

Needham Finance Committee  
Minutes of Meeting of October 7, 2015

The meeting of the Finance Committee was called to order by the Chair, Louise Miller, at approximately 7:00 pm in the Selectmen's Chambers at the Town Hall.

Present from the Finance Committee:

Louise Miller, Chair; Richard Zimbone, Vice Chair  
Members: Barry Coffman, John Connelly, Tom Jacob, Ken Lavery, Richard Lunetta, Richard Reilly, Carol A. Smith-Fachetti

Others present:

Maurice Handel, Chair, Board of Selectmen  
Matt Borrelli, Vice Chair, Board of Selectmen  
Kate Fitzpatrick, Town Manager  
David Davison, Assistant Town Manager/Finance Director  
Lee Newman, Director, Planning Director  
Devra Bailin, Economic Development Director  
Paul Alpert, Planning Board  
John Connery, Connery Associates Consulting  
Dennis Condon, Chief, Needham Fire Department  
Henry Haff, Project Manager

**Special Town Meeting Draft Warrant Articles**

**Amend Zoning By-laws: Mixed Use Overlay District**

Ms. Newman stated that this is a follow-up to the zoning to set up the New England Business District in 2001. At that time residential use was considered, but not supported by the businesses. There were concerns from other interests in town, so it was not pursued. Thinking has changed, and now businesses are looking for convenient and affordable housing for employees. She stated that Mass Housing provided funding for a fiscal analysis. The plan meets the CEA goals of incenting growth and development. She stated that multifamily housing is needed for additional economic growth. Another goal in the process is not to jeopardize the 10% ratio of affordable housing. She stated that some restrictions being implemented are different from the assumptions in the study. She stated that the Town wants to encourage large scale development with a maximum of 350 units. She stated that 40% will be one bedroom units, but the mix is up to the developer. She stated that 10% must be affordable housing.

Mr. Connery described the fiscal analysis which reviewed potential revenues of a project and the costs for schools and public safety. He stated that at 40% one bedroom units, a project would be fiscally sound for the Town because there would be virtually no school-aged children in those units. He stated that Needham has high rents, which helps the revenue side. Ms. Bailin stated that zoning cannot dictate owning vs. renting, but condominiums would double the Town's revenue.

Mr. Zimbone asked how the education costs in the analysis were determined. Mr. Connery stated that he used the annual net spending per school figures, which includes municipal

expenses related to schools, but did not include transportation. He stated it did not assume any additional building space needs for the students, but noted he would expect only about 17 additional children. Mr. Zimbone suggested that he contact the Superintendent for input on the financial effects of adding those students in that location.

Mr. Connelly asked if there has been interest from either businesses or developers in building a residential multifamily building. Ms. Bailin stated that there has been interest from both, but she believes no one now owns a 5 acres lot as needed for such a project. The zoning also encourages consolidation of smaller properties. Mr. Reilly asked what the original rationale for not having residential uses in business districts. Mr. Connery stated that the old general standard was to keep uses segregated for the most economic value. Now thinking has changed, and mixed uses provide more beneficial uses and increased value. Mr. Connelly asked why this would apply only north of Highland Ave. Ms. Bailin stated that they do not want to go too far. Mr. Jacob stated that he is on the CEA, and the main idea is to reduce restrictions on the property. He stated that it could be 5 years before a residential project could happen, and it is not known what the market would look like then. This would loosen the reins. Ms. Miller stated that although the analysis anticipated no effect on the DPW, the sewer capacity could be an issue. Mr. Zimbone commented that the fiscal analysis was very helpful.

#### **Amend Zoning By-laws: Mixed Use Overlay District Map Change**

Ms. Newman stated that this would show the overlay district on the map.

