

**Needham Finance Committee
Minutes of Meeting of March 24, 2021**

The meeting of the Finance Committee was called to order by Chair Carol Fachetti at approximately 7:00 pm via Zoom Video conference:
<https://us02web.zoom.us/j/84359531286?pwd=bHhuUWprb0xhRUdaZzBzTWZMb0xVdz09>

Present from the Finance Committee:

Carol Fachetti, Chair ; Joshua Levy, Vice Chair
Members: Barry Coffman, John Connelly, James Healy, Tom Jacob, Richard Lunetta, Louise Miller, Richard Reilly

Others:

David Davison, Assistant Town Manager/Finance Director
Peter Pignitore, Chairman, Community Preservation Committee
Artie Crocker, Vice-Chairman, Community Preservation Committee
Rick Zimbone, Member, Community Preservation Committee
Hank Haff, Senior Project Manager
Stuart Chandler, Chair, Permanent Public Building Committee
Steve Popper, Director, Public Facilities Construction
Ken Sargent, Senior Project Manager

Citizen Requests to Address the Finance Committee

There were no requests to speak.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Reilly that the minutes of the meeting of March 3, 2021 and March 17, 2021, open session, be approved as distributed, subject to technical corrections. Mr. Coffman seconded the motion. The motion was approved by a unanimous roll call vote of 9-0.

Community Preservation Committee Consultation

Mr. Pingitore stated that he had sent four documents to the Finance Committee ahead of time to facilitate discussion.

Article 24 - Emery Grover Renovation Design

Mr. Pingitore stated that this request is for \$1.475 million to design and engineer the planned renovation and addition at the Emery Grover (EG) building. The School Committee has selected "Option 3 Rotated" recommendation in the recent study of EG. He stated that the total project cost is \$27 million. The CPC considered its financial plan and felt that it could finance up to a total of \$12.6 million of debt for the project, including design and construction costs. However, this would use up all of the collected surcharge amounts, would leave the Committee with only state match funds for other uses. He stated that after the CPC's review, they felt that they felt it was financially feasible to fund about 25% of the project or \$6 million. That will leave them

additional unused funds for other needs after paying the bond obligations. This would also allow the CPC to double the amount being set aside for affordable housing, as will be discussed.

Mr. Pingitore stated that the CPC is supportive of the idea of preserving EG as an historic building. He stated that the charge of the Committee is to save historical artifacts in Town, while also meeting the other CPC goals of open space and community housing. Ms. Fachetti asked if the decision to fund 50% of the project is based on the timing of available funding. Mr. Pingitore stated that it did, since the Town Hall obligation is still winding down, not to be fished until after 2029, and the Rosemary facility costs are just starting to come down.

Ms. Miller stated that the feasibility study looked at the uses of the EG building. The questions to be considered now are: (1) is school administration the best use of the building? And (2) is this project the best use of the funds? She stated that the Town needs to consider where school administration should be, and whether this building is worth preserving. If the Town feels that this should go forward, then there are issues of timing and financing. Mr. Connelly added that this project must be considered in the context of all capital projects being planned for the next 5-10 years. There needs to be a full discussion collectively considering other needs including Mitchell, Pollard, school administration, and other projects. Mr. Levy agreed, stating that the decision about prioritization should take place before the EG article can be decided. He noted that the Town should not spend design funds if there is not a consensus to proceed with the whole project.

Mr. Reilly pointed out that there is a movement to merge two Catholic churches, St Joseph's and St. Bartholomew's. It makes sense to pay attention to that possibility because the St. Joseph's property may become available. Mr. Healy stated that the consolidation is expected in 2 years. He noted that St. Joseph's also occupies the property next door to the church.

Mr. Coffman stated that there has been a process to determine where school administration should be and this is the proposal that has come out of that. It should be viewed in the context of all capital projects, but it is a priority of the School Committee. He stated that he had not previously considered the fact that delaying the project could potentially allow all of it to be funded with CPA money, which could be a significant benefit to the Town.

Mr. Pingitore noted that the CPC might be able to fund the whole project if there is a delay, but the timing was not the deciding factor in the decision to fund \$6 million of the project. If the project is delayed, the CPC still may not change the amount. Mr. Lunetta stated that one of the memos showed that some CPC members wanted to provide more funding for this project, and some less. He asked the reason some wanted to fund less. Mr. Pingitore stated that one of the members expressed that the Town should have a greater financial burden for this size project, and that there were other priorities for use of CPC funds. Ms. Miller stated that there should be a discussion of how funding is shared in situations where the CPC decides that a project is eligible for CPC funds, but chooses to fund only a percentage of the eligible amount.

