

Needham Finance Committee
Minutes of Meeting of September 6, 2023

The meeting of the Finance Committee was called to order by Chair Louise Miller at approximately 7:00 pm in the Great Plain Room at Needham Town Hall, also available via Zoom teleconference. Ms. Miller welcomed new Finance Committee member Paul O'Connor.

Present from the Finance Committee:

Louise Miller, Chair; Carol Fachetti, Vice Chair

Members: Karen Calton, Barry Coffman, John Connelly, Joshua Levy, Paul O'Connor

Others present:

David Davison, Assistant Town Manager/Finance Director

Kate Fitzpatrick, Town Manager

Marianne Cooley, Chair, Select Board

Kevin Keane, Vice Chair, Select Board

Approval of Minutes of Prior Meetings

The Committee deferred voting on the minutes of August 23, 2023.

MOVED: By Mr. Connelly that the minutes of the meeting of June 21, 2023, be approved as distributed, subject to technical corrections. Ms. Fachetti seconded the motion. The motion was approved by a unanimous vote of 6-0-1. (Mr. O'Connor abstained.)

Town Manager's FY2025 Budget Consultation

Ms. Fitzpatrick stated that she was before the Finance Committee for the annual consultation before issuing budget guidelines. There are two significant considerations for the FY25 budget. First, there may be high costs associated with the expiration of two collective bargaining agreements in FY24, and new agreements expected to cover FY25. The two agreements cover Needham Independent Public Employees Association (NIPEA) covering DPW labor (non-custodians) and the Independent Town Workers Association, which is a catchall for represented employees not in other bargaining units. There will also likely be increases in non-union salaries. She stated that the large Police and Fire union agreements have been settled. She stated that the second major issue will be the expiration of funding under ARPA (American Recovery Protection Act) at the end of calendar year 2024, which is halfway through FY25. There will be some "DSR4" request to fund some of these positions in the annual operating budget, primarily to provide youth mental health services. Ms. Fitzpatrick stated that the Select Board is still setting their goals and priorities for the year, which will impact the budget. The will discuss the priorities at their meeting next week, and expect to finalize them in late September or early October.

Ms. Fitzpatrick noted that in addition to salary increases, there will be increases in contract cleaning services since the current contract did not work out. The current costs are higher than budgeted for FY24, and will need to increase in FY25. She stated that the Town is now considering the options. Right now contract cleaning services are used to clean the High, Pollard and Newman schools. Mr. Davison stated that the procurement process for cleaning services had

started last fall and had taken 6-8 months. Over the summer, it became clear that the contracted company did not have the staff to do the work. They now want to void the contract. The Town is starting the procurement process again, and the current company did not bid. The Town filled in for the work over the summer using current staff with significant overtime costs. The Town is now using one of the companies that bid originally but through a state contract at a much higher cost than their bid in the first round. This will continue through April. They plan to work under a new contract starting May 1, 2024. He will have more information at the next meeting. Mr. Levy suggested considering in-house options. Ms. Fitzpatrick stated that they are looking at all of the possible options for the cleaning work, both in-house (including benefits) and outsourced. Ms. Fitzpatrick noted that the large capital projects currently being planned will put additional pressure on the operating budget not only due to borrowing costs but also the costs of air conditioning and maintaining the new buildings.

Ms. Fachetti asked about the new requirement in the FY24 guidelines that managers speak to Human Resources before requesting a new position. Ms. Fitzpatrick stated that it was not new, but she had emphasized that requirement to ensure that the salary and expense information in the request was accurate. Mr. Connelly stated that the School Department had a significant amount of turnback at the end of FY23, and asked what analysis was done of turnback and whether that would play a role in the development of the FY25 budget. Ms. Fitzpatrick stated that she reviews the spreadsheets that include three years of budgets versus actual amounts expended (BVAs) included in the budget submissions and asks for explanations. She stated that since salaries are the most expensive part of most budgets, so most turnback is leftover salaries from unfilled positions. She stated that the DPW has more significant expenses. Mr. Connelly asked that the Town review how many positions were funded and not filled, and the funds unexpended, and to reconsider whether these positions are needed and should be continued. Mr. Davison stated that the departments are required to explain any large amount of turnback, but it is usually due to a long term vacancy or several smaller vacancies. The annual audit also addresses the issue of larger amounts of turnback. He added that the DPW had salary turnback in FY24 because of some difficulties filling positions and the Police and Fire had salary funds left because of the issues with Civil Service exams and pre-hiring requirements.