#### **Amend Zoning By-laws: Historic Preservation – Dimensional Special Permit**

Ms. Newman stated that this would encourage the preservation of historical features of homes on the historic registry by allowing intrusion into setbacks with a special permit. The Historical Commission would have input during the process. Any project could not be detrimental to the neighborhood. Ms. Miller asked why the setback waiver was limited to 40%, rather than decided case by case. Ms. Newman stated that they wanted some restriction.

Mr. Connelly asked if the article had any financial impact. The Committee found the financial impact, if any was not discernible.

Ms. Newman stated that the Planning Board has voted to support all of the zoning articles. She stated that there have been some language changes, only for clarity.

MOVED: By Mr. Zimbone that the Finance Committee recommend adoption of Special Town Meeting warrant article Amend Zoning By-laws: Mixed Use Overlay District, subject to technical corrections. Mr. Reilly seconded the motion. There was no further discussion. The motion was approved by a vote of 9-0.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of Special Town Meeting warrant article Amend Zoning By-laws: Map Change for Mixed Use Overlay District, subject to technical corrections. Mr. Connelly seconded the motion. There was no further discussion. The motion was approved by a vote of 9-0.

MOVED: By Mr. Lunetta that the Finance Committee take no position regarding Special Town Meeting warrant article Amend Zoning By-laws: Historic Preservation – Dimensional Special Permit. Mr. Connelly seconded the motion. The motion was approved by a vote of 9-0.

### **Accept Access Easement**

Ms. Fitzpatrick stated that the easement would be across land on Rockwood Lane, allowing people to drive on the private way, and walk across some property to access an area of public land. There is otherwise no access to the land, which the Town owns. There are building lots on the street and a developer is planning to build 12 units. Town Counsel determined that since this is not a water or sewer easement, Town Meeting and not the Board of Selectmen must authorize it. Mr. Zimbone asked what it at risk if Town Meeting does not approve the article. Ms. Newman stated that the developer could not be prevented from blocking access to the public land. Mr. Zimbone asked if voting against the article could shut down the proposed development. He stated that he needed an answer before voting.

### **Amend FY16 Operating Budget**

Mr. Davison noted that when the budget was prepared it was unclear whether payments under the solar project would be made in the form of credits that would reduce electricity expenses, or a check that would come in as revenue that would offset expenses at a later time. The effects on the budget are quite different. He stated that if the payments are made by check, so that no credits are issued against the electricity bill, he will need to propose another budget amendment at the May Special Town Meeting. He may also need to request a Reserve Fund transfer for electricity expenses before that. Ms. Fitzpatrick stated that any checks that come in for solar power will go into free cash next year. Ms. Connelly asked Mr. Davison to earmark some funds in the Reserve Fund for energy costs.

Mr. Davison stated that the budget article in the current Town Meeting warrant proposes to increase the Health Insurance line due to an increase in rates. He stated during the budget process there was concern about increased rates, but he did not know the full effect because he did not know how many new enrollments or health insurance changes there would be. He noted that new teachers can sign up in the summer. He stated an increase of approximately 3% over the current budget is needed. He stated that the 20-plan contingency in the current budget buffered the increase. He stated that the premium increases are up to 14%, and the average premium increase is 12.5%. He stated that there is now a 10-plan contingency. He stated that he expects a significant increase for FY17, but it will be clearer in the spring. Mr. Lunetta asked if they are considering leaving the consortium. Ms. Fitzpatrick stated that they are actively engaged in considering other options.

Mr. Davison stated that there is also an increase in the Classification, Performance and Settlement line to cover the potential cost of increases under unsettled collective bargaining agreements. He stated that there will be impacts of the new minimum wage, and that there are changes to the salary schedules for non-represented employees. Mr. Davison stated approximately \$110,000 is for increases to non-represented employees, and the rest is for increases due to collective bargaining. Ms. Miller asked the source of the additional funds for this article. Mr. Davison stated that State Aid has increased, there is additional New Growth, and

