

Needham Finance Committee
Minutes of Meeting of April 16, 2025
To view a recording of the meeting on YouTube:

<https://www.youtube.com/playlist?list=PL3PRZZjHC3yFvWuO8IwFGgK3KaPYkTyxK>

The meeting of the Finance Committee was called to order by Chair Carol Smith-Fachetti at approximately 7:00 pm in the Great Plain Room at Needham Town Hall, also available via Zoom teleconferencing.

Present from the Finance Committee:

Carol Smith-Fachetti, Chair; John Connelly, Vice Chair
Ali Blauer, Paul O'Connor, Joe Abruzese, Tina Burgos, Steve Maxwell
Absent: Barry Coffman

Others Present:

David Davison, Deputy Town Manager/Director of Finance
Molly Pollard, Finance Committee Executive Secretary
Cecilia Simchak, Assistant Director of Finance
Anne Marie Bajwa, President Charles River Center
Cindy Chaston, Charles River Center
Denise Garlick, Citizen
Phil Crean, Charles River Center
Bill Grogan, President of the Planning Office for Urban Affairs
Kate Fitzpatrick, Town Manager
Carys Lustig, Director of Public Works
Henry Haff, Building Design and Construction
Kathy Reyes, Green Needham

Citizen Request to Address the Finance Committee

Cindy Chaston declared she was available with additional members of the Charles River Center to answer questions regarding the Appropriate for the East Militia Heights Development. Denise Garlick also stated she was here as a former state representative to answer questions regarding legislation in the housing bond bill with respect to the Charles River Center project.

Approval of Minutes of Prior Meetings

MOVED: By Mr. O'Connor that the minutes of meeting April 9, 2025, be approved, as distributed and subject to technical corrections. Ms. Blauer seconded the motion. The motion was approved by a vote of 5-0 at approximately 7:03 pm.

Annual Town Meeting Warrant Article Discussions

Article 22: APPROPRIATE FOR EAST MILITIA HEIGHTS DEVELOPMENT - CHARLES RIVER CENTER

Documents: East Militia Heights Funding Sources

Mr. Connelly, referring to the East Militia Heights Funding Sources document, asked where the \$5 million [from the housing bond bill] was reflected and requested clarification on its designation. Mr. Crean explained that the \$5 million was part of a \$10 million allocation from the Executive Office of Housing and Livable Communities (EOHLC), with half coming from a pilot program and the other half from an additional state subsidy. Mr. Connelly confirmed that the \$5 million had already been committed through the economic development bond bill and asked whether it was specifically designated for the Charles River Center project. Ms. Garlick offered the legislative language to support that and read it aloud, noting that the \$5 million was authorized as a pilot program for permanent supportive housing for individuals with autism or intellectual disabilities. She explained the two-step bond bill process, involving authorization and appropriation, and stated that while the money was committed, it had not yet been appropriated. Mr. Connelly asked where the language indicated a time constraint on spending the funds and where town support was defined. Ms. Garlick explained that town support was not defined in the statutory language but was part of the ongoing discussion with the EOHLC.

Ms. Smith-Fachetti asked whether there were sunset provisions for using the funds. Ms. Bajwa responded that while the funds were allocated for this fiscal year, she did not believe they had to be used within the year but needed to be accepted and appropriated. She noted that one condition was town support for the project. Ms. Garlick emphasized that town support was critical to ensure the funding, even if not codified in law, and described the effort it took to include the funding language in the bill.

Mr. Connelly expressed appreciation for the effort but emphasized his need to understand what “town support” entailed, both monetarily and in terms of timing. He stressed the importance of knowing this so that the town could evaluate the project's impact on its limited resources and other priorities. Ms. Garlick offered to follow up with specific language if it existed, cautioning that readiness would be crucial to securing the funds due to competition for resources.

Ms. Blauer asked whether waiting until an October Town Meeting to appropriate funds would pose a risk. Ms. Bajwa said the main concern would be the spending deadline but noted that applying in November would still align with a fall appropriation. She deferred to Mr. Grogan on tax credit timelines. Mr. Grogan confirmed that the EOHLC had not yet announced fall funding rounds but that a local commitment would be needed by the anticipated November pre-application process. He said a commitment made at a Fall Town Meeting would align with that schedule. He clarified that while no specific dollar amount is required, the local commitment should be sufficient to meet the project's feasibility needs.

