Needham Finance Committee
Minutes of Meeting of September 27, 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.

Present from the Finance Committee:
Louise Miller, Chair; Carol Fachetti, Vice Chair
Members: Karen Calton, Barry Coffman, John Connelly, Carli Hairston (via Zoom), James Healy, Joshua Levy, Paul O'Connor

Others present:
David Davison, Assistant Town Manager/Finance Director
Kevin Keane, Vice Chair, Select Board
Katie King, Deputy Town Manager
Joe Prondak, Building Commissioner
Joe Higgins, Climate Action Planning Committee
Adam Block, Chair, Planning Board
Lee Newman, Director, Planning and Community Development (via Zoom)
Chris Heep, Town Counsel

Approval of Minutes of Prior Meetings

MOVED: By Mr. Connelly that the minutes of the meeting of August 23, 2023, be approved as distributed, subject to technical corrections. Mr. Levy seconded the motion. The motion was approved by a roll call vote of 7-0-2. (Ms. Hairston and Mr. O'Connor abstained.)

MOVED: By Mr. Connelly that the minutes of the meeting of September 6, 2023, be approved as distributed, subject to technical corrections. Mr. Levy seconded the motion. The motion was approved by a roll call vote of 7-0-2. (Ms. Hairston and Mr. Healy abstained.)

October Special Town Meeting warrant

Article 15 – Amend General By-Law - Specialized Energy Code

Ms. King explained that there are three levels of the state energy code: the obligatory base code, the optional stretch code which Needham adopted in 2019 and took effect in 2020, and the opt-in specialized energy code which is under consideration at the October Special Town Meeting. There was a climate act in Massachusetts in 2021 which updated the stretch code and is currently in effect in Needham. Mr. Prondak explained that the energy code is moving toward performance-based metrics since computers can analyze energy performance. He stated that he started his position with the Town in June, and has worked with stretch codes since 2009. He stated that in his prior position, the town tightened their code and made it applicable to existing space. The opt-in code that Needham is considering will be applicable only to new buildings. He stated that the goal is to electrify and to eliminate use of fossil fuels. He stated that certain historical buildings are exempt and that additions to existing buildings would be subject to the existing stretch code but not the new requirements of the specialized energy code. He stated that the required HERS (home energy efficiency rating system) ratings are being reduced over time. Mr. Coffman asked how homeowners can comply with the ratings. Mr. Prondak explained that the improvements can be done in different ways such as adding better insulation and air temperature barriers or more efficient appliances. He stated that the stretch code was optional for the Town to adopt, but now that it has been adopted, residents must comply with its requirements. Mr. Healy asked what the costs have been across the state for complying with the new specialized energy code. Mr. Prondak stated that the data is not yet available since the new codes did not take effect until July 1 in the four cities and towns where it is in place. Ms. Miller stated in total, 18 cities and towns have adopted the opt-in code, but it has not yet taken effect in most. The others will take effect in 2024. Ms. King stated that there was information in a link in the FAQ document that shows some examples of costs under the new code. Generally, the examples show that the cost of building under the new code is equivalent to building in compliance with the current code, but the ongoing costs are lower. She noted that the opt-in code does not have specific building requirements, so builders can use different ways to achieve the required energy efficiency. Mr. Healy stated that he finds it difficult to want to move forward without knowing the impact on the costs for residents.

Mr. Connelly asked if the Pollard School renovation goes forward, whether the building has to change to all electric systems, or if it could stay gas heated and would have to add the solar and additional writing that is required under the stretch code. Mr. Prondak stated that the Town would just have to add the solar and wiring. Mr. Connelly asked if there has been an analysis of the change in cost on the proposed Pollard project under the new code. Ms. King stated that the architect’s estimate included compliance with the opt-in code. Mr. Connelly asked for the amount of additional cost on the proposed Pollard School, Mitchell School and DPW projects that would be incurred under the new opt-in energy code.

Mr. Connelly asked if the Town had heard from developers regarding the cost or ease of compliance for implanting the new specialized code. Ms. King stated that she and Mr. Prondak held an information session that day for builders regarding the new requirements. She stated that most of the questions involved working with Eversource and how to get more electrical service to sites. Mr. Connelly stated that in his experience, working with Eversource can be very difficult. They are stretched thin and will respond when they want. He stated that it is difficult to have to rely on one organization that is outside of the Town’s control. Mr. Connelly also expressed concern about whether presenting information publicly only 30 days before Town Meeting votes on the new proposal is sufficient time for full consideration of the effects. He stated that he feels that this is too quick.