that funds that had been set aside to cover a carryover of the Snow and Ice deficit from FY15 were needed. Ms. Fitzpatrick stated that some of that money is being made available for energy budgets. Ms. Miller asked for a breakdown of the sources of funds for articles. She asked if any appropriation article fails, if the money could go to the Reserve Fund. Mr. Davison stated that most of the funding for articles is from other available funds and would stay where it is. It would be subject to appropriation for other articles in the spring. Mr. Reilly suggested that the Committee review the funding sources before voting. Mr. Connelly stated that it would be helpful to see before Town Meeting, but would not affect the merits of these numbers.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of Special Town Meeting warrant article Amend FY16 Operating Budget. Mr. Coffman seconded the motion. There was no further discussion. The motion was approved by a vote of 9-0.

### **Appropriate for Fire Station 2 Feasibility**

Mr. Condon stated that Fire Station 2 was remodeled in 1990 and needs updates. He stated that the goal is to have a full-time permanent ambulance out of this station. Currently, staffing the ambulance means taking staff off other apparatus. Also, the logistics of housing the equipment don't work. He stated that there has been substantial population growth in the Heights, and expansion on the east side of Route 128. Ms. Fitzpatrick stated that new developments have impacted police and fire, and that a DSR-4 is being prepared to request funding for additional staffing needs. She stated that through negotiations with the developer Normandy, there is about \$1.1 million set aside for this project. This article is seeking \$50,000 to assess the programming, the facilities and systems, to examine construction issues, and to develop a cost estimate. She stated that the Town needs to be ready any time with an additional engine. Mr. Lunetta asked if the engine could be housed somewhere else instead of embarking on expensive building renovations. Mr. Condon stated that would be a poor alternative, and could slow down responses because of logistics. He noted that the Fire Department is getting a lot of medical calls to go to some of the new buildings in the Heights. He stated that part of the study would look into a building a repair bay. He stated that it saves money and time to repair in-house, but there is no space.

Mr. Connelly asked what would be produced if this article passes, and whether it would be available in time for funding the work in the spring. Ms. Fitzpatrick stated that the study would review the range of options and provide costs. She stated that there is a placeholder in the capital plan of \$4 million. The best case in terms of timing would be to seek funding for construction in November 2016. Mr. Zimbone asked whether they have considered a 3<sup>rd</sup> fire station at Parcel 74, which has space and easy access to all of the new buildings on that side of town. Ms. Fitzpatrick stated that a facility master plan was recently completed, and another fire station is not under consideration and not in the capital plan. She stated that it should not be part of a study at this point, though it could be in an out-year of a 20-year study.

Ms. Miller asked why they were seeking to add an ambulance rather than use a service. Mr. Condon stated that they can provide better medical service and respond faster than a service. He stated that this is the model that all towns should strive for. Also all the Town ambulance staff members are trained firefighters.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of Special Town Meeting warrant article Appropriate for Fire Station 2 Feasibility. Mr. Lavery seconded the motion.

DISCUSSION: Mr. Zimbone request that the next facilities plan consider a Fire Station 3.

VOTE: The motion was approved by a vote of 9-0.

### **Appropriate for Property Acquisition**

Ms. Fitzpatrick stated that there is an agreement in principle for sale of the Owens Farm property for \$6.5 million. She stated that the cost of demolition of existing buildings is \$500,000. She is recommending a \$7 million appropriation. She stated that if the School Committee decides not to locate a school on the property, the Board of Selectmen will reevaluate the purchase. The School decision will be October 20. Ms. Fitzpatrick stated that the purchase and sale agreement should be finalized soon. She stated that the Town will do a 21E environmental analysis, and retains the right to stop the transaction. She stated the intent is to finish that analysis by the deadline for the next MSBA submission of December 1. Mr. Haff stated that there is no record of any potential problems. Ms. Fitzpatrick stated that the property would be free of tenants by the closing in early winter. Mr. Connelly asked how much of the 10 acres would be for school use. Mr. Haff stated that about 4.5 acres are wetlands and not buildable. Ms. Fitzpatrick stated that school would use 5.5 acres. Mr. Connelly asked about the DEP issue. Mr. Haff stated that there was a minor amount of filling done at the farm. Ms. Fitzpatrick stated that the Town will complete work that needs to be done and will ask the state to withdraw the appeal.

