

**Needham Finance Committee
Minutes of Meeting of June 22, 2016**

The meeting of the Finance Committee was called to order by the Chair, Louise Miller, at approximately 6:35 pm in the Selectmen's Chambers at the Town Hall.

Present from the Finance Committee:

Louise Miller, Chair; Rick Zimbone, Vice Chair
Members: Tom Jacob, Rick Lunetta, Carol Smith-Fachetti

Others present:

Kate Fitzpatrick, Town Manager
David Davison, Assistant Town Manager/Finance Director

Citizen Requests

There were no requests to address the Committee.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Jacob that the minutes of May 18, 2016 be approved as most recently distributed, subject to technical corrections. Mr. Zimbone seconded the motion. The motion was approved by a vote of 5-0.

Finance Committee Updates

Ms. Miller stated that the School Transportation Committee has had two meetings. They are looking at Special Education and regular bus transportation services. Ms. Gulati will be doing follow up research. She stated that they are considering collaborations and looking at what other communities do. She stated that the current collaborations are with communities too far away to save much. In response to a question from Mr. Smith-Fachetti, she stated that they are looking at collaborations based on the placement locations, and other options as well.

Mr. Zimbone stated that the School liaisons met with Dr. Gutekanst and Ms. Gulati to discuss the use of end of year funds. He stated that the memo from Ms. Gulati explains how the School Department plans to spend \$565,000 to pre-pay Special Education tuitions and cover a FY17 projected SPED deficit and to spend \$235,000 on one-time items pulled out during the budget process. The expected budget surplus is \$1-\$1.1 million. Approximately \$250-\$300K will be returned to the Town. He stated that the source of the surplus is primarily salary savings from positions that were not filled or leaves of absence that were substituted with lower paid people. Ms. Miller stated that a surplus of 2-3% is not unreasonable. Mr. Lunetta stated that the percentage is within an expected range, but with an override coming up they should be more meticulous about their budget to try to offset the pattern of overrides. Mr. Zimbone stated that they talked about upcoming expenses and one of the issues related to the fact that in the first year of the iPad program, the 6th grade parents were asked to pay for student iPads, while in subsequent years, the Schools have paid for the devices. The students from that 6th grade class will be entering the high school just as the Schools are implementing a laptop program, and the

Schools are aware that the families will not be happy if they are asked to buy another device. Mr. Zimbone stated that he had suggested including the cost of equipment for a program like this in the budget in the year before it starts so that they have the funds ready. He stated that the School Department has a surplus every year because they budget for every position to be fully filled. Mr. Jacob stated that he understands the surplus for vacant positions, but feels it is disingenuous to use the funds to pay for items removed from the budget. Mr. Zimbone stated that they use salary savings as a cushion. Mr. Lunetta stated that he does not begrudge them a \$1 million surplus on a \$60 million budget, but he stated that recently, there was an override, and he took great efforts working with them to bring the amount down, and in the end they turned back \$750K to the Town. They need to think about how this plays out. Mr. Zimbone stated that he has been clear that he thinks that an override for full day kindergarten will not pass. He told them to think about how the program can be funded. He noted that that the Town will be getting some additional revenue from new development.

Reserve Fund Transfers

Mr. Davison stated that the total expenses for snow and ice removal is lower this year than in recent years, so the requested transfer of \$371,062 is lower than in recent years. The total spending is less than the last authorized spending level. He stated that the expense breakdown is on the request form. Mr. Zimbone asked if the expenses for things like road salt that may cover more than one fiscal year are accounted for when the bills are paid or when the material is used. Mr. Davison stated that the expenses include all of the actual bills received. If there is extra salt, then it is paid for this year, but will be used later.

MOVED: By Mr. Zimbone that the Finance Committee approve of the transfer of \$371,062 from the Reserve Fund to the Snow and Ice line. Mr. Jacob seconded the motion. The motion was approved by a vote of 5-0.

Municipal Lighting

Mr. Davison stated that this request is for funds needed to pay Solar City for electricity produced. He stated that the costs are coming from the Municipal Lighting budget. He stated that the project went live in March, and one bill has been received for March-April. He stated that final readings from Eversource are not yet known, so he has estimated the expenses based on the amount of electricity that could possibly be produced and applied the contracted rate. Thus far, one check has been received from Eversource for power sold, for approximately \$47,000.

MOVED: By Mr. Lunetta that the Finance Committee approve of the transfer of \$151,200 from the Reserve Fund to the Municipal Lighting line. Mr. Zimbone seconded the motion. The motion was approved by a vote of 5-0.

