

Needham Finance Committee
Minutes of Meeting of September 9, 2020

The meeting of the Finance Committee was called to order by Chair Carol Fachetti at approximately 7:00 pm via Zoom Video Webinar <https://us02web.zoom.us/j/83115190804>

Present from the Finance Committee:

Carol Fachetti, Chair ; Joshua Levy, Vice Chair

Members: Barry Coffman, John Connelly (arrived 7:45 pm), Tom Jacob, Richard Lunetta, Louise Miller (arrived 7:30 pm), Richard Reilly

Others speaking:

State Representative Denise Garlick

David Davison, Assistant Town Manager/Finance Director

Peter Pingitore, Chair, Community Preservation Committee

Rick Zimbone, Member, Community Preservation Committee

Evelyn Poness, Town Treasurer/Collector

Citizen Requests to Address Finance Committee

There were no requests to speak.

State Budget Update

Representative Garlick described certain economic indicators in Massachusetts, which show the GDP down 13.4% for the 2nd quarter, unemployment at 16.1% and state revenue down potentially \$6 billion. She noted that these figures are subject to change, but the bottom line is that it is a very difficult situation. She stated that the state originally announced that Chapter 70 and local aid to cities and towns would be level funded for the first 3 months of FY21, but that has been extended so that they will remain level funded for all of FY21. She stated that the individual amounts may change based on inflation and the basis of the aid. Needham is a growth community under Chapter 70. She stated that MSBA reimbursement is separate. She stated that Special Ed. Circuit Breaker funding is also outside of Chapter 70, and that Needham's school administration is hopeful for 75% reimbursement but that is unsure.

She stated that the state's actual revenue shortfall is uncertain as some tax deadlines were extended, and the budget is not yet closed out. She stated that the state has a "Rainy Day" stabilization fund of \$3.5 billion which may be accessed to supplement some revenue shortfall. This is very late for the budget not to be closed out. She is not sure whether the state will proceed with a one-month budget or wait for the federal government to announce its budget. Rep. Garlick described certain areas of legislative flexibility where deadlines and other requirements have been made flexible to help residents and municipalities to deal with loss of income, increased health-related spending, and other issues in the wake of the pandemic.

Rep. Garlick stated that there has been some federal and state support to municipalities already to help address costs related to the pandemic. She stated that Needham has received funding under the CARES Act—the public schools received \$4.4 million and the Town received \$2.7 million. She stated that federal aid in the 2008 recession allowed states to decide how best to spend funds, but the current federal aid comes with significant restrictions. One is that the funds must be

spent by December 31, which may not be feasible. She stated that the state needs for that date to be extended, and needs more funding. She stated that the USDA has extended child nutritional waivers which will help provide support to states, but there are other needs such as more staff because food preparation requires more work even when preparing less food because individual wrapping and other steps.

Rep. Garlick stated that the extended unemployment funds have expired. There was an order that would allow additional funds for unemployment but those would come from FEMA funds which could be risky to use. She stated that the federal government needs to make some decisions.

Mr. Levy asked if the state is making any commitment about FY22 aid to municipalities. Rep. Garlick stated that they are not yet ready to discuss FY22 since they are wrapping up FY20 and working on FY21, and just beginning to understand the strains on FY21. Mr. Reilly asked what the base number was for the \$6 billion decline in state revenue. She stated that the base is \$43 billion. She stated that in 2008 there was a \$2 billion decline which took 5 years to recover from. Mr. Reilly asked if there was a limit to the use of funds from the Rainy Day fund. Rep. Garlick stated that there would not be an appetite to use all of the funds, but she does not know of a limit.

Rep. Garlick stated that she is on the House Ways and Means Committee, and that each year they bring in a range of experts to speak at revenue hearings, including professors, and the Secretary of Administration and Finance. She stated that last December, the outlook was very rosy. By April, they held another revenue hearing because things had changes so significantly, and the experts estimated \$4-\$6 billion of expected revenue loss for the state. She believes they will need to reconvene the experts as they start to build the FY22 budget.

Mr. Coffman stated that some national numbers are showing meaningful improvement in unemployment and asked if the state differs from the national trend. Rep Garlick stated that Massachusetts is an outlier since some of its significant sectors including healthcare, education and hospitality, have been hit the hardest by the pandemic. She stated that the economy in the 1st quarter of FY21 has shown 3% growth, which was unexpected, so she is cautiously optimistic. Mr. Coffman stated that he supports the flexibility in the budget that allows some opportunity to move money between departments, if necessary, without Town Meeting approval. Rep Garlick noted there is also a need for transparency and accountability. Rep. Garlick stated that she had spoken to School Superintendent Gutekanst who supported more budget flexibility, particularly across budget years so that they could buy textbook subscriptions for more than a year at a time, for example. She stated that the state has created an opportunity for a transportation enterprise fund so schools can use the transportation fees without concern about deadlines.