Mr. Healy stated that it is important to consider the plan for all Town buildings, and whether this project rises to the top. He also stated that it is important to realize that there are also needs at Housing Authority properties. Everything should be looked at holistically in the context of the Select Board's priorities. Mr. Reilly stated that the purpose of the CPA is to provide funds for projects that might not have a strong constituency to support them, and might not have another source of funding. Mr. Zimbone stated that when they considered funding \$12 million for this

project, the CPC knew that it would mean committing almost 70% of the surcharge funds. They understood that there are upcoming projects such as an expected \$5 million project from the Needham Housing Authority, which needed to be considered. Having funds available for those needs is the reason behind the plan to double the amount set aside in FY22 for community housing needs to 22% of the annual revenue.

Ms. Miller stated that if the cost associated with historical preservation is 25%, and 75% is attributable to renovating school administration space, then 25% may be the correct amount of CPA funds for this project. Mr. Pingitore stated it was his understanding that building a “box” on the site is essentially the same cost as renovating and adding on to the existing building with the historic preservation. Mr. Coffman noted that the cost is comparable because the plan will restore very little, mostly just leaving the façade.

Article 25 - Preservation of Marriage Records

Mr. Pingitore stated that this project would preserve historic marriage records from 1919 to present by scanning and uploading them to a document management system. A previous project bound pre-1919 records and copied them onto compact discs.

Article 26 - Town Common Historic Redesign

Mr. Pingitore stated that this project will redesign and beautify the Town Common for \$1.364 million. It will work with the work around the common that has been recently done, so that nothing new will be re-done.

Article 27 - Fisher St. Trailhead Construction

Mr. Pingitore stated that the design work was funded last year for \$15K, but the Town did the design work in-house, so the funds were not spent. This will provide \$15K for materials to do the work, with the labor being done by the DPW and no additional cost.

Article 28 - Resurface DeFazio Track

This project seeks \$166K of construction funds to resurface the track at DeFazio field. Mr. Pingitore stated that it would be a spray surface added that would extend the useful life of the track. Ms. Miller stated that there was discussion last year whether this would be maintenance rather than CPA-eligible recreation. Mr. Pingitore stated that this is a capital investment to substantially improve the facility, and the CPC determined that it fits under the statute, but he stated that he would review the issue again.

Article 29 - McLeod Field Renovation

Mr. Pingitore stated that a leaking drainpipe under McLeod field caused sink holes making it unsafe. Some of the needed repairs pushed the notion of what is allowed under the CPA. He stated that the CPC does not feel it should fund the repairs to the pipe, which amounts to \$3-\$4K, but they felt that they could fund \$45K to redesign the field and add amenities. Mr. Levy asked whether the sense of the CPC was clear. Mr. Pingitore stated that there had been some uncertainty, but they brought in the Superintendent of Parks and Forestry, Ed Olsen, who

explained that they pulled out the pipe repair work from the request, and the CPC seems to be more positive about funding the rest of the request.

Article 30 - Trail Identification - Design

Mr. Pingitore stated that this project would design signage, information kiosks, and trail markers to be consistent throughout Town. Mr. Jacob asked if this would include both Park & Recreation and Conservation Commission trails. Mr. Zimbone stated that he thought that this would include all trails, but this funding is just to design what the signs will look like, and the funding for the actual signs will be part of the second phase. Mr. Pingitore stated that this would cover graphic design, as well an inventory and assessment of existing kiosks.

Article 31 - Walker Pond Improvements

Mr. Pingitore stated that this project involves water and sewer infrastructure and will not be using CPC funds.

Article 32 - Town Sediment Removal

Mr. Pingitore stated that the total project cost is \$262K to address issues with the sediment in the lake. The CPC raised questions about whether CPA funds should be applied, so the Town will pay \$87K to evaluate and design the work to address inlets to the reservoir, and the CPC will fund \$175K to evaluate and design the project for sediment removal in the lake itself. Mr. Davison stated that the one article will provide for funding both with free cash and with CPC funds, and that the CPC will take the lead in presenting the article. Ms. Miller noted that CPC funding can only be voted up or down by Town Meeting, but other funding sources can be amended. She asked if it is known how that will work in practice. Mr. Davison stated that the Town sought an opinion from Town Counsel in the past. He opined that Town Meeting has the right to amend the portion that is not CPC funding.