Ms. Miller stated that grant funding is intended to fund costs that would not otherwise be funded. If the Town plans to add any positions into the budget that were previously funded with a grant, there should be a clear explanation of why the expanded service is needed.

October Special Town Meeting warrant

Amend FY 2024 Sewer Operating Budget Amend FY 2024 Water Operating Budget

Ms. Miller stated that the only changes in the Water and Sewer budgets are in the MWRA lines, and there is no change to the salary and wages line. Ms. Davison stated that the final MWRA assessment for the Sewer Division was \$112,379 less than expected, so the budget line is being decreased to reflect that. He stated that the MWRA Water assessment is \$929 higher than the budget, so the line is being increased to reflect that. Since this is a standalone line in the budget, there must be a budget amendment since other lines can't be used to offset even a small amount. He stated that the articles will amend budget lines 201D (Sewer) and 301D (Water).

Ms. Miller noted that MWRA assessments are based on calendar year usage. The FY24 assessments are based on 2022 usage which had a dry summer. The wet summer of 2023 will be reflected in the next rates.

MOVED: By Mr. Coffman that the Finance Committee recommend adoption of Special Town Meeting Warrant Article: Amend the FY2024 Sewer Operating Budget to decrease line 201D to \$7,084,841. Mr. Connelly seconded the motion. The motion was approved by a vote of 7-0.

MOVED: By Mr. Coffman that the Finance Committee recommend adoption of Special Town Meeting Warrant Article: Amend the FY2024 Water Operating Budget to increase line 301D to \$1,887,130. Mr. Connelly seconded the motion. The motion was approved by a vote of 7-0.

Surplus Bond Proceeds Rescind Debt Authorization

Mr. Davison stated that the Williams School project is finished and the MSBA has completed all reimbursements and the bonds are settled. There was an additional \$286K of reimbursements received, and the money to cover that amount has been borrowed. In order to use the funds, they must be appropriated by Town Meeting, but they can only be used for a similar project. The Surplus Bond article will allow the Town to use the funds for the Emery Grover project, and the Town will then be able to borrow \$286K less for that project. The second warrant article will reduce the debt authorization for the Emery Grover project by \$286K. The total appropriation for the project remains the same, but the amount to be borrowed for the project will be reduced. Because it is excluded debt, this will reduce the additional taxes collected for the project. Mr. Levy commented that it was a good decision to reduce the taxes.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of Special Town Meeting Warrant Article: Transfer of Surplus Bond Proceeds in the amount of \$286,000. Mr. Levy seconded the motion. The motion was approved by a vote of 7-0.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of Special Town Meeting Warrant Article: Rescind Debt Authorization which reduces the borrowing for the Emery Grover project in the amount of \$286,000. Mr. Levy seconded the motion. The motion was approved by a vote of 7-0.

Appropriate for Roadway Improvements (Eversource)

Mr. Davison stated that this is appropriation will pay for road work on Webster Street after utility work is completed. In certain areas, Eversource will do the utility work and then pay the Town to do the associated roadwork rather than taking care if it themselves. The funds that are paid by Eversource for the work go into the General Fund. They need to be appropriated in order to be used for the paving work. The amount that Eversource needed to pay for the work was determined by the Town's engineering division. If the cost of the work ends up being less, then the extra amount will close out the Free Cash at the end of the fiscal year. If the amount is not enough, then the DPW will need to determine where the funds will come from. He expected that the work would not cost more unless the DPW decided to do additional work. Ms. Miller

stated that Eversource is doing this in other towns as well because they do not have the capacity to do it all.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of Special Town Meeting Warrant Article: Appropriate for Roadway Improvements (Eversource) in the amount of \$205,000. Mr. Levy seconded the motion. The motion was approved by a vote of 7-0.

