

**Needham Finance Committee  
Minutes of Meeting of September 14, 2016**

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

Present from the Finance Committee:

Rick Zimbone, Chair; Dick Reilly, Vice Chair

Members: Barry Coffman, Tom Jacob, Rick Lunetta, Louise Miller (arrived 7:14 pm), John Connelly

Others present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Christopher Coleman, Assistant Town Manager, Director of Operations

Lee Newman, Planning Director

Elizabeth Grimes, Chair, Planning Board

Steve Popper, Director of Construction, Public Facilities

Susan Neckes, Chair, School Committee

Dan Gutekanst, Superintendent of Schools

Anne Gulati, Director of School Financial Operations

Timothy McDonald, Director of Public Health

**Citizen Requests**

There were no requests to address the Committee.

**Approval of Minutes of Prior Meetings**

MOVED: By Mr. Connelly that the minutes of September 7, 2016 be approved as distributed, subject to technical corrections. Mr. Lunetta seconded the motion. There was no further discussion. The motion was approved by a vote of 6-0. (Ms. Miller had not yet arrived.)

**October Special Town Meeting**

**Article 2: Appropriate for Hillside School Construction**

Mr. Reilly stated that he had investigated the issues relating to this article through a series of questions. The first question was whether the school as designed was bigger than needed. He stated that the MSBA standard size is 183 square feet of space per student. Using the design enrollment number of 430 students, the building has 211 square feet per student. However, looking at the current actual Hillside enrollment of 476 students, the building provides 191 square feet per student, closer to the MSBA standard. Using the projected Hillside enrollment of 483 in 2020, the amount comes down to 188 square feet. If the school had 544 students, which would be the maximum allowed under the School Committee policy guidelines, the square footage would be 167 per student, well below the standard. Mr. Reilly stated that making the

school the average school size would be a mistake. In response to a question, Dr. Gutekanst stated that the school would have 24 classrooms. Mr. Connelly requested information on how the Hillside classrooms, which would be 1200 square feet for kindergarten and 900 square feet for grade 1-5 classrooms, compared to the classroom sizes at Broadmeadow and Eliot.

Mr. Zimbone asked why they don't present a case to the MSBA for a larger assumed enrollment since the projection is 483 students in 2020 when the school is planned to open. Dr. Gutekanst stated that they had made a concrete case for a higher design enrollment and the arguments were not accepted by the MSBA. He stated that to try to make these arguments now would pull the project out of the MSBA pipeline and the process would need to start over, losing significant time with no expected gain. Mr. Zimbone stated parents are concerned that the school will be too small and that they need to build a better case that the school as planned is big enough. Mr. Connelly asked whether there could be additional classrooms if the Town had successfully argued for enrollment of 476 students. Ms. Gulati stated that would not be sufficient to warrant additional classrooms. Ms. Neckes stated that they got 4 classrooms per grade and it would require a big difference to justify more. Mr. Reilly asked if the 430 enrollment number constrains what the Town can do compared to 480. Ms. Gulati stated that it did not. Mr. Coffman suggested emphasizing the success at achieving the appropriate number of classrooms rather than square footage of the building.

Mr. Reilly stated that the second question he explored was whether the maximum rate of reimbursement was achieved. He stated that the Town received the base rate of 31% reimbursement plus 2 adjustments. He stated that the MSBA makes adjustments based on socioeconomic factors, but Needham did not qualify. He stated that there are also incentive points that can be granted that are related to the project. He stated that the Hillside project received 2 points (the maximum) for being a "green" school. He stated that the project was awarded 1.72%, one of the highest granted, for best practice maintenance. He described the other incentive categories and why the project did not qualify. He stated that the project received essentially the maximum available reimbursement rate. Mr. Zimbone stated that some schools have an 80% reimbursement rate. Ms. Gulati stated that the incentive points are capped at 18%, so the bulk of those points would have been given for socioeconomic factors. She stated that the calculations are not published, so she could not remove the socioeconomic factors from other towns' reimbursement rates. Mr. Popper stated that the base rate changes at times, so that may affect historical data.