Mr. Lunetta asked why the Town would purchase the property if the Schools do not want it. Ms. Fitzpatrick stated that possible options are open space, a municipal facility, recreational use. Mr. Borrelli stated that a five acre contiguous property is very rare in Needham. Mr. Lunetta stated that the Town should build a school on property that is already owned. Ms. Fitzpatrick stated that the appraisal is low because the land is agricultural. It qualifies for low taxes, but gives the Town a right of first refusal to purchase.

### **Financing Plan**

Ms. Miller asked Mr. Davison to discuss how this property purchase could be purchased within the tax levy. Mr. Davison walked through his spreadsheet showing the calculations, based on certain assumptions, of adding a \$7 million property purchase and the effect on debt service payments. Ms. Fitzpatrick stated that she and Mr. Davison made assumptions about projects they thought would be going forward in the upcoming years. Mr. Davison stated that he assumed that the property would initially be financed with debt within the levy, but later wrapped into a debt exclusion. He stated that longer term interest rates were conservative estimates. Mr. Zimbone asked if some debt could be retired early to avoid increasing debt service above 3%. Mr. Davison stated that the Town cannot refinance or pay ahead for bonded debt, though they can call the debt under certain circumstances. Ms. Fitzpatrick stated that the proposed debt service stabilization fund is one option to avoid the issue.

Mr. Reilly asked for an explanation of the phrase “Extraordinary Assumption” in the sentence that reads “The Extraordinary Assumption that 10, but at least 9 house lots exist, including 3 lots of at least one acre” in the appraisal. Mr. Haff explained that it was an assumption that is critical to the conclusion. Mr. Reilly stated that there needs to be an explanation of the difference between 9 and 10 lots in the appraisal. It could be a 10% difference. Mr. Connelly stated that he was confident in the negotiation process, but he feels the appraisal was not well done and full of holes.

### **Establish and Appropriate to Debt Service Stabilization Fund**

Ms. Miller asked if there is additional revenue from New Growth, why not add it to the Debt Service budget line, rather than create a new fund. Mr. Davison stated that the Debt Service line amount is based on the 3% policy, and an additional appropriation to the line would mean the increased appropriation would be ongoing. This concept of a new fund will allow for additional money to be available for debt service for projects that need to be done off schedule. It is designed to allow the funds to remain there if not used in a given year. He provided a memo with an example of how it would be used.

Ms. Fitzpatrick stated that after Town Meeting, she would like to discuss the possibility of increasing the debt service limit above 3% since she understands the Committee may be open to that idea. She stated that the decision is not limited to either change the debt limit or create the stabilization fund. They could both happen. Mr. Reilly asked whether the idea is to provide funding for debt even if there is no revenue growth for a few years. Mr. Davison stated if there is no revenue growth for years, there will be bigger problems than debt service. He stated that \$250,000 is requested for funding since that was the amount of new growth he deemed to be recurring. Ms. Fitzpatrick stated that the goal is for the fund to reach \$1 million. She stated that she fully intends to spend funds from the account. Mr. Connelly asked why they were doing this now. Mr. Davison stated that there is some extraordinary revenue now, and there are some large capital projects coming up that weren't on the horizon until recently. Ms. Fitzpatrick stated that the appropriations to the fund do not need to be done annually. Mr. Davison stated that a 2/3 Town Meeting vote is needed for each appropriation. Mr. Zimbone stated that he would like to see some debt paid down rather than putting money into a reserve that is not touched. He suggested that when they look at where to apply free cash in the spring, consider paying down some debt. He also suggested considering whether it could be better to buy down some debt rather than fund tier 2 cash capital items.