Ms. Miller stated that she has concerns about electrification in general and about whether the grid can handle the increases. She stated that a second concern is about redundancy and emergency planning, and whether it is prudent to rely on a single energy provider. Mr. Levy stated that it was his understanding that one of the reasons that the new Eliot and Broadmeadow rooftop units approved at the Annual Town Meeting are dual source is to have backup source. He asked whether the specialized energy code applied only to new municipal buildings and not to existing municipal buildings, similar to its application for residential properties. Ms. King stated that new municipal buildings must be all electric, but they can have a fossil fuel option. Ms. Miller stated that the more that electrification is required, the less that fossil fuel will be available. The other sources will disappear as demand decreases. She noted that she has concerns about affordability. As there are more stringent requirements, building becomes more unaffordable.

Ms. Fachetti asked why the Town did not adopt the stretch code until 10 years after it became available. Mr. Healy stated that the Town voted it down in 2011. Ms. Fachetti asked what has changed. Mr. Prondak stated that it is now business as usual to comply with the requirements, and there is a roadmap to understand what needs to be done to meet the standards. Mr. Higgins stated that it is important to address climate issues. He gave examples of extreme weather events in Needham that can be attributed to climate change and use of fossil fuels. He stated that there is an even stricter opt-in code than the specialized energy code that 10 towns have adopted as part of a pilot program of fossil-free measures. Mr. Connelly clarified that he cannot support the change to the specialized code yet because he is concerned that there has not been sufficient time to introduce the changes to the public and discuss them. He stated that he felt he would likely be able to support it in the spring. Mr. Healy noted that the Finance Committee represents the citizens and he needs a better understanding of the effects in order to effectively represent the citizens. Mr. Coffman asked if there is any information on what people are doing voluntarily. Mr. Prondak stated that when the stretch code changes that were adopted by the state and took effect in 2023 were under discussion, there was no pushback. The changes were not extreme. Ms. King stated that developers have said that they are building some all-electrified and some passive homes because homeowners have requested it. She noted that there are examples of people exceeding energy requirements. Children's Hospital reported that the new building is 20% more energy efficient than required. Mr. Coffman asked for any information, including anecdotal, about whether people are proactively complying with the specialized code even without the requirement.

Ms. Miller asked why the state would not make the requirements part of the base code if they are so important. Mr. Prondak suggested that it may be in order to allow flexibility. Ms. King stated that the DOER is now has the responsibility to enforce the energy codes and they are requiring the changes just to new buildings to be able to track what kind of savings can be achieved and to determine what is needed to meet the energy goals. They will periodically update the codes. Mr. Levy asked if it is possible to know the incremental cost differences from base code to stretch code to specialized code. Mr. King stated that it is just the cost of the solar and the additional wiring. Mr. Prondak noted that there are incentive programs that mitigate the costs. He stated that the incremental cost is small, not something significant like 10% or 20%. Ms. Miller expressed concern with having energy codes different in different communities would lead to less desirable buildings being built in lower cost communities. Ms. Fachetti stated that she would like to know how other communities are addressing the need for redundancy and emergency planning. Mr. Prondak noted that the technology is getting better and better for electrical storage, so that there will be more means for people to store backup power and not have to send it back to the grid.

Article 16 - Foster Property Open Space Zoning Non-Binding Resolution

Ms. Miller stated that the Finance Committee submitted questions to the Town Manager regarding the property purchase and received a letter in response, and now the Committee is seeking to understand the effect of the non-binding resolution on the Planning Board. Mr. Block stated that the Planning Board has not yet discussed the resolution, but they expect to discuss it at their October 17 meeting. He stated that if the resolution passes, the Planning Board will follow their standard process for developing zoning changes which includes preparing the language for the by-law change, and conducting public hearings with the goal of being ready for the May 2024 Town Meeting. Once they vote on final language, the draft would be presented to the Select Board. If the Select Board decides to include it in the Town Meeting warrant, then the Planning Board will discuss it with the Finance Committee, and will also vote on its own recommendation for Town Meeting.