Ms. Smith-Fachetti noted the original request was for \$3.5 million. Ms. Blauer asked about the \$700,000 difference and how it would be addressed. Mr. Grogan explained they may pursue income averaging to generate more tax credits.. He also mentioned discussions with lenders to close the funding gap.

Mr. Abruzese asked about the capital campaign plans. Mr. Grogan responded the capital campaign was intended to fund features not typically covered by EOHLC's construction costs—particularly enhancements needed to support individuals with autism, such as soundproofing and accessibility features. Ms. Bajwa elaborated, explaining that the campaign would support environmental adaptations essential for the safety, independence, and comfort of residents with developmental disabilities. She also emphasized that while some adaptations are known in advance, others will be tailored to individual resident needs once identified.

Mr. Connelly asked whether the cost of these features was included in the \$50 million project budget. Ms. Bajwa said they were not included and clarified that individual needs may vary, making it hard to define the exact cost at this time. Mr. Grogan confirmed that the capital campaign will cover expenses outside of the \$50 million budget and that these funds would be raised by Charles River Center (CRC). Ms. Smith-Fachetti noted that, in effect, CRC would not be able to use the building as intended without this additional fundraising. She asked for estimates of the total cost and timeline. Ms. Bajwa shared that CRC is working with a consultant on a three-year capital campaign plan, currently in the pre-development stage. The campaign will officially launch late next year after developing a case statement and securing a significant portion of the funds.

Mr. Connelly then raised the timing issue, pointing out that construction is expected to begin in early 2027, requiring specifications for items like floor drains and wider doorways to be known well before then. Ms. Bajwa acknowledged this and suggested those items might be covered upfront by the capital campaign. Mr. Grogan clarified that in past projects, bridge loans were used to cover the gap when funds weren't raised in time for construction. Mr. Connelly confirmed this would be in addition to the primary financing and construction loans already in place. Mr. Grogan affirmed.

Mr. Connelly then shifted the conversation to zoning requirements, asking about necessary permits and the process. Mr. Grogan explained their strategy would be to pursue a comprehensive 40B permit, noting collaborative discussions with town staff, the planning board, and other town boards starting in May. Mr. Crean added that after gathering feedback and refining their plans, they would submit an eligibility application to EOHLC in June and aim to apply to the zoning board by August. Mr. Grogan noted they do not expect to require Conservation Commission approval at this time.

Next, Ms. Blauer revisited the idea of structuring the town's contribution as a loan and if this would jeopardize the project. Mr. Grogan replied that a loan structure is actually preferable due to tax implications. Ms. Chaston and Ms. Blauer then discussed whether the town had a mechanism to issue such loans. Ms. Fitzpatrick noted that it would not be feasible for May but

could be explored for October Town Meeting. Ms. Blauer clarified this would likely be a “soft” loan, where the town might recoup a portion of the project’s future cash flow. She mentioned that based on a \$3.5 million investment, approximately \$1.4 to \$1.8 million could potentially be returned to the town over 20 years. Ms. Fitzpatrick added that such funds would likely go back to the Affordable Housing Trust.

Mr. Connelly asked where the \$250,000 listed for FY25 was coming from and what it was being spent on. Mr. Crean responded that these were predevelopment expenses needed to move from conceptual plans to schematic design for submission to the state as part of the project eligibility application. Mr. Connelly asked how much had been spent so far, and Mr. Crean estimated at least \$100,000. Mr. Connelly then asked about the source of those funds, and Mr. Crean clarified they were currently being paid out-of-pocket by the CRC until construction closing, at which point they would be reimbursed. Moving on to FY26, Mr. Connelly asked how the \$550,000 listed for that year would be spent and where it would come from. Mr. Crean explained that those funds would be used to advance the plans from schematic design to fully detailed construction documents necessary for bidding, pricing, and securing building permits.