Intersection Improvements (Children's Hospital)

Mr. Davison stated that the Planning Board required a payment of \$30,000 from Children's Hospital to mitigate the impact of the increased traffic on Kendrick Street due to their new facility. The funding will be used for street markings designed to improve traffic flow. The funds have been paid into the General Fund and can be used only if appropriated by Town Meeting. These funds cannot be considered a gift which could be used without appropriation. He stated that he did not know how the \$30K was determined, but the practice is for the Planning Board to consult with the engineering division to determine the cost of anticipated mitigation. Mr. Coffman stated that the warrant article information should specify what the \$30K will be used for. Mr. Connelly stated that since goal of the article is to appropriate the funds so they can be used, he did not feel that he needed more detailed information in order to vote on this article.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of Special Town Meeting Warrant Article: Appropriate for Intersection Improvements (Children's Hospital) in the amount of \$30,000. Mr. Levy seconded the motion. The motion was approved by a vote of 7-0.

Foster Property Resolution

Ms. Miller stated that she submitted questions from the Finance Committee to the Select Board. She wanted to open the discussion to questions regarding the letter in response received from the Town Manager today or other questions. Mr. Levy stated that he would like to focus on the process of the property purchase. He asked if there was anything that could be done to make the transaction more transparent. Ms. Cooley stated that this purchase is quite different from other purchases where the Town is purchasing directly from the original seller. This is not a direct purchase. The seller is complicated and the Town is not privy to all conversations. Mr. Levy agreed that it is tricky because it is a serial transaction, and it is not clear what information the Town does or does not have. Ms. Cooley stated that the Town has said at each juncture what information it has or does not have. The Town has made clear that it is willing to pay \$2.5 million for 34 acres of property. The fundamental shape of the transaction is identical to where the discussions started, with 28 acres for buildings and half of that to be used as a buffer and half to be built with 70 housing units of which 5% would qualify as affordable. The reason for the nonbinding resolution is to see if Town Meeting is supportive of the deal with the new fact that the state has said that 5% affordable housing is not significant enough to qualify for a LIP (Local Initiative Program) allowing development with greater density than the existing zoning so there will now need to be a zoning change to develop the property as proposed. Before the Town undertakes the work to create the new zoning proposal, they want to know if Town Meeting will consider such a change.

Mr. Connelly asked what records showed that the state originally said that the project would qualify for the LIP. Ms. Fitzpatrick stated that there were two emails that said that the project was acceptable to the state, and one later email that said that they would only accept a project that has 25% affordable units. Mr. Connelly asked for copies of those emails. Mr. Coffman asked if the Town could change the by-law to allow a project with 5% affordable units to qualify. Ms. Cooley stated that is one option that the Town would consider. The project has always been presented as clustered housing. Ms. Calton asked if the Town still has the option to purchase the 34 acres for \$2.5 million. Ms. Cooley stated that the purchase can only happen if the first transaction goes through. Ms. Cooley stated that would only happen if the zoning would be changed to allow for denser housing. This would be done in order to get the 34 acres for open space. Ms. Calton asked what Town Meeting would be answering. Ms. Fitzpatrick stated that the proposal is to ask Town Meeting if the Town should go forward to create the complicated zoning plan. If Town Meeting supports the resolution, the plan will be to present the actual zoning proposal to the Annual Town Meeting. Ms. Cooley stated that they believe that this vote, though non-binding, is important to the seller, though the Town has not spoken directly to the seller. The Town wrote a letter to the seller, and heard back from a trustee who said they would be willing to wait for the process of changing zoning and would be interested in hearing what Town Meeting would have to say. In response to a question from Ms. Fachetti, if Town Meeting supports the resolution, the Town plans to go through the normal process to change the zoning, including public hearings.