Mr. Levy stated that it sounds like although the resolution would not be binding on the Select Board, it would be considered binding on the Planning Board. Mr. Block stated that if the resolution is voted down, then the Planning Board will do nothing further. If it is approved, then the Planning Board will meet with the proponent about what the proposed change is being sought and then start the process. Mr. Healy asked why the Planning Board would not do its own research regarding whether the change is a good idea. Mr. Block stated that the Planning Board would follow its own process for a zoning change, with the possibility that it would vote not to recommend its own zoning change. Mr. Levy stated that if this non-binding resolution has some binding effect, then the Finance Committee has the job of assessing the financial impact. Mr. Connelly stated that the process for making zoning changes for the Muzi property was a thoughtful and deliberative process and he would expect to follow the same process here. Mr. Block stated that the Muzi project was of such a significant scope that it made sense to have fiscal impact and traffic analyses, but that was not required for smaller impact zoning changes such as ADUs and brew pubs. Mr. Connelly asked who decides what kind of study is needed. Mr. Block stated that the Planning Board decides the specifications for rezoning before Town Meeting in May, and then again when there is an application for a special permit. Mr. Connelly asked if Mr. Block knew of any previous non-binding resolution on zoning. Ms. Newman stated that she had not seen this during her tenure. Mr. Connelly stated that he has not seen one since 1990.

Ms. Fachetti stated that the title of the warrant article is misleading since the text addresses zoning of cluster housing. Mr. Connelly agreed. Ms. Calton asked who typically requested zoning changes. Mr. Block stated that property owners, citizen petitioners, or the Select Board usually make such requests. Ms. Calton asked if having a zoning request come through a Town Meeting resolution would have the effect of quieting opposition since there would already be a favorable vote. Mr. Block stated that even if the resolution passes, it does not necessarily mean that a zoning change will pass or even that a proposal will be developed. It just means that the process will begin. He stated that the Planning Board always has the opportunity to review zoning and to opine on proposed zoning, regardless of the proponent. Opponents will have the same opportunity as proponents to participate at a public hearing and comment to the Planning Board. He stated that if the resolution fails, there will be no role that follows for the Planning Board. In response to a question from Ms. Miller, Mr. Block confirmed that without this resolution, the Planning Board would not plan to pursue this zoning change. Mr. Connelly stated that this was not following the usual process and seemed to be a maneuver to push the plan through. He stated that the Planning Board would decide which studies it may require when considering a zoning change. They will require a traffic impact analysis and stormwater and drainage reports when there is an application for a special permit.

Mr. Healy asked if the Planning Board could decide not to pursue this zoning change. Mr. Block stated that the role of the Planning Board would be to advance the zoning process. He added that the Board could ultimately vote not to recommend the change. Mr. Connelly asked if the Planning Board would look at the proposed change in relation to all of the other zoning to see if it is needed. Mr. Block stated that it would be premature to know that at this stage. They would look at the current zoning of the property and what the change is seeking to do. They will not necessarily review all zoning. Mr. Connelly asked why it is not considered spot zoning to make a change that would allow this one property owner to do something that no neighbor can do. Mr. Block stated that re-zoning for one parcel is not necessarily spot zoning. Spot zoning rewards one property owner without any rationale is planning or zoning principles. This particular development would provide benefits to the Town such as being able to purchase the parcel for open space and river access, and gaining additional affordable housing units. Mr. Healy noted that the percentage of affordable units in the proposed development is low and would actually bring the Town's affordable housing ratio down. Ms. Miller questioned why the Town would pay $2.5 million for the property if the Town is going to require open space as part of the zoning change. Mr. Block stated that the zoning changes would apply only to the property that would be developed and not the 34 acres that would be open space.

Article 14 - Amend General By-Laws - Non-Criminal Disposition

Mr. Davison stated that the purpose of this article is to add a table to the by-laws to clarify the structure for non-criminal fines and the enforcement authority, to update definitions to be current with existing practices, and to remove provisions that are no longer needed. There are 3 levels of fines, with highest fine at $300, which is the highest level a town can have. Violations that are administrative and not dangerous are $100. Bylaws that have more than administrative purposes, such as to protect health and safety, have $200 fines for violations. Mr. Levy asked if the fines were intended to be a deterrent or to be punitive. Mr. Davison stated that the Town is seeking to deter or require actions rather than to punish for wrongdoing.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of Special Town Meeting Warrant Article 14: Amend General By-Laws - Non-Criminal Disposition. Mr. O'Connor seconded the motion. The motion was approved by a roll call vote of 9-0.

Article 5 - Amend the FY 2024 Operating Budget

Mr. Davison provided a handout and explained that the budget amendment was needed because the GIS function was moved from the Finance Department to the DPW Engineering for better synergy, and because the Town had not filled the IT Director position and the current work is contracted. As a result, some funds for GIS functions were being transferred from the Finance Department to the DPW and some Finance salary funds were being moved to Finance expenses. He provided tables to show how the changes would be reflected in the BVA tables to make the year-to-year comparisons meaningful. He stated that there is a current study determining how to handle the IT department going forward and whether to restructure. The study will be completed in October. He stated that the Finance Department budget is still projected to be $27K short, but he would prefer to wait until close to the end of the fiscal year to see if the department can absorb the cost, and if not, to request a Reserve Fund transfer at that time.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of Special Town Meeting Warrant Article 5 - Amend the FY 2024 Operating Budget. Mr. O'Connor seconded the motion. The motion was approved by a roll call vote of 9-0.