Next, Mr. Connelly turned to FY27, which is when construction would take place. He stated that CPC money would not be used until this point—nearly two years after it would be appropriated—and emphasized that, while appropriated now, the funds would be tied up and unavailable for other town projects during that period. He went on to reference the \$13.4 million construction loan listed on the chart and clarified that \$800,000 of that would repay the predevelopment costs, with \$11.4 million going toward construction, alongside the CPC funds and \$2.1 million in equity from the sale of federal and state tax credits. Mr. Connelly asked where those tax credits would come from, and Mr. Crean explained that EOHLC awards the tax credits, which are then sold to investors—typically banks—through a financial RFP. Mr. Connelly confirmed that EOHLC authorizes the process, and Mr. Crean agreed.

Mr. Connelly then asked about the \$4.5 million CRT loan, and Mr. Crean clarified that it was a deferred payment sponsor loan to cover land acquisition costs. Mr. Grogan added that Charles River Center had already spent \$5 million to acquire the land and, rather than seeking repayment in cash, was taking back a \$4.5 million sponsor loan to support the project’s feasibility. Ms. Smith-Fachetti asked if that would be repaid over time, and Mr. Grogan said it would only be repaid if there was available cash flow. Ms. Bajwa added that the \$5 million land purchase was the original investment in the project, though the actual cost was higher.

Mr. Connelly then asked when the CPC would be repaid its \$2.8 million. Mr. Grogan said [if structured as a loan] the repayment would follow the same structure as EOHLC’s deferred payment loan, using 50% of available cash flow, as advised by their consultant. Ms. Smith-Fachetti noted that, as currently structured as a grant, only the Town of Needham and private donors were contributing funds without expecting repayment. Ms. Bajwa pointed out that both the \$5 million land acquisition and the \$5 million from the state were non-repayable investments. Mr. Connelly questioned whether other CPC grants had been structured differently,

and Mr. Grogan asked if there had been precedents. Mr. Connelly confirmed that this was a unique case for the CPC and emphasized that the CPC was essentially the first entity being asked to contribute significant funds, which would be restricted immediately and unavailable for other pressing town needs. He stressed that, while the project's goals were not in question, the uncertainty around timing and third-party dependencies raised concerns about the opportunity cost of locking up CPC funds for several years.

Mr. Connelly asked about the \$500,000 from the MassHousing Workforce Program. Mr. Crean explained that this funding would be applied for as part of their state application later in the year. It is a soft, deferred payment loan based on the inclusion of five units at 80% AMI, calculated at \$100,000 per unit. Mr. Connelly asked if this money would be used to pay the contractor, and Mr. Crean confirmed that it would go directly toward construction costs.

Mr. Connelly addressed the \$10 million listed under EOHLC funding. Mr. Crean confirmed that \$5 million of that had already been set aside, as previously mentioned, and the remaining \$5 million would come from various state programs typically available for affordable housing projects. These funds would be part of the full state application due in February 2026 and would be structured as deferred, subordinate debt, available during the construction period. Mr. Connelly asked if the source of these funds would also be the state, and Mr. Crean confirmed that was correct. Mr. Connelly concluded by asking about the \$15.9 million in equity from the sale of federal and state tax credits. Mr. Crean said this was the same process as the earlier mentioned \$2.1 million, with funds coming from an investor at about 80% project completion. As a nonprofit, the development team would be able to utilize sales tax exemptions to reduce construction costs. Mr. Connelly asked if EOHLC would be involved in that process, and Mr. Crean clarified that while EOHLC would participate in the closing process, the funds themselves would be arranged directly with the investor.

Mr. Connelly asked about the source of the \$1.1 million in DOER/Mass Save funds. Mr. Crean explained that the funds come from two sources: \$200,000 in rebates from Mass Save for Passive House certification, and the remainder from the Department of Energy Resources through a loan program. Ms. Burgos asked when CPA free cash would be certified. Mr. Davison replied that the earliest would be in the fall, which could complicate appropriations in October. Ms. Simchack noted that over the past five years, free cash ranged between \$2.5 million and \$4.4 million annually. Mr. Davison added that appropriations cannot use uncertified free cash.