Rep. Garlick stated that the pandemic related issues are an acute problem, and that it is not known how long it will last. The goal is to sustain until we can rebuild. Mr. Jacob stated that the uncertainty will likely last into next year. He asked if there is a drop dead date for the close of FY20. Rep Garlick stated that they will close out FY20 at the end of October or early November, and will see then whether the state needs to use rainy day funds.

Rep Garlick thanked the Committee for the opportunity to meet, and stated that she views this meeting as a beginning of an ongoing conversation. She will bring ideas from the Finance Committee, and from the Town and School Administrations, to the Ways and Means Committee.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Reilly that the minutes of August 26, 2020 be approved as distributed, subject to technical corrections. Mr. Jacob seconded the motion. The motion was approved by a unanimous roll call vote of 7-0. (Mr. Connelly had not yet arrived.)

Special Town Meeting Warrant Articles: CPC Consultation

Article 10 - CPC - Emergency Rental Assistance Program

Article 11 - CPC - First Baptist Church Preservation & Restoration

Article 12 - CPC - First Parish Church Steeple Preservation

Article 13 - CPC - Needham Community Farm Growing Bed Expansion

Article 14 - CPC - Claxton Field Lights and Skin Renovation Design

Article 15 - CPC - Resurfacing the Synthetic Track at DeFazio Complex

Article 16 - Appropriate To Community Preservation Fund

Mr. Pingitore described the Community Preservation Committee (CPC) and its responsibilities. He stated that in FY21, the projected revenue from the 2% Community Preservation Act (CPA) surcharge is \$2.85 million. He described the application process and stated that the CPC recently held a public hearing. He stated that most of the articles had been reviewed by the committee in February to prepare for the Annual Town Meeting. However, the articles were all deferred due to the need to truncate the warrant. He stated that the First Baptist Church is seeking \$90K out of a \$300K project to restore the façade. The First Parish Church is seeking \$75K or a \$100K steeple restoration project, which is at the end of a \$3 million restoration project which has resolved prior structural issues. He stated that they have considered the case of Caplan v. Town of Acton which addressed the issue of whether public funds could be used for a church in active use. He stated that they sought advice of counsel and are confident that the funds could be used in these two situations.

He stated that there is a request from the Town for \$6,200 of funding for expanding plant growing beds, which is straightforward. He stated another application seeks \$101.5K for renovating the infield at Claxton Field which is needed due to the settling of the ground and the age, and also for lights. There is a request for \$160K for resurfacing the synthetic track at DeFazio Park, which has already been stretched past its useful life. Lastly, there is a new request for funding to create an emergency rent assistance program to help people avoid eviction. The request is for \$100K which will be supplemented with a \$50K grant from MetroWest. The funds will cover 50% of a grantee's monthly rent, a maximum amount of \$1500 per month, for a maximum of 3 months to people who meet the income requirements (at or below 80% of area median income) and can prove income loss resulting from the COVID-19 outbreak. He stated that there are 1700-1800 rental units in Needham of which about 1000 are occupied by people with an income of 85% or less of the AMI. Units rented by the Needham Housing Authority would not qualify because their rents are tied to income. That leaves 630 market rental until that are eligible. About 555 of the units have renters paying more than 30% of their income on housing, which are the most vulnerable to have trouble if there is change in income. This is a temporary assistance program to avoid having people lose their home. They have developed a model agreement that requires the landlord not to evict residents during the time that these payments would cover. He expects that the cost of the 3rd party administrator will be \$15K.

Ms. Fachetti stated that according to then numbers he provided, this would help approximately 22 families in the program. She stated that is a drop in the bucket if there are possibly 630 families that need it. Mr. Pingitore stated that not all people in these units will need this, and that some may need less than the full allowable amount. He stated that they did discuss putting more funding into the program, but felt that this was the right amount. Mr. Zimbone stated that the preference will go to those with incomes at or below 50% of the AMI. Not everyone in this group everyone has a rent of \$3,000. The grants might be for \$700 or \$750 per month, which would allow more people to be covered. Mr. Pingitore stated that they looked at similar programs in other towns, particularly Belmont, and found that they needed about \$200K. The CPC does not want to over-fund the program, so they feel that \$100K is reasonable. In response to a question from Mr. Reilly with respect to the reasons for retaining an administrator, Mr. Pingitore stated that they needed someone with experience and ability to perform the financial needs assessment for each applicant to achieve economies of scale. He stated that the Town does not do this. He stated that the cost is based on \$450 per participant to administer. He stated that they have not resolved the question of whether the \$15K administration cost would be in addition to the \$100K or come out of those funds. He noted that there is \$2.5 million in the CPA's housing reserve, and it is planned to be used for capital development for the Needham Housing Authority. Ms. Miller asked the downside of allocating the full \$200K since the funds would be returned when the program ends. Mr. Reilly and Mr. Jacob both indicated that they felt the funding should be for the full \$200K. Mr. Jacob added that this is a short-term acute situation. Mr. Lunetta stated that it made sense to act quickly.