Mr. Reilly stated that he also looked at the project expenses and what portion is eligible for MSBA reimbursement. He stated that the site acquisition costs are ineligible, so none can be recovered. He stated that administrative, architect, and engineering costs are capped at 10% of the total construction costs and that Needham's reimbursement amount was cut by only a small amount, since most of what is being done is eligible. He stated that there are 2 contingencies in the project budget: the owner's contingency cost which is all eligible for reimbursement, while the construction contingency is mostly ineligible for reimbursement. Mr. Popper stated that the owner's contingency covers necessary costs that are identified later that were not in the original budget, while the construction contingency covers an unforeseen error or omission in the

documents. The construction contingency is capped by the MSBA at 1% of the construction costs, but the Town has chosen to carry a higher contingency because it is considered good practice to do so. This will allow the project to continue if there are some additional costs.

Mr. Reilly stated that there is also a cap on reimbursement of construction costs of \$312 per square foot. He was told that this is based on the available funding of the MSBA rather than a model construction cost. He stated that the average construction costs for recent MSBA school projects is \$460 per square foot. Mr. Reilly stated that he looked into why the Hillside project costs are higher than average. Mr. Popper stated that the Town is paying a premium for the geometry of the building, as dictated by the restrictions of the site, and for the choice of including air conditioning as well a better roofing system, which should ultimately require lower maintenance costs. Mr. Connelly asked for follow-up information on whether there are any other schools on the list of other school projects that do not have air conditioning. Mr. Popper stated that he believed that some schools do not have air conditioning, which he learned from the cost estimators.

Mr. Coffman asked if geography affected costs. Mr. Popper stated that it could affect material and labor costs. Ms. Miller asked where the Town would be with respect to the 10% debt policy with this project. Mr. Davison stated that he would address that question during the discussion of the pro-forma.

Mr. Zimbone asked if residents have raised any concerns. Mr. Popper stated that there were traffic concerns. Mr. Reilly stated that the discussion at Town Meeting should be restricted to the cost of the project rather than revisit the decision of the location. Mr. Connelly asked the components of the \$1.4 million OPM expense. Mr. Popper stated that they calculated it as a percentage of the construction cost, which has historically been accepted. The number was not built up. Mr. Connelly stated that it is hard to authorize this expense without any justification. Mr. Popper stated that they may need to use an outside source for estimating, but they hope to do as much as possible in-house, but he does not have the assurance that that is possible. He stated that any funds that are not needed will not be used. Mr. Connelly stated that any funds allocated for this project are no longer available for other projects. He is concerned that this project is carrying more funding than needed.

Mr. Davison stated that the pro-forma will carry the full cost of the project to calculate the debt impact and the impact of an override on the average tax payer. He could adjust it down if the PPBC gave a firm commitment that some costs were not needed. He stated that he has done that during some earlier projects when it became a known fact that all of the allocated funds would not be needed.

Mr. Connelly asked if the lowest bid were \$1 million above the estimated cost, which contingency the additional funds would come from. Mr. Popper stated that in theory it should come from construction cost contingency, but he was not sure. Mr. Reilly asked whether the other school projects in Town could provide a good basis for cost comparison. Mr. Popper stated that the projects included partial renovations with different conditions and were not comparable. Mr. Connelly stated that the Angier School in Newton would be comparable. He stated that an important question is what discipline is being used to lower costs. He stated that the design looks fancy. Dr. Gutekanst stated that he will push to have the interior be long lasting, such as tiles on kitchen and bathrooms walls, which may be more costly but are better in the long run.

Mr. Connelly noted that there are many jogs in the building that would add to the cost. Mr. Popper stated that there were both programmatic and aesthetic reasons, and that the building appearance needed to be acceptable to the community.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of Article 2: Appropriate for Hillside School Construction in the amount of \$57,542,500. Mr. Jacob seconded the motion.

DISCUSSION: Ms. Gulati stated that the article amount is the total project \$66 million less funds already appropriated. Mr. Connelly stated that though he has great respect for the people working on the project, he has concerns about whether the budgets were set too high. He stated that there may be components that would not be included with more discipline. He stated that he would vote in favor of the appropriation reluctantly, since he has reservations. He requested that the Finance Committee be kept apprised of the budget because there will be a need for funds for upcoming projects. Mr. Reilly stated that he was swayed by the fact that Mr. Popper stated that it would not be prudent at this point to come in at a lower cost. Mr. Zimbone stated that he is not very comfortable either since this is the first of many projects being planned. Ms. Miller stated that she is concerned with the tax burden in general. She feels that some of the project costs are being rolled into the override that did not need to be in order to reserve funds for other projects which are not yet under consideration. She stated that this does not affect her vote on this article. Mr. Lunetta asked whether the school design is large enough to meet projected growth. Dr. Gutekanst stated that it does.