Ms. Blauer asked if alternative funding sources could be considered to avoid last-minute funding issues. Mr. Davison responded that both housing-related articles rely on CPA receipts, and reallocating funds may not be feasible. Mr. Connelly asked for a breakdown of the \$50 million project cost. Mr. Crean provided the details: \$5 million was spent in 2023 for site acquisition, \$31.2 million is for construction, \$7 million for soft costs, and \$6.8 million for developer fees, overhead, and reserves. Mr. Connelly asked how the \$31.2 million construction cost was calculated. Mr. Crean explained it's based on a \$372 per square foot estimate, which is inclusive of escalation, using data from a consultant. Mr. Connelly expressed concern about potential cost

overruns. Mr. Crean said in such cases they would approach the state for gap funding and seek additional sources.

Ms. Bajwa then elaborated on pre-development costs not previously discussed. These included demolition and abatement expenses, partially covered by a \$100,000 earmark, and various legal and consulting fees paid by the CRC. Ms. Smith-Fachetti agreed and expressed preference for revisiting the proposal in October, potentially as a loan instead of a grant.

Mr. Davison pointed out that CPC articles are typically not considered in the fall, so deferring could be unusual. Mr. Connelly acknowledged the project's merits but stressed the committee's responsibility to perform due diligence for taxpayers. He emphasized the need for clarity on the town's commitment and the implications of timing, as well as understanding if the \$5 million would be lost or simply delayed.

Mr. Connelly explained his concern that multiple important town projects were competing for limited state resources and that many of them—this one included—had uncertainties and potential cost escalations. He felt it would be more prudent to focus first on already-committed projects and then return to this one when more was known. Ms. Bajwa and Mr. Grogan clarified that each project applies for different categories of EOHLC funding, so they may not be in direct competition.

Ms. Blauer requested more concrete information from the town, particularly regarding whether the funding could be structured as a loan and how viable that option would be by October. Ms. Fitzpatrick confirmed that the trust document and statute allow for loans, but processes need to be figured out. Ms. Blauer also asked about the likelihood of free cash being certified in time. Mr. Davison said certification by October hasn't occurred in a long time but they would try, though it's not entirely under their control.

Mr. Maxwell asked if any housing units would be reserved for Needham residents. Mr. Crean responded that up to 70% could be set aside for locals, in accordance with fair housing laws. Mr. Maxwell also asked whether any of the project's funding was dependent on federal sources. Mr. Crean clarified that the \$5 million in state funding is not part of a federal pilot program and would not be impacted by federal funding changes.

The committee will revisit this article.

Article 33: APPROPRIATE FOR PUBLIC WORKS FACILITIES
IMPROVEMENTS/COGSWELL BUILDING

Mr. Maxwell asked how much of the project cost is specific to the chosen location, and whether building elsewhere would be more or less expensive. Mr. Haff responded that the site does require more preparation, estimating that \$1.2–2 million of the cost is unique to this location. Ms. Lustig added that other sites also have costly constraints, but detailed costs aren't known since those sites haven't reached the same level of design. Mr. Maxwell also asked how much of the cost is for office and staffing space. Mr. Haff estimated that about 15% of the building footprint is allocated for offices and changing rooms.

Mr. Abruzese asked if a smaller facility on the Greendale parcel was ever cost-compared to the current plan. Mr. Haff said Greendale was ruled out due to jurisdictional and legal constraints as it's parkland. Developing there would require a state-level land swap, which could take years and incur additional costs like excavation and retaining walls.

Mr. O'Connor asked how much had been spent from the previous appropriation. Mr. Haff said \$2.3 million had been appropriated, and most of that has been used.

Mr. Maxwell asked what the existing Cogswell facility cost when it was built (in 2019). Mr. Davison said \$7 million. Mr. Maxwell then asked how much of the current cost increase is due to inflation versus added features. Mr. Haff said the old building lacks features like full walls, insulation, air conditioning, and modern equipment. Ms. Lustig added that the current facility only has one bathroom with a tight tank and lacks sewer and proper maintenance equipment. A new sewer connection is a significant part of the cost. Ms. Lustig said six staff members would move to the new facility, and it would also provide needed facilities for RTS staff, who currently lack showers and work with compost and waste.