Mr. Connelly asked if the Planning Board has been consulted. Ms. Cooley stated that there has been some discussion with the Planning Board Chair. Mr. Connelly requested that the Planning Board be invited to come to a Finance Committee meeting. Mr. Levy asked if they have explored what can be done under the current zoning by-laws. Mr. Connelly stated that what the developer is proposing is much more elaborate than allowed under current zoning. Ms. Cooley stated that the proposed zoning will have language for the open space to be set aside. Ms. Fitzpatrick added that the appropriated funding can only be used to buy this land. Ms. Calton asked if the re-zoning process would be expensive. Mr. Connelly stated that there is some expense, but most of the cost would be the resources such as the Planning Board's time and the cost of a traffic consultant. Mr. Levy stated that his understanding was that the seller had originally approached the Town about the land purchase but now the Town is saying that there has not been a conversation. He asked if the Conservation Commission had spoken with the seller. Ms. Cooley stated that they had not. Mr. Coffman stated that there should be a study of the financial implications of the project on the Town.

Ms. Miller asked why a vote of Town Meeting was necessary. Ms. Fitzpatrick stated that the vote will hopefully keep the seller in negotiations with the buyer. Ms. Miller expressed concern that Town is in the middle of a private transaction without any guarantees that the first transaction is feasible. Mr. Connelly asked if the Town has been provided with any background behind the idea that the project will be economically viable once the zoning changes are made. Ms. Cooley stated that would be part of the agreement between the buyer and the seller. She added that the seller considers the fact that the Town will be getting the property for open space to be meaningful and of value. Ms. Miller asked why they are not selling the property directly to the Town. Ms. Cooley stated that the seller has determined that this meets their needs. Ms. Fitzpatrick stated that the seller can sell the property to a developer to make single family homes without any land having a conservation restriction or they can follow this plan.

Mr. Connelly asked for copies of the emails or communications showing that having more than 5% of the units as affordable would not be economically feasible. Ms. Cooley stated that the developer said that if the Town was willing to pay more, then they would be able to have more affordable housing. Ms. Miller asked if the best approach is to write zoning to aid a specific developer. Mr. Coffman noted that this had happened a number of times before, including the Muzi property and the Children's Hospital site. Ms. Fitzpatrick stated that the goal is to allow the same deal, but without a LIP. Ms. Fachetti stated that the Town already appropriated the funds for the purchase which indicated that it wants the deal. Mr. Connelly asked if the zoning would apply to the whole district or only this property. Ms. Fitzpatrick stated that it would be specific to this property.

Specialized Energy Code (Finance Committee discussion only)

Ms. Miller stated that she wanted to start with a Committee discussion on the Specialized Energy Code to provide questions before the proponents came in. Mr. Connelly stated that he wanted to provide some context of what the current code is and what it will look like with this change. He also would like to hear the view of the Building Inspector. Ms. Miller stated that she wanted to know if any analysis had been done to determine the costs of the new code. She stated that the questions are the same as when the stretch code was being considered, particularly, whether the new code would apply to the whole house if someone makes changes to their house. Mr. Coffman asked for a description of what the change would mean for individual homeowners.

Mr. Levy stated that the School Director of Finance provided a memo about the changes to the School Master Plan, and asked whether the new cost projections assumed that the new energy code was in place, and if not, what the effect would be. Ms. Miller stated that the Committee should invite the Building Commissioner and a Select Board member and the CAPC. Ms. Miller stated that this is an opt-in code, and it may be better to wait to see the experience in other towns that have adopted it.

Committee Updates

There were no Committee updates.

Adjournment

MOVED: By Mr. Connelly that the Finance Committee meeting be adjourned, there being no further business. Ms. Fachetti seconded the motion. The motion was approved by a vote of 7-0 at approximately 8:15 p.m.

Documents: October 30, 2023 Special Town Meeting Warrant (8-23-23 draft); Letter from Finance Committee Chair to Select Board and Town Manager dated August 30, 2023 regarding Proposed Foster Property Resolution; Response Letter from Town Manager to Finance Committee dated September 6, 2023 regarding Forster Property; Memo from Assistant Superintendent for Finance & Administration to School Committee dated September 5, 2023 regarding MSBA Statement of Interest and School Master Plan Information Update.

Respectfully submitted,

Louise Mizgerd

Staff Analyst

Approved September 27, 2023