Article 33 - Appropriate to Community Preservation Fund

Mr. Pingitore stated that this is the annual appropriation of the estimated CPA revenue. He stated that most years, the CPC has apportioned 11% to each of the designated “buckets” which is a bit higher than the required 10% because it is based on an estimate. The historical reserve does not need any additional appropriation because the CPC debt payments on the Town Hall and Rosemary project will be more than sufficient to cover the required minimum. For FY22, the CPC is recommending to set aside 22%, double the usual amount, into the community housing reserve. This amounts to over \$700K. He stated that this increase is the most effective way to prioritize funds and show discipline to save for this purpose. He stated that this article is just a one year commitment to do this. He noted that it can be easier to get funding from some federal programs if there are funds available and demonstrated local commitment. He stated that the Needham Housing Authority (NHA) made a presentation on their planned future projects. He stated that the funds could be made available to the NHA and the Needham Affordable Housing Trust. He stated that the historical data show that 4% of CPA funds have been spent on community housing initiatives, and the CPA needs to make efforts to funds more than recreation. This will correct some of that imbalance. Mr. Jacob stated that he supports improving housing, but asked if there was a target amount since there is already \$2.5 million in the community housing reserve. He also asked whether they planned to continue the 22% for community

housing in the future. Mr. Pingitore stated that they are considering continuing this for a few years, expecting that in 5 years, the reserve would get to \$6 million. Mr. Zimbone stated that they will have to make the adjustment each year. Assuming there is an additional \$750K per year, in 5 years, the extra amount set aside would total \$3.75 million. He stated that he is concerned that they won't get applications for funding for housing projects if they do not do this. Mr. Pingitore noted that there is a master plan for Needham Housing Authority buildings including Linden Chambers, High Rock, and Seabeds Way, but they still need applications.

Article 34 - Appropriate to Community Preservation Fund Supplement (FY20)

Mr. Pingitore stated that this article is an adjustment because the FY20 state match estimate was higher than expected so the allocation was too low. Approximately \$12K needs to be added to the reserves other than historic reserves, which was funded with debt payments for Town Hall.

2021 Town Meeting Warrant Articles: Discuss and/or Vote

Article 38 - Appropriate for Public Safety Buildings Construction

Mr. Chandler stated that \$1.5 million of additional funding is being requested to fund an anticipated shortfall of \$668K, and provide additional contingency funds in case of a scope change. Mr. Popper noted that the original contingency funds were intended to cover omissions or errors in the plans, but were not intended to cover extraordinary expenses such as COVID-19 protections and soil remediation. Mr. Connelly stated that with the project about 70% completed, and the design finished, and many professions working on the project, there should be less risk and less need for contingency, yet they are asking for almost \$1 million more. Mr. Popper stated that there is an \$80k monthly run rate which is not unusual. Mr. Connelly stated that the current shortfall is understood, but setting aside this amount of additional funds does not send the right signal to the contractors.

Mr. Coffman stated that if the project is 60% done, then there should be 40% of the contingency funds left. Mr. Sargent stated that they have 40% left, but there are more needs and they want to be confident that they will be able to complete the project without any further funds. He stated that the original contingency was cut back from 8% to 6% in order to keep the final project cost under \$70 million. Some changes were requested and declined, other changes were unavoidable. Mr. Levy stated that when there was pressure to keep costs low, he would have expected a smaller scope, not just a smaller contingency. Mr. Sargent stated that they did both. Mr. Reilly stated that the fact that there is a steady run rate forecast for the period in question was troubling. Presumably contingencies would decline as the project neared completion.. Mr. Sargent stated that the proposed contingency of \$80K per month is an average for the period, and that it likely would start higher and end lower. He stated that 2/3 of the project is now running at the same time. Mr. Chandler stated that the issue is how the project is managed. They feel it is important to position themselves so that the project will not stop. The allocation of \$1.7 million does not mean that they will spend it. Mr. Connelly stated that the Finance Committee needs to consider where else the funds could be used if they were not tied up here. Allowing for an \$80K burn rate is too conservative. He asked about the \$380K for Hillside work. Mr. Sargent stated that the permit requires that they return the Hillside property to the original condition. He stated that they will not replace the bus island, but they do need to remove the tent, rooms, and electrical work, and pave over the area. He stated that the amount is a worst case scenario. He noted that the Town will be reimbursed for COVID-19-related expenses, but the funds won't come back to

the project budget. Mr. Connelly stated that Consigli has contingency funds. Mr. Sargent stated that much of that will go to pay for winter conditions.

Mr. Levy raised the question of whether the Town should borrow funds for this purpose. Ms. Miller stated that the Town should not borrow when there are other sources, such as the CARES Act reimbursements. Mr. Sargent stated that these funds would not be needed for approximately a year, and would pay for the last month's invoices. Mr. Davison stated that the Town would borrow only if the cash flow requires it. There will be a closeout bond at the end of the project, around December 2022 – January 2023. Ms. Miller stated that a bond authorization is not needed to cover any COVID-19-related expenses. The reserve fund could be used to cover the costs before reimbursement. Mr. Davison stated that there can be a supplemental appropriation by Town Meeting, but the Finance Committee can only transfer funds from the Reserve Fund to another budget line, not to a project budget. If the reimbursement is received, that amount would not be borrowed.