Mr. Levy expressed concern about paying the landlord directly, since it could serve as landlord assistance rather than renter assistance. Mr. Pingitore stated that people may be faced with back rent owed after the assistance ends, but the goal is to buy people some time to avoid eviction. Mr. Lunetta stated that Section 8 assistance goes right to the landlord and works. Ms. Miller stated that the CPA requires that any funds for rental go straight to the landlord.

Mr. Coffman asked for the full amount of the Claxton Field project and whether it was a redesign or replacement. Mr. Zimbone stated that the whole project is just under \$950K. Mr. Pingitore stated that the work will replace only from home plate to the edge of the outfield. It is unstable because it was built on landfill. The outfield is moving, so the infield is becoming a safety issue. Mr. Reilly asked whether there is an issue since the CPC prohibits use on artificial turf. Mr. Pingitore stated that this is different from artificial turf. They consider this a capital investment in a recreational structure similar to reconstructing a playground. He stated that they will recheck this point. Ms. Miller stated that it seems like maintenance. Mr. Pingitore stated that the CPC discussed whether it was maintenance. They were persuaded it is more like restoration of a capital investment. He stated that he will make sure of that.

Mr. Jacob asked if the steeple project would be considered maintenance rather than preservation. Mr. Pingitore stated that the goal is to preserve the historical structure. It is on the edge of the definition, which does have a subjective factor. Mr. Jacob stated that the First Baptist Church is paying 2/3 of the project cost and the Town paying 1/3, while the First Parish is requesting the Town pay 3/4 and they pay 1/4. Mr. Pingitore stated that the CPC does not control the request, but they do control the grant level. The amount will be part of the deliberations. Mr. Jacob stated that they are nongovernmental entities. Mr. Pingitore stated that that has happened in other cases as well such as the funding provided for equipment for the Charles River Center. Mr. Jacob asked if they do any needs assessment. Mr. Pingitore stated that they do a financial analysis of the organization.

Ms. Miller asked if they have an opinion from counsel that these church projects are allowable under the law. Mr. Pingitore stated that they have retained counsel and prepared a draft agreement to make sure that the funding would follow applicable state law and will be in compliance with the Caplan decision. He stated that at the public hearing, they were asked if they were prepared to defend against litigation. Mr. Zimbone stated that there have been over 100 projects in the state funded with CPA funds, all similar to this, involving architecture, while the Caplan case involved restoring the stained glass. He stated that they have some sense of confidence. Ms. Miller stated that it would not be very expensive for someone to hire a lawyer to argue the case against the Town, whether or not they are on the right side of the law. Mr. Lunetta asked if there were any negative reactions to these articles at the public hearing. Mr. Pingitore stated that other than the comment already mentioned, the only concern stated was that if the grants are provided, every church in town will make a request. He stated that the historical commission has to express interest in a structure or it must be registered as an historic landmark. There are other requirements such as public access. These churches open their doors every night for community activities. There is an argument that these churches should be restored to keep the historical look of an old New England town. Mr. Connelly stated that people are likely to raise the question about whether this is spending public funds on a religious organization. Mr. Pingitore stated that it violates the establishment clause to deny the application on the basis that it is a religious organization. He stated that they are trying hard to balance the public needs versus the private needs. He stated that they were told that the more entangled the basis for the decision, the more likely that there will be issues like the Caplan case. He stated that they are viewing it as a façade and not the interior renovation. Mr. Zimbone stated that the original application included restoring the bell in the tower, but there were access issues and a question whether it was part of the façade, but this application has been simplified to include only things that affect how the church looks in the front. Mr. Jacob asked how the funds would be apportioned if a project costs less than estimated. He asked if the Town provided \$75K for a \$100K project that ended up being \$80K whether the grant amount would be adjusted by the CPC. Mr. Pingitore stated that they review the information, and if they feel good about the estimate, they make a judgment. He stated they they do not want to get entangled in addressing numbers that change.