Mr. Connelly asked why a new \$1.75 million contingency was added to the \$19.6 million budget when earlier budgets already included contingencies. Mr. Haff said earlier contingencies were for preliminary designs, and new ones account for inflation and tariff uncertainty. The actual bid won't be available until late summer or fall, and market volatility is a risk.

Mr. Connelly suggested delaying appropriation until after bids are received so costs are known, avoiding under budgeting or needing multiple appropriations. He also raised concerns about the long-term cost of the full project, noting that phase one has already increased from \$14.5 million to \$19.6 million in a year and a half. He estimated the total project could climb from \$106 million to \$150 million. He recommended exploring if more use could be made of the new facility space.

Ms. Blauer echoed concerns about the long-term cost and asked if this phase would still be pursued even without rebuilding at 470 Dedham Ave. Ms. Lustig confirmed the fleet staff's poor working conditions make relocation a top priority. The current 470 site can't accommodate a full rebuild due to zoning and conservation restrictions. A phased approach avoids needing temporary relocations and allows for flexibility based on what happens at Pollard. She also

emphasized the difficulty of hiring mechanics and said modern facilities would help with staff retention.

Ms. Smith-Fachetti asked about the cost of relocating the fuel station with respect to the Pollard project, noting that this cost is not reflected in the current project phases. Ms. Lustig responded that they haven't investigated the cost yet but will look into it. She explained that identifying an alternative location would be necessary, which is challenging given the limited viable options for fueling stations.

Ms. Smith-Fachetti then asked whether phases two, three, and four could be further delayed, noting that phase one appears to be the top priority. Ms. Lustig acknowledged that phase two is already delayed due to a lack of available design funding. She added that phase two could be delayed by one or two years depending on the outcome of the Pollard project. She stressed the urgent need to address the facility due to employee morale, safety concerns, and the building's deteriorated condition. She explained that the priority is to move daily staff out of the unsafe building, which is the focus of phase two, and that phases three and four will address storage and relocation away from the floodplain.

Mr. Maxwell asked whether any interim renovations could be made to address safety concerns without a full rebuild. Ms. Lustig said minor upgrades like cosmetic improvements to the bathroom and better signage have been considered but explained that major upgrades—such as fixing the exhaust system—would exceed the 30% renovation limit allowed without triggering full code compliance. Mr. Haff clarified that this 30% cap is based on the building's value, and any project beyond that would require expensive upgrades like seismic reinforcements and ADA compliance.

Ms. Lustig continued that some internal upgrades are being considered, however, larger issues like exhaust fumes cannot be fixed within budget constraints. She described the inadequacy of the building to accommodate newer equipment and the safety challenges that poses. Mr. Davison added that the 30% cap equates to approximately \$1–2 million based on the \$4.4 million value of the building. Ms. Smith-Fachetti confirmed that this cap is cumulative over three years.

Mr. Abruzese expressed concern about balancing town spending. He questioned whether more cost-effective alternatives were explored, such as using another parcel, even if it meant sacrificing some benefits, in order to reduce future debt. Ms. Lustig responded that the current design is specific to the Cogswell site and cannot be transferred, so starting over would incur new design costs. Ms. Blauer pointed out that phases two through four will also need separate designs for different sites. Ms. Lustig added that the square footage in the current design is also not being fully factored into future phases, which would further increase costs if duplicated elsewhere.

Mr. Connelly asked for an update on permitting. Mr. Haff replied that the Notice of Intent (NOI) was submitted and the initial review with the conservation commission was positive. The planning application was submitted the previous day, but the first meeting won't occur until after

Town Meeting in May. He added that only minor waivers, not zoning variances, are being requested.

Mr. Connelly asked about value engineering and what had been done to reduce the project's \$5 million cost increase. Ms. Lustig said she would need to revisit the original 2023 capital submission to clarify what was and wasn't included. Mr. Haff mentioned that the new energy code adopted after the last Town Meeting required switching from air source to ground source heat pumps. Ms. Smith-Fachetti asked if this was a code requirement. Mr. Haff said it was but also added that ground source heat pumps are more reliable and cost-effective, as demonstrated in the town's PSAB (Public Service Administration) building, and may be eligible for up to \$500,000 in grant funding—much more than air source systems would attract.