Mr. Reilly stated that there appears to be no compelling reason for this appropriation at this time. It would be better to take action when there is a clearer understanding. Mr. Chandler stated that over \$700K is encumbered, so they now have no funding for changes. Mr. Popper stated that they cannot continue to make adjustments if they do not have assurance that they have funds to cover the costs. They would have to stop the project if there are any changes of conditions that require adjustments. He stated that they have about 10 months left in the construction (Fire Station 2 will finish in November 2021, and the Police Station in January 2022.) Then they will need to restore Hillside.

Mr. Connelly stated that he understands the need for an appropriation, but would not recommend \$1.7 million. He stated that the amount should be lower, about \$750K to \$1 million at the highest, since the burn rate is too high, the Hillside restoration amount is not yet known, and there is \$170K that will be reimbursed. Mr. Popper stated that the amounts for errors and omissions and scope changes are still needed to be able to deliver a completed project. Any contingency for differing conditions is nearing zero. Mr. Coffman asked if they could separate out the Hillside work until later. Mr. Chandler stated that the Planning Board controls the permit and will not close out the project until that is addressed. Mr. Sargent stated that the timing is important since there are monthly costs of about \$14K for the tent, and \$20-\$25K for other equipment.

Capital Projects – Prioritization/Financing

Ms. Fachetti stated that as the Town is working on a financing plan, she would like to discuss how to prioritize the projects. Mr. Levy stated that Dr. Gutekanst indicated that he would like to know sooner rather than later if there is hesitancy on the Emery Grover (EG) project. Ms. Fachetti stated that it will be hard to provide clarity until there is a financing plan to consider. She stated that the School Committee and school administration seem reticent to consider short term leasing. Mr. Levy asked if other space such as the Stephen Palmer Building could be considered. Mr. Coffman stated that the same problems exist at that building. He noted that the school administration may find that it does not really need 30K square feet of space after the pandemic. He stated that the prioritization will depend on the timing needed to smooth out the costs. The issue to be determined is what the Town needs to borrow in order to determine when the work can be done.

Mr. Lunetta stated that there are about 35 people in school administration. The conversation of spending \$27 million for 35 offices needs to extend beyond just the cost. Mr. Jacob agreed, particularly with respect to office space. He would rather see the Mitchell project proceed first because it is not clear what office space will be needed after COVID-19, with more people potentially working from home. Mr. Lunetta stated that he does not support single-use buildings.

Mr. Connelly stated that the Committee needs to be clear that the EG article is premature, and the Committee won't support it now. There should be a collective process involving the Finance Committee, School Committee and Select Board. Mr. Levy stated that it is important to offer solutions, and not just to say no. He stated that the Committee should seek a clear idea of the priority of the buildings. Mr. Connelly stated that he is not supporting it now because the decision can't be made in a vacuum. It must be part of a collective planning and decision making process. Mr. Coffman stated that the Town needs to know if EG is a top priority and also needs to tell Pollard parents if that project is at the end of the line. Mr. Healy stated that it all needs to be part of one comprehensive plan, as the Town has done in the past. Mr. Jacob stated that there needs to be a budget for capital spending each year to make sure that the tax burden is manageable. Ms. Miller stated that the EG project costs must not just be affordable, but make sense. Mr. Jacob stated that the Finance Committee does not decide priorities, but can ascertain what the Town can afford, and how to prioritize those costs. Ms. Miller stated that the Finance Committee's job is to recommend the Town's spending limits.

Mr. Reilly stated that the Committee needs to convey to the School Committee that it does not agree with what has been presented. The Committee decided that the school budget liaisons would seek to meet with the School Committee and school administration liaisons as soon as possible.

Mr. Davison stated that he is working on a financing plan that considers what the Finance Committee has discussed and will show the impact of the various projects on the 3% and 10% debt policies. Mr. Jacob stated that the Committee will need to see the big picture to understand how things can be adjusted.

Updates:

The Committee discussed scheduling.

Adjournment

MOVED: By Mr. Healy that the Finance Committee meeting be adjourned, there being no further business. Mr. Lunetta seconded the motion. The motion was approved by a unanimous roll call vote of 9-0 at approximately 8:18 p.m.

Documents: Town of Needham Capital Improvement Plan FY 2022 – FY 2026 (December 2020); Town of Needham 2021 Annual Town Meeting Warrant (3-19-2021 draft); Town of Needham May 2021 Special Town Meeting Warrant (3-19-2021 draft); Memo from Peter J. Pingitore, Chair CPC to CPC, Town Manager and Select Board, Re: Sense of the Committee, March 5, 2021; Letter from Peter J. Pingitore, Chair CPC, to Maurice P. Handel, Chair, Select Board Town of Needham, February 19, 2021; Memo from: Peter J. Pingitore, Chair CPC, to CPC, to Finance Committee; Re: CPC Consultation With Finance Committee, March 22, 2021; Presentation: Warrant Article to Appropriate for the Community Preservation Fund.

Respectfully submitted,

Louise Mizgerd
Staff Analyst