Article 8 - Unpaid Bills of a Prior Year

Mr. Davison stated that the law does not allow the Town to pay for bills from a prior year with the current year's budget. There are unpaid bills from FY2021 for maintaining printers during the time of Covid. They have asked the company for additional information and determined that the expenses are legitimate.

MOVED: By Mr. Healy that the Finance Committee recommend adoption of Special Town Meeting Warrant Article 8 - Unpaid Bills of a Prior Year in the amount of $3,820.01. Mr. Coffman seconded the motion. The motion was approved by a roll call vote of 9-0.

Article 9: Appropriate for General Fund Cash Capital

Mr. Davison stated that the funds are all supplemental funds for approved fleet purchases with price increases due to inflation and supply chain issues. The warrant article lists the various funding sources which are residual balances of prior fleet appropriations. He stated that two vehicles have already been quoted at costs higher than the appropriations: Building Maintenance Unit 712 was expected to cost $58,874 and the quote is $66,273 and Unit 5, a DPW dump truck was expected to cost $291,255 and quoted at $360,372. The additional requested appropriation of $19,684 would be appropriated as a contingency since there are 7 vehicles that are still uncertain. He stated that if the funds are not needed, they would follow the Town policy for cash appropriations: if the amount is $25K or more, it would be reserved for a similar appropriation. If it is less, then it would be closed out to free cash at the end of the fiscal year. (The threshold amount was recently increased from $10K to $25K.)

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of Special Town Meeting Warrant Article 9: Appropriate for General Fund Cash Capital in the amount of $96,200. Mr. Coffman seconded the motion. The motion was approved by a roll call vote of 9-0.

Article 10: Appropriate for Sewer Enterprise Fund Cash Capital
Article 11: Appropriate for Water Enterprise Fund Cash Capital

Mr. Davison stated that there are two vehicles in the Sewer Division that need additional funding: a dump truck with an expected cost of $291,255 that was quoted at $341,372, and a Ford Explorer that was expected to cost $52,059 and was quoted at $56,942. The appropriation is $55K short of the actual cost. There are no residuary balances, so the additional funds will come from Sewer Enterprise Fund receipts.

Mr. Davison stated that there are residual funds from Water Enterprise Fund cash capital appropriations. This article will appropriate $41K for additional Water Division fleet costs for a Ford F350 that will cost $108,826 instead of the $78,745 expected, and a F250 that will cost $101,093 when the anticipated cost was $90,074.

Mr. Coffman asked Mr. Davison if he expected the Sewer receipts to be sufficient for the additional costs. Mr. Davison stated that he is confident that there will be sufficient funds in FY2024 for the additional appropriation. Mr. Levy asked if these shortfalls are expected to continue. Mr. Davison stated that the factors can be expected to impact not only costs but also the ability to replace vehicles at the same rate.

MOVED: By Mr. Healy that the Finance Committee recommend adoption of Special Town Meeting Warrant Article: Article 10: Appropriate for Sewer Enterprise Fund Cash Capital in the amount of $55,000. Mr. Connelly seconded the motion. The motion was approved by a roll call vote of 9-0.

MOVED: By Mr. Healy that the Finance Committee recommend adoption of Special Town Meeting Warrant Article: Article 11: Appropriate for Water Enterprise Fund Cash Capital in the amount of $41,000. Mr. Connelly seconded the motion. The motion was approved by a roll call vote of 9-0.

Committee Updates

Ms. Levy stated that the housing advisory committee met once, and will meet again next week. Ms. Miller stated that the Committee would meet next week on October 4 to discuss Articles 2 and 4, and potentially vote the outstanding articles. If possible, she would like to hold an orientation session for Town Meeting Members on October 18 to discuss the role of the Finance Committee.

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 roll call vote of 9-0 at approximately 8:58 p.m.

Documents: October 30, 2023 Special Town Meeting Warrant (9-26-23 draft); Opt-In Specialized Energy Code Finance Committee Presentation, September 27, 2023; FAQs for Opt-In Specialized Energy Code 9-26-23; Tables from Finance Director (GIS Wages and Expenses, IT Wages, IT Department Shortfall, FY24 Budget Line Item Transfers Finance Department and DPW, Funding Sources of Capital Articles).

Respectfully submitted,

Louise Mizgerd
Staff Analyst

Approved October 5, 2023