VOTE: The motion was approved by a vote of 7-0.

### **Article 3: Appropriate for Hillside School Outside Play Areas**

Mr. Connelly asked why the play area cost was not included in the \$66 million school project. Dr. Gutekanst stated that the MSBA will not invest in a project where the Town does not own all of the property. The play area involves an agreement with the Town of Wellesley for a corner of the play area and some of the trails. Mr. Popper stated that there was much discussion and it was determined that the play area cannot be funded through an override. Mr. Davison stated that due to legal issues, the projects could not be funded together but needed to be voted together. He stated that the funding source of the article was unused funding from the Mitchell modular project. He stated that there are additional funds from that project that will be recommended for other uses at the next Annual Town Meeting.

MOVED: By Mr. Coffman that the Finance Committee recommend adoption of Article 3: Appropriate for Hillside School Outside Play Areas in the amount of \$250,000. Mr. Reilly seconded the motion. Ms. Miller stated that she was glad that the Town is paying for the playground which is necessary for school children. The motion was approved by a vote of 7-0.

### **Article 4: Amend Zoning By-Laws - Height Limitation Exceptions**

Ms. Newman stated that this article extends the building height limits for municipal and school buildings. The current restrictions are causing issues with some current projects including the new Hillside School and potentially the new Police and Fire buildings. This will provide

flexibility since Town has a limited inventory of property for other options. Heights are increased from 40' to 45' maximum, and there are allowances for systems on the roof and solar panels. It also allows higher parapets. Mr. Zimbone asked if there were issues raised at the public hearing. Ms. Newman stated that there were some language tweaks following the hearing, which were included in the article as handed out, and which the Planning Board plans to support. Mr. Lunetta asked why 45' was chosen. Ms. Newman stated that the proposed plans fell within that limitation. Mr. Coffman asked if there was a financial impact. Mr. Reilly stated that the Hillside School project could not be built.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of Article 4: Amend Zoning By-Laws - Height Limitation Exceptions. Ms., Miller seconded the motion. There was no further discussion. The motion was approved by a vote of 7-0.

### **Article 5: Amend Zoning By-Laws - Definition of Basement**

Ms. Newman stated that this article addresses a situation where 2 basements were built under a house on a slope so the house presented to the street as a 4.5 story structure. The height requirement is based on the average grade, and the house met the requirements. Under the change, any basement beyond the first basement must be totally below grade. There is also a maximum height of a walk-out basement. She stated that there is no change to the definition of a 1<sup>st</sup> basement as anything more than 50% below grade. She stated that people at the public hearing felt the changes would accomplish the stated goal. Mr. Reilly asked if there was a financial impact other than some larger structures not being built. He stated he would support a motion to take no position.

MOVED: By Mr. Connelly that the Finance Committee take no position on recommend adoption of Article 5: Amend Zoning By-Laws - Definition of Basement because the financial implications are de minimus. Mr. Coffman seconded the motion. There was no further discussion. The motion was approved by a vote of 7-0.

### **Article 13: Citizen's Petition – Amend Zoning Bylaw**

Ms. Newman stated that the Planning Board has not taken a position yet on the citizens' petition. There was a public hearing. She stated that the Board may be leaning toward referring the article back for further study since Mr. Dawson has been working with the Large House Committee which is incorporating some of his ideas. She stated that Mr. Dawson is developing a working relationship with the Planning Board and the Large House Committee. He is technically trained and has some ideas they agree with. Mr. Zimbone stated that he will defer to the Finance Committee, but without more information on the financial impact, he would support referring the article back. Ms. Miller stated that the financial impact is similar to the last article. Mr. Zimbone stated that many large scale homes could affect property values across Town.

Mr. Reilly noted that at a meeting, Mr. Popper told him that the Planning Board had some concerns about the plans for the Police and Fire Station that could make the project more

expensive. He stated that the Finance Committee might want to be present early in the process to understand the choices being made and the financial implications. Ms. Newman stated that the Planning Board wants the building to fit in its site planning for the Chestnut Street corridor.