Special Town Meeting Warrant Article 2 - Property Tax Assistance Program

Mr. Davison presented a chart with the Property Assistance Program 3-year history of funding levels and awards. Ms. Miller asked if the program was always funded from the overlay surplus. He stated that the funding is primarily from the overlay or from free cash. Ms. Miller stated that, in the future, the overlay is a very logical source. Mr. Levy stated that in 2020 the number of applications and number of awards decreased and asked why the funding is proposed to increase. Ms. Poness stated that there were difficulties getting word out to people about donating to the fund in the midst of a pandemic. She noted that some of the people that applied for assistance this year were not eligible. Mr. Reilly stated that there seems to be a steady 80% rate of awards being granted. Ms. Poness stated that that was not intentional. They review and award funds based on the need and the stated criteria. Mr. Coffman asked what the primary reasons are for rejecting an application. Ms. Poness stated that it is usually salary or assets and investments. Mr. Levy asked how many years the funding has been \$25K. Ms. Poness stated that it has been \$25 K for 3 years. It was \$27,500 in 2016 and \$13,200 in 2017. Before that, the Town just matched the voluntary contributions. Mr. Lunetta stated that the warrant information should be

changed because there is no longer a relationship between the amount funded and the voluntary donations.

MOVED: By Mr. Coffman that the Finance Committee recommend adoption of Town Meeting Warrant Article 2 - Property Tax Assistance Program in the amount of \$50,000. Mr. Connelly seconded the motion. There was no further discussion. The motion was approved 8-0 by a unanimous roll call vote.

Special Town Meeting Warrant Article 8 - Appropriate for Walker Lane Sewer

Mr. Davison stated that this was initially a citizen's petition, but the town is pursuing the project. It would extend the sewer line down Walker Lane where there are 4 homes. The cost of the project is \$270K including engineering, design, permitting, construction, and closeout. There will be a betterment assessment for each home. They have the choice of a 20-year payment plan at 5% interest rate per statute. Ms. Miller suggested that the article information include one sentence on the benefit to the Town of bringing that lane onto public sewer. Mr. Levy asked why the homeowners pay for 1/3 of the betterment. Mr. Davison stated that is prescribed by Town by-law or the charter. It is consistent with other Town betterments. Mr. Reilly asked whether people tend to pay upfront or in installments. Mr. Davison stated that most do not pay in full until they sell the property when the buyer wants the title cleared of the lien. Mr. Coffman asked if homeowners on the street are in agreement to do this. Mr. Davison stated that more than half need to agree, which is the case here.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of Town Meeting Warrant Article 8 - Appropriate for Walker Lane Sewer in the amount of \$270,000. Mr. Jacob seconded the motion. There was no further discussion. The motion was approved 8-0 by a unanimous roll call vote.

Special Town Meeting Warrant Article 9 - Rescind Debt Authorization

Mr. Davison stated that the PPBC has voted to close out 90% of the remaining debt authorization for the Sunita Williams School project. There are some issues still open including the final audit of the MSBA which will be completed in December or January (anything the MSBA does not cover must be paid by the Town), and a punch list of about \$500K of costs. They expect to be able to close everything out and release the rest of the funds in time for the May 2021 Annual Town Meeting. He stated that with the rescission, there would be \$1.4 million remaining. He stated that the additional borrowing will depend on the final audit. Mr. Connelly stated that he does not see a need to reserve those funds since the project has been finished for a year and the contractors have been paid. The punch list items are outside of that \$1.4 million. Mr. Davison stated that there is an outstanding note of \$1.2 million due at the end of this calendar year. The Town needs to permanently borrow anything not covered by the MSBA. If the full remaining borrowing authorization is rescinded and the MSBA does not take over that amount, then there would be an illegal loan outstanding. Mr. Connelly stated that he wants assurance that the funds will not be spent on extras at the end of the project. Mr. Davison stated that he respects these concerns, but they are just funds held for payments that are not yet made. Ms. Miller suggested that the Finance Committee ask the PPBC for assurances. Ms. Fachetti asked what specific reassurance was needed. Mr. Connelly stated that he would like assurance that the \$1.4 million not being rescinded is not spent on any new items not in the current project unless they ask for and receive Finance Committee approval. He stated that he has no issue with the \$9 million

being rescinded but is concerned about the \$1.4 million being held. Mr. Davison noted that the PPBC would be meeting on 9/14, before the next Finance Committee meeting.

Updates:

Mr. Davison stated that the deadline for uploading video presentation for Town Meeting was September 25.

Adjournment

MOVED: By Mr. Levy that the Finance Committee meeting be adjourned, there being no further business. Ms. Miller seconded the motion. The motion was approved by a unanimous roll call vote of 8-0 at approximately 9:20 p.m.

Documents: Representative Denise Garlick Presentation to the Needham Finance Committee Wednesday, September 9th, 2020; October 2020 Special Town Meeting warrant 9-8-20 draft; Chart – Property Tax Assistance Program 3-year history.

Respectfully submitted,

Louise Mizgerd
Staff Analyst

Approved September 16, 2020