Ms. Lustig then referenced the original capital submission, explaining that the jump from \$14 million to \$19.6 million included 10% in soft costs, 15% contingency, and 6% inflation from FY24 to FY26. Ms. Blauer noted that the current budget also includes an additional 10.8% contingency on top of the new number. Ms. Lustig clarified that the 10.8% is typical for conceptual design and will be refined once bids are received.

Mr. Connelly expressed concern that publicly appropriating \$19.6 million in advance of the bid process could negatively affect competitive bidding. He questioned whether it would be better to delay appropriation until after bids come in. Ms. Lustig noted that state law requires advertising the estimated project cost. Mr. Haff added that multiple competitive bidders are expected, all of whom are familiar with the town and its projects. He acknowledged that while bidders may be aware of the appropriated amount, the town's strategy typically includes elements not made fully public. Mr. Connelly remained concerned that bidders will base their numbers on the publicly available appropriation. Ms. Blauer asked whether it is standard practice to appropriate funds before bids are received or if it varies by project. The group confirmed it varies.

Mr. Maxwell asked what would happen if the project ends up costing more. Ms. Lustig explained there are two main options: first, they would review the bids and consider altering the project scope to bring the cost down and then rebid; second, if changes aren't possible, they would speak with the town manager about requesting additional funding. Mr. Haff added that this has happened before, citing the Broadmeadow project where they returned for more funding before bids came in, and again with the public safety building during COVID, though not all of that extra funding was used. Still, he said if delaying until October had advantages, he was open to it. Ms. Lustig said there are pros and cons. While some bidders might gain insight from the warrant regardless, having approved funding before bids come in gives more certainty. But she also pointed out that if bids exceed the budget, it's unlikely they could find more funds before Town Meeting. She also noted that bidders take a risk without guaranteed funding and might prefer waiting until after Town Meeting. Mr. Davison and Mr. Haff added that an October warrant would still require the appropriation number to be available months in advance, so bidders would see the figures either way.

Mr. Haff said bid documents always state the town can reject all bids, and that due to the project's size, they must prequalify bidders starting in June. He said several known firms had already expressed interest.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of Town Meeting Warrant Article: 33 APPROPRIATE FOR PUBLIC WORKS FACILITIES IMPROVEMENTS/COGSWELL BUILDING in the amount of \$19.6 million. Mr. O'Connor seconded the motion. The motion was approved by a vote of 6-1 at approximately 8:58pm.

SPECIAL TOWN MEETING WARRANT ARTICLES

Article 12: AMEND GENERAL BY-LAWS – BLASTIC PLASTIC KITCHENWARE

Documents: Black Plastic Survey Results and Cost Comparison

Ms. Reyes summarized the two primary concerns regarding black plastic: first, black plastic is manufactured from recycled electronics and may contain toxic materials like heavy metals and flame retardants, posing health risks when used for food packaging. Second, black plastic is not recyclable because optical scanners cannot detect it, causing it to go directly into the waste stream.

She explained that while restaurants currently use a mix of black plastic, biodegradable, white plastic, and cardboard containers, 14 responded to a town survey. Of these, nine believed switching away from black plastic would increase their costs, while seven saw potential supply chain issues. However, according to her research provided in the handout, white and clear plastic were generally priced comparably to black plastic. She also reported that local wholesaler Restaurant Depot only stocks black plastic, though they used to carry white; she is awaiting further information from their supplier.

Ms. Reyes consulted with the town's transfer station manager, who noted that while cost differences are small due to the light weight of plastic, white plastic is a net positive because it is recyclable. The recycling processor prefers clear or white containers for the same reason.

Ms. Reyes emphasized that the proposed bylaw does not mandate compostable or biodegradable packaging—just a move away from black plastic. She cited a recent webinar where a pediatrician highlighted the dangers of flame retardants to children's development, arguing that the small increase in cost would be worthwhile for public health.