Ms. Miller suggested holding off on establishing a stabilization fund if there is going to be discussion about increasing the debt policy. She does not like stabilization funds where the money is not touched. She stated she would prefer to hold off until there is a full discussion of the debt policy. Mr. Davison stated that the Town would lose the opportunity to use this \$250,000, because it goes away at the end of the year into free cash. Mr. Borrelli noted that the money in the fund will be spent. Ms. Miller stated that if they do not want to put it in the Debt Service line, it could go to the Reserve Fund. She stated if this is funded and the debt policy is increased, this money may never be used. Mr. Reilly stated that the two options are not mutually exclusive. Mr. Davison stated that the fund could be dissolved any time to put the money elsewhere. Mr. Connelly stated that he agreed with Ms. Miller that it would be best to step back

and look at where else the money could go. Mr. Reilly agreed provided that this could happen before Town Meeting. Mr. Davison stated that the funds could be appropriated right into the Debt Service budget. Ms. Fitzpatrick stated that their goal was to dedicate the funds to debt service, but that they have not conferred with the Board of Selectmen on this. Mr. Zimbone stated that the Town could pay for a \$3 million project with \$250,000 per year. He asked how much a \$7 million debt exclusion would add to taxes. Mr. Davison the average single family home would pay \$100 more in year 1.

Mr. Borrelli suggested creating the fund, but putting the money elsewhere. Mr. Davison stated that the budget article can be changed to add \$250,000 to the Debt Service line, and that the stabilization fund article can be changed to create the fund with no appropriation. Ms. Fitzpatrick stated that the stabilization fund is the Selectmen's article, so they will need to discuss that. She stated that she has their support to putting the funds toward debt service, but not in this way. She stated that the warrant would need to be reopened. Mr. Zimbone asked for a straw poll of Finance Committee members. Ms. Miller stated that she was okay with the idea. Mr. Jacob was concerned that Town Meeting would wonder why there is no funding. He stated he would not oppose funding it now. Mr. Zimbone was concerned with the limitation of only using 20% of the fund balance at any one time.

Ms. Miller stated that the Operating Budget article would not be reopened, but the Committee would put forth an amendment at Town meeting.

### **Articles not yet voted**

MOVED: By Mr. Zimbone that Finance Committee's position for articles not yet voted should appear in warrant as "Recommendation at Town Meeting." Mr. Reilly seconded the motion. The motion was approved by a vote of 9-0.

### **Finance Committee Updates**

Mr. Reilly stated that the New York Times reported that municipal recycling efforts may cost more than the revenue brought in. The environmental value is low as well, since the carbon emitted during the recycling process may be more than the carbon saved.

Mr. Zimbone reported on the meeting of the Needham High School Task Force. He stated that members have requested information on the specific needs for meeting, storage, and teaching spaces since the costs of creating such spaces can be very different. He stated that there was discussion of adding a mezzanine to the library to economically add space. There was discussion about whether a proposed 1:1 technology initiative at the High School would decrease the need for computer workstations. He noted that they are working on redoing the enrollment forecast.

### **Adjourn**

MOVED: By Mr. Connelly that the Finance Committee meeting be adjourned, there being no further business. Mr. Jacob seconded the motion. The motion was approved by a vote of 9-0 at approximately 10:20 p.m.

Documents: Town of Needham Special Town Meeting Warrant for November 2, 2015 (09/18/15 draft); 128 Mixed Use District Fiscal profile of Multi-Family Housing Options (March 9, 2015); Draft of Article 9: Amend the FY 2016 Operating Budget; Appraisal of Real Property, Owens Poultry Farm, October 7, 2015; Diagram of Central Ave Property; Memo to Finance Committee from David Davison, October 7, 2015, re: Debt Service Stabilization Fund Article; Spreadsheet: Debt Service Within the Levy Limit, October 7, 2015.

Respectfully submitted,

Louise Mizgerd  
Staff Analyst

*Approved October 21, 2015*