion be amended to defer the project until the November 2012 Special Town Meeting rather than the May 2012 Annual Town Meeting. Mr. Rosenstock seconded the motion.

[The Motion as amended: that the Finance Committee strongly recommend to the Board of Selectman that action on the facility financing plan, as presented, be deferred until the

completion of the Finance Committee's FY13 budgetary and capital review, and that as a consequence of such deferral, any warrant article seeking funding for the construction of the proposed senior center project at Needham Heights be deferred until the November 2012 Special Town Meeting.]

Discussion: Mr. Rosenstock stated that he was shocked the Committee would consider a motion to approve the financing plan at this time. He stated that the Finance Committee is charged with giving advice to Town Meeting on issue before it, and that there is nothing before Town Meeting at this time so a vote would not be appropriate. He stated he would like to speak to the DPW directly and find out more specifics about the cuts to the roads program. Mr. Zimbone stated that he did not agree with Mr. Creem's position that the Committee should not consider this issue in November this year, especially since next year is more uncertain. While new facts may come to light, Mr. Zimbone felt that he had sufficient information to make a decision at this time. He feels that if there is a federal default, or a Town or federal rating downgrade, the Town may be frozen and not be able to move forward.

VOTE: The motion failed by a vote of 1-7, with Mr. Creem supporting the motion.

Ms. Zappala stated that although people want to know the Finance Committee's position, she did not see a real need for a vote. There are too many uncertainties and voting now may not be helpful. She was concerned about the low contingency and the fact that the finances are tighter than ever. The plan could be done, but there are questions about the risks and whether it is expedient to go forward without an override. Voting too soon may prevent the Committee from considering issue that may arise in the next couple of months. She would prefer to see a revised financial plan removing the Pollard project and including Hillside and Mitchell work, though she could live without it. However, she saw no need to push for a vote now. Mr. Borrelli stated that he wanted the full committee to vote. Mr. Connelly stated that he is ready to vote. He felt that there was adequate information, and that he did not foresee anything arising before October that would change this. In addition, a vote would allow the plans and design to move forward with some certainty.

Mr. Rosenstock stated that he wants to know how the planned cuts to the roads program will affect the roads, and what work that was originally planned will not be done. He feels there is insufficient information to answer the question of whether the proposed plan is financially the right decision. Mr. Reilly commented that the Town will still spend \$1.7 million on roads, or \$445,000 less than the \$2.2 million planned. Mr. Zimbone stated that he recently learned that the Friends of Needham Elderly now plan to raise funds money only for "extras" for the Senior Center. He had been under the impression that they were trying to raise significant funds, and that was what he thought when asked Mr. Davison to consider a scenario where the project would require \$2 million less spending. Mr. Healy stated many people want to get involved but that they no longer expect to be able to raise so much money. He expects greater than \$100,000 but less than \$1 million. The "enhancements" that the fundraising hopes to cover are things like a pool table, patio furniture, and computers for the hearing and visually impaired. He added that the Town has never turned to private fundraising to fund building a Town facility. Mr. Rosenstock stated that since the Selectmen said the Town will pay for the project, so fundraising will not work.

Mr. Borrelli stated that he is not comfortable voting whether to finance the project within the levy limit at this time, but would like to vote the issue at the next meeting. Mr. Davison confirmed that the five-year proforma will be available before the next meeting. Mr. Wasserman stated that Board of Selectmen did due diligence on the Senior Center financing issue. Each member met with the Town Manager and Finance Director individually. The Board unanimously voted to support the project funded within the levy. While they don't love the plan, they think it will work.

### **Pollard Modification Project**

Mr. Davison stated that the project is planned to be finished by the first week in September. However, because of certain conditions, the costs are expected to be greater than the original appropriation. The PPBC cannot execute the change orders needed to finish the project unless there is sufficient funding. The only alternatives are to ask Town Meeting for an additional appropriation in November, or for a Reserve Fund Transfer to the Public Facilities capital line. The purpose of the Reserve Fund is for unforeseen or emergency needs. Since the school needs to open in September, waiting until November is not possible.

Mr. Zimbone asked whether it was possible to transfer money from the School Department budget for this expense. Mr. Davison stated that only a reserve fund transfer or request to Town Meeting would be appropriate. Mr. Zimbone asked if the Schools could use one-time money for this expense. Mr. Davison stated that they could choose to do so, but they have not been asked. The School Committee's next meeting is August 26. Mr. Rosenstock asked why the project is running over. Mr. Kent stated that the estimates for the project were not as accurate as they expected, and the project is accelerated. The chosen bid was the lowest, and was almost 10% more than budgeted. Mr. Popper stated that the other bids were too high that the Town could not even have contracted with them. Mr. Kent stated that the contingency had been squeezed. There is now an expected \$27,000 shortfall. The request is for \$40,000, including contingency. Mr. Kent says that he believes they have identified all the issues.

Mr. Creem asked whether any contingency funds left over would revert to the reserve fund. Mr. Davison stated that they could be reallocated to the Reserve Fund at Town Meeting. Mr. Kent confirmed to Mr. Zimbone and Ms. Zappala that the \$40,000 should proved enough contingency to get through the project. Mr. Borrelli expressed concern that the Committee was not notified earlier of the expected overage. Mr. Popper stated that they know of difficulties about a month ago, but did not have specific information. Mr. Connelly stated they would not have had prices of change orders earlier.

MOVED: By Mr. Zimbone that the Finance Committee approve the request for a transfer from the Reserve Fund in the amount of \$40,000 to line 28C, Public Facilities Capital. Mr. Connelly seconded the motion. There was no further discussion. The motion was approved by a vote of 8-0.

## **Adjourn**

MOVED: By Mr. Reilly, that the meeting is adjourned, there being no further business. Mr. Lunatta seconded the motion. The motion was approved by a vote of 9-0, at approximately 9:20 p.m.

Documents: Response to Finance Committee Impact of Any Reduction in the Size of the Senior Center; Public Works Infrastructure Contingency Capital Budget

Respectfully submitted,

Louise Mizgerd  
Executive Secretary/Staff Analyst

*Approved September 7, 2011*