Mr. Connelly asked why Article 12 specifically prohibits the Town of Needham from using black plastic while Article 11 did not. Ms. Reyes clarified that the regulation would only apply if the town distributed food at events, and that Article 11 does not have a practical application for the Town. Mr. Connelly asked if other town departments and boards knew about this and Ms. Reyes confirmed specifically citing the Board of Health and the School Department, which does not currently distribute food to students in black plastic. Several committee members felt there was no clear financial interest requiring a Finance Committee position.

Ms. Blauer raised concerns about competitiveness and whether local businesses like Roche Bros. would be affected if they package food in black plastic. Ms. Reyes explained that the bylaw only applies to food packaged in Needham, not food brought in from elsewhere. Still, some committee members, including Ms. Burgos, worried the regulation might be burdensome to small businesses, especially given current economic pressures. Ms. Reyes noted she was meeting with the Board of Health later in the week to discuss their potential support.

The committee debated whether the article's potential cost savings from reduced waste offset the burdens on businesses. While Ms. Smith-Fachetti appreciated the public health rationale, she questioned whether the economic impact justified a Finance Committee vote. Others echoed that sentiment, with Mr. Maxwell and Ms. Blauer noting the importance of education and recommendations rather than new regulations.

MOVED: By Mr. Connelly that the Finance Committee take no position on Special Town Meeting Warrant Article 12: AMEND GENERAL BY-LAWS – BLASTIC PLASTIC KITCHENWARE. Mr. Abruzese seconded the motion. The motion was approved by a vote of 7-0 at approximately 9:18pm.

Debt and Capital Plan Discussion

Documents: 2025 Debt Financing Outlook

Mr. Davison summarized the report's three main areas, beginning with the fiscal year 2026 project impacts on funding and debt policy thresholds. He noted that the quiet zone project, originally budgeted at \$3.5 million, was assumed at \$4.5 million due to likely cost increases, but funding all proposed projects would still fall within 3% and 10% debt policies. He then detailed the Pollard School project, currently estimated at \$311 million with an assumed 20% reimbursement from the MSBA, leaving \$248 million in town-financed excluded debt. He explained a projected tax impact on an average single-family home, peaking in 2032 at \$2,040 if interest rates reached 6.25% and the project followed an accelerated 30-month timeline.

Mr. Abruzese clarified that the tax increase reflects only the Pollard School project, which Mr. Davison confirmed, adding that the baseline obligations are also factored in without additional borrowing. Mr. Davison emphasized his conservative approach using a single tax rate for estimating maximum residential impact and noted factors like the split tax rate and the commercial sector's role. Mr. Connelly asked about the current tax rate for an average home, to which Mr. Davison estimated around \$16,000. Mr. Davison added that if the town halted all nonessential capital spending—including water, sewer, CPA, and debt exclusion projects—five years would still exceed the 10% threshold, highlighting the Pollard project's scale. He noted the debt service duration has been extended from 27 to 33 years, with the Pollard payment exceeding total excluded and in-levy debt service for other town projects during peak years.

Mr. Connelly asked if resuming necessary infrastructure projects in 2027 would push debt above both 3% and 10% thresholds, which Mr. Davison confirmed, introducing the third part of his report that evaluated the full five-year capital plan. This included tiered projects like the DPW's

second and third phases. Ms. Smith-Fachetti asked whether the DPW project timeline adjustments were reflected in the analysis, and Mr. Davison confirmed they were. Ms. Blauer asked about which projects were included and Mr. Davison clarified they were either recommended for debt funding or potentially eligible for it.

Ms. Blauer asked if any could be funded by other means, which Mr. Davison confirmed it is possible to make cash payment offsets. He also discussed how interest rate assumptions—from 5.5% to 7%—and revenue growth projections—from 2.5% to 5.5%—affect debt ratios and the town's ability to stay within policy. He directed attention to page 14 for various scenario outcomes, highlighting policy-exceeding years in red. He reiterated the town's two key debt policies: keeping general fund debt service within 3% of general revenues, and all debt service, including excluded and enterprise fund debt, within 10% of total revenue. He explained that exceeding these thresholds had historically been due to voter-approved excluded debt for large school or safety projects, not because of routine overspending.