Facility Financing

Ms. Miller stated that the Board of Selectmen voted to re-fund some of the town's outstanding debt, and the new payments will be incorporated into the new financing plan. Mr. Davison stated that \$788K will be saved as a result of the refunding. He stated that coincidentally, all the debt where savings could be achieved through refunding was debt funded through debt

exclusions, so the savings will be passed directly to taxpayers through a lower tax rate. He stated that there are about \$80K of administrative costs to third parties associated with the refunding. Mr. Zimbone commended him for the refunding.

Mr. Zimbone stated that the auditors gave the Town a high rating. Mr. Davison stated that Standard and Poor's found that Needham had higher credit rating than the sovereign, meaning the United States government. He stated that it is rare for an entity which is part of a sovereign to be rated better than the sovereign.

Facilities Update

Ms. Fitzpatrick stated that they have developed the assumptions for the next facility financing plan, based on eight pending and future projects, and the most aggressive time table. There is a debt exclusion vote planned for the Hillside School project in November in the amount of \$66 million. She stated that this includes the construction cost of just under \$58 million, plus the feasibility study and the \$7 million property acquisition costs that have already been authorized. Mr. Davison stated that financing plan will assume \$66 million of excluded debt because the Board of Selectmen plan to include that amount in the debt exclusion ballot question. Ms. Miller stated that the Finance Committee specifically asked the Selectmen for an alternate financing plan that showed how financing would look without the cost of the properties in the debt exclusion. Mr. Davison stated that he can show the impact on taxes for the average single family home of different amounts of excluded debt, but the Selectmen control the ballot question. Ms. Miller expressed frustration that the Selectmen will be voting on the ballot question in July, since the Finance Committee specifically asked for a discussion of what would be included in the debt exclusion before the decision was made, but it seems they have already decided. Ms. Fitzpatrick stated that the Chairman of the Board of Selectmen said at the Chairs/Vice Chairs meeting that there was no support on the Board for taking the cost of the properties out of the debt exclusion. Mr. Davison stated that the Board has been clear since the beginning that the intention was to include the \$7 million for the Owens property in the debt exclusion. Ms. Miller stated that she has been consistent in not supporting that choice, but there was no meaningful discussion.

Ms. Fitzpatrick stated that the Rosemary Pool will be in the plan for the numbers discussed at Town Meeting. She stated that there are four feasibility studies underway, so the financing plan will make the best estimates about those projects. She stated that Station 2 had been assumed to be \$5 million, but that seems too low now, and they feel \$8.5 million is closer. Mr. Davison stated that every \$1 million of additional debt translates to approximately \$100 on the average single family home annual tax bill. Ms. Miller asked if an override would be needed for Hillside's additional operating costs. Mr. Davison stated that they have not been officially approached, but it is reasonable to assume that there will need to be an operating override if the operating costs are similar to the costs of High Rock.

Ms. Fitzpatrick stated that she is assuming \$5.6 million for the High School project. She stated that the class size feasibility study report should be available mid-summer. She stated that Emery Grover is being carried at a cost of \$14 million with the assumption that 2/3 will be paid with CPA funds, and 1/3 paid with General Fund debt within the levy. She stated that the scope of services is being determined this summer for the Memorial Park Building. She is assuming

that 15% will be funded with CPA funds, and the remainder with a combination of cash and General Fund debt.

Mr. Zimbone asked about the project to dredge Rosemary Lake. Mr. Davison stated that it is included, using CPA cash. Mr. Zimbone asked about the Linden Street housing project. Ms. Fitzpatrick stated that there will be \$3 million within the housing fund which should cover the needed work.

Vote of Chair/Vice Chair for FY 2017

Ms. Miller stated that the current Chair and the previous Chair typically nominate the next Chair and Vice Chair. She stated that she and Mr. Connelly concur in nominating Mr. Zimbone as the next Chair and Mr. Reilly as the next Vice Chair. Mr. Zimbone stated that he agreed to serve, and that Mr. Reilly told him that he would agree to serve if elected.

MOVED: By Mr. Jacob that the Finance Committee elect Mr. Zimbone as the new Chair and Mr. Reilly as the new Vice Chair. Mr. Lunetta seconded the motion. The motion was approved by a vote of 5-0.

Adjourn

MOVED: By Ms. Miller that the Finance Committee meeting be adjourned, as there was no further business. Mr. Jacob seconded the motion. The motion was approved by a vote of 5-0, at approximately 7:30 p.m.

Documents: Memorandum from Anne Gulati, Director of School Financial Operations to School Committee dated June 16, 2016 re: FY16 End of Year Planning; Request for Reserve Transfer: Snow and Ice; Request for Reserve Transfer: Municipal Lighting

Respectfully submitted,

Louise Mizgerd
Staff Analyst

Approved July 6, 2016