#### **Article 6: Amend FY17 Operating Budget**

Mr. Davison stated that there are three changes that will be funded from a shift of funds from the Reserve Fund, and two changes that will be funded with additional revenue. The Minuteman budget needs to be increased due to a transcription error. He stated that the HHS salary and the benefits line are being increased to cover a position that the Finance Committee indicated should be addressed in the fall after the HHS reorganization had taken place. He stated that the Electric line is increasing because there was more solar power generated and thus more costs for production. The DPW expense line covers additional costs for fence and wall repair where the Town fence and wall supporting tennis courts at the High School is on abutters' property. Ms. Fitzpatrick stated that the project is being accelerated to finish before tennis season. The abutters hoped it would be in the summer. Mr. Davison stated that the funds would come from the tax levy.

In response to a question from Mr. Connelly, Ms. Fitzpatrick stated that the Finance Committee had asked during the FY17 budget process why the Town Manager had not funded the Environmental Health Agent position. She had indicated that it was because of the HHS reorganization, as it had been newly merged. She stated that the Finance Committee had indicated in its letter to Town Meeting that it would consider adding funding salary and benefits for a new position in the fall once the needs are known. She stated that she has worked with managers and with the Council on Aging and Youth Boards to create a new Director of HHS. She stated that she recommends that Mr. McDonald as the Director, would supervise the COA and Youth Services Directors. The Environmental Health position would support the Director. Mr. Connelly asked if the position was prorated so that there would be a larger salary in the FY18 budget. Ms. Fitzpatrick stated that it is not prorated so that the next budget amount would be similar. She stated that this could be prorated if the Committee prefers. Mr. McDonald stated that the amount would be offset by reducing the need for a part-time health inspector. Mr. Coleman stated that they want sufficient funds to hire a strong candidate, and will know more details after the search. Mr. Connelly stated that the Committee created this situation itself. Ms. Miller stated that the additional funds would go into free cash whether they were in the HHS budget line or in the Reserve Fund. Mr. Zimbone suggested leaving the funding in the HHS budget to avoid unnecessary explaining.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption Article 6: Amend FY17 Operating Budget, as set forth in the updated article. Ms. Miller seconded the motion. There was no further discussion. The motion was approved by a vote of 7-0.

#### **Article 8: Appropriate for NPDES Permit Development**

Ms. Miller asked why there is a contingency in the amount when everything that needs to be done is set forth in the regulation. Mr. Davison stated that they won't know if the full scope is

covered until they hear back from the Department, so the contingency is there in case of an oversight. He stated that this comes from additional revenue in the tax levy. He stated that there is 0.1% new revenue or about \$480K. There was more last year, though a comparable amount.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption Article 8: Appropriate for NPDES Permit Development. Mr. Reilly seconded the motion. There was no further discussion. The motion was approved by a vote of 7-0.

### **Special Town Meeting Articles Not Yet Voted**

MOVED: By Ms. Miller that the Finance Committee's recommendations for Articles 1 and 13 appear in the printed warrant as "Recommendation at Town Meeting." Mr. Reilly seconded the motion. There was no further discussion. The motion was approved by a vote of 7-0.

### **Finance Committee Updates**

Mr. Connelly stated that he attended the PPBC meeting regarding the DPW feasibility study. The discussion included the use of Parcel 74 in a limited way for transition space and then storage. He stated that there was a loud and significant neighborhood presence speaking out against using Parcel 74. Mr. Zimbone stated that the Town Manager would provide an update on the DPW and Public Safety feasibility studies at the next Finance Committee meeting. Ms. Miller reminded the Town Manager that the Finance Committee requested that there be an analysis of the financial ramifications of the plans for Fire Station 2 and the benefits, including anticipated response times.

### **Adjournment**

MOVED: By Mr. Reilly that the Finance Committee meeting be adjourned, as there was no further business. Mr. Jacob seconded the motion. There was no further discussion. The motion was approved by a vote of 7-0, at approximately 8:55 p.m.

Documents: October 5, 2016 Special Town Meeting warrant (9/2/2016 draft); updated copies of Articles 1, 2 and 6; Charts by Mr. Reilly; Breakdown of \$200,000 costs for Article 8.

Respectfully submitted,

Louise Mizgerd  
Staff Analyst

*Approved September 21, 2016*