Mr. Abruzese asked for confirmation that the 3% threshold had only been exceeded once in recent history, which Mr. Davison confirmed happened in 2016 at 3.1%. Mr. Abruzese also noted the town exceeded the 10% threshold in 2007, which Mr. Davison attributed to a one-time MSBA reimbursement windfall used to pay down short-term debt and avoid long-term costs. He explained how that decision kept the tax burden lower in subsequent years. He emphasized that most excluded debt projects were planned well in advance and included interest rate analysis, except for the unplanned Newman HVAC project.

Ms. Smith-Fachetti referenced page 14, identifying scenario seven as having the least policy violations. She asked what size the debt stabilization fund would need to be to keep debt service within 3%. Mr. Davison said he would prepare that analysis for a future meeting and noted the importance of the fund in smoothing project timing and helping to stay within limits. He reiterated that all the scenarios were based on assuming every listed project moves forward, and emphasized he personally focuses on scenarios four and five, assuming 4% revenue growth and 6.25% interest rates, as these are conservative and align with town budgeting expectations.

Mr. Davison confirmed that although the town is not yet experiencing the projected borrowing rate of 6.25%, it's a reasonable estimate for projects expected within the next 12 to 20 months. Ms. Blauer asked whether the town is already financially strained with its current projects. She and Mr. Davison clarified that recent committee recommendations, like the \$19.6 million for Cogswell, would still keep the town under the 3% borrowing cap if no further projects were approved. Ms. Smith-Fachetti noted that the 6.25% borrowing rate hasn't yet materialized, and

Mr. Davison mentioned potential large projects at Muzzi or Needham Crossing [as sources of funding for a stabilization fund]. Ms. Blauer brought up the Children's Hospital pilot funds and asked for clarity on how those revenues would be allocated. Mr. Davison said they're exploring designating some of that revenue to the debt service stabilization fund but decisions are pending final calculations, especially since the commercial property values are not yet finalized. These values will be based on a formula related to commercial office space.

Mr. Maxwell asked about future tax impacts from the Pollard exclusion, estimating average residential bills might reach \$20,000 over several years. Mr. Davison confirmed that projection sounded plausible. When Mr. Maxwell asked how much of that burden could shift to the commercial sector under a split tax rate, Mr. Davison said residential properties would still carry about 90% of the tax base. While shifting some burden to commercial properties is a local policy decision made annually, he added that commercial development has continued despite tax shifts. Taxes rank relatively low in factors businesses consider when locating—labor, utilities, and transportation access are usually more influential.

Mr. Maxwell pointed out that while large companies can absorb increased costs, businesses operating on thinner margins may struggle. Mr. Davison agreed and said such pressures could affect a business's willingness or ability to support local civic activities.

Ms. Smith-Fachetti asked if a multi-family housing project at Muzzi would be taxed at the residential rate. Mr. Davison confirmed that it would, as the classification depends on use, not ownership. Ms. Blauer clarified that mixed-use projects would be split accordingly: residential portions taxed as residential and commercial portions as commercial. She then asked if apartments are taxed differently than single-family homes. Mr. Davison said both fall under the same residential classification and are assessed based on market conditions, though assessors consider income potential for large complexes. He explained the four property classes and emphasized that all properties in a given class must be treated the same. Ms. Blauer noted the owner is covering taxes through rents, and Mr. Connelly added that this is typical for rentals. Mr. Davison agreed, stating single-family home rentals are similarly taxed and represent the largest segment of Needham's rental market.

Finance Committee Business

None

Adjournment

MOVED: By Mr. Abruzese that the Finance Committee meeting be adjourned, there being no further business. Mr. O'Connor seconded the motion. The motion was approved by a vote of 7-0 at 9:54p.m.

Documents: East Militia Heights Funding Sources, Black Plastic Survey Results and Cost Comparison, 2025 Debt Financing Outlook

Respectfully submitted,

Molly Pollard

Executive Secretary, Finance Committee