

**Needham Finance Committee  
Minutes of Meeting of September 11, 2013**

The meeting of the Finance Committee was called to order by the Chair, Richard Lunetta, at approximately 7:14 pm in the Highland Room at the Town Hall.

Present from the Finance Committee:

Richard Lunetta, Chair; John Connelly, Vice Chair

Members: Richard Creem, Louise Miller, Richard Reilly, Lisa Zappala, Richard Zimbone

Also Present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Hank Haff, Project Manager, Needham Public Facilities

Liz Driscoll, Chair, Solar Energy Exploratory Committee (SEEC)

Pralay K Som, SEEC Member

David Harris, SEEC Member

Ann Dorfman, Superintendent, Recycling and Solid Waste Department

Jonathan Bracken, SEEC Member

Beth Greenblatt, Beacon Integrated Solutions

Ed Friedman, SEEC Member

**Citizen Requests**

There were no requests to address the Committee.

**Solar Photovoltaic Project**

Mr. Haff gave background on the Committee, which first met in December 2012 to determine the best solar energy opportunities for the Town. In June, they hired Ms. Greenblatt as a consultant. They focused on the RTS property but also considered school rooftops. At the urging of the Town Manager, they narrowed the focus on the RTS, specifically 10-11 acres of a relatively flat area on top of the capped landfill area.

Ms. Greenblatt stated that this is a good time to enter the solar power market because of certain financial incentives, including Solar Renewable Energy Certificates (SRECs) or Net Metering. She stated that the SRECs are credits that are a valuable trade-able commodity. She stated that the Town is considering a third party owner which would take advantage of the credits. Most municipalities in situations like this do not own the solar facilities. Ms. Greenblatt explained that Net Metering is when net excess electricity can be sold to the supplier based on the tariff, or used to offset electricity bills. She stated that timing may be important because these programs have sunset provisions, and may be closed before long. She expects incentives will decrease over time. She stated that there are some other risks such as electricity rates dropping or law changes, but she viewed most of these risks to be low. She stated that reaching the current Net Metering cap is the highest risk.

Ms. Zappala stated that the solar credit market is a quickly changing environment, and it is difficult to pin down the finances. She suggested that for Town Meeting, the focus should be on

whether the timing is right and to inform Town Meeting Members that the Town needs to make the zoning changes for this type of project to be possible. Mr. Haff stated that the RFP was released that day, with a tight time frame. This will provide more detailed project information prior to Town Meeting. Ms. Miller expressed concern that the time frame was too tight for bidders to get sufficient notice. Ms. Greenblatt stated that the time frame and advertising has met all of the legal requirements, and that she sent the RFP to 30 developers as a courtesy. Mr. Reilly suggested separating the discussion of what zoning changes are needed to allow these types of projects from the discussion of merits of the project.

Ms. Greenblatt showed that the available Net Metering capacity is dwindling and cautioned that it is not known what incentives might be offered after the program's capacity is reached. She stated that to make an application for part of the available capacity, the Town must have control of the site and must have a power purchase agreement in place. In addition, certain permits must have been secured. She stated that the RFP was designed to allow for clear comparison of the bidders, and to find the right developer for the project.

Mr. Creem asked whether zoning by-law changes are effective when voted at Town Meeting or when approved by the Attorney General. Mr. Haff stated that that changes would take effect when the AG approved them, which would be in January if approved at the Special Town Meeting, but that there is other work that would still need to get done during that time. Mr. Connelly asked if the Town has decided that this is the best use of the property. Ms. Fitzpatrick stated that the Board of Selectmen has a stated goal to use the RTS for photovoltaic power if possible. Mr. Haff stated that the Park and Recreation Commission has analyzed this space and found several factors including wind, lack of parking, and access time restrictions have made this site unusable for its programs. He stated that he had a letter to that effect that he would supply to the Committee members.

Ms. Greenblatt stated that there were some costs to the Town. The Town would be obligated to pay the developer for the value of the output from the solar array on a dollar per kilowatt hour basis. There would be a meter from the Town to NStar, and NStar would allocate a dollar amount to the Town based on the tariff rate. The project would provide revenue streams to the Town from the property lease payments and the tax obligations of the developer. She showed a cost-benefit analysis that illustrated the potential economic benefits to the Town using net metering. She showed that there is a potential for 12% savings in energy costs under the program. She stated that it will be important to have a sufficient spread between the benefits and the cost of the program so that even if there are changes, such a decrease of energy costs, the Town would still benefit. Mr. Reilly pointed out that it was possible that, given the fixed costs to the Town, the Town could lose money if electricity costs declined significantly. At the same time, it was pointed out that potential profit significantly exceeds the potential loss.

Mr. Zimbone asked if it would be better to use net metering or to use the solar electricity and thereby avoid some costs. Ms. Goldblatt stated that if the latter were possible, which is not clear, then she would have to do an analysis to determine which is more beneficial. She stated that a second phase to the project is anticipated which would put roof-mounts on some school buildings. Ms. Miller stated that there is no better use of the RTS property, but expressed concern with the prices, which are difficult to evaluate. In response to a question from Mr. Connelly, Ms. Goldblatt listed many towns doing similar solar photovoltaic projects on capped

landfills and on school roofs. She stated that some are under way and some have been fully constructed.

### **Town Manager Budget Consultation**

Ms. Fitzpatrick made her annual request for comments or requests on information to consider for the next budget. She stated that the Town will begin using the new financial software which will clearly show allocations at all stages of the budget process.

Mr. Reilly requested if there are any changes such as the changes to the drains budget last year, that the data be restated in a way that will allow straightforward comparison. Mr. Davison stated he will know from the DOR by the end of the week if there are any accounting changes. Mr. Creem encouraged the use of charts and diagrams to show output and how the departments are achieving goals.

Mr. Lunetta stated that the Committee expects to change its budget review process and how liaisons to Town budget areas are assigned. Ms. Zappala asked about Free Cash, and how it is affecting the capital planning process. Ms. Fitzpatrick stated that the Town should know whether Free Cash is certified in 4-5 weeks. She stated that it will be certified by the time the Capital Plan is due. Mr. Reilly asked that the FY15 budget make clear that the Fire Department supplies budget had been held back for FY14 with the understanding that there would be a larger increase in FY15.

### **Finance Director – Pro Forma**

Mr. Davison stated that the pro forma is a five-year outlook looks at macro trends as if they will continue for the next five years. There are recent changes in health insurance and energy costs because of the Town's efforts to control health insurance increases, and to decrease energy costs. Other than that, there are no remarkable differences from the pro forma last year. Personnel costs for FY15 are expected to increase at 4% which is the same as shown last year. He stated that there are some greater salary increases in certain departments such as Conservation where the Town is weaning off of wetlands grant funding, so the personnel costs in the operating budget are increasing at a faster rate.

Mr. Davison stated that expenses are assumed to increase at a rate of 2.2% which represents a five-year average of the regional CPI increase with exceptions. Energy costs are increasing at a lower rate. In Park and Recreation, certain maintenance costs are increasing at 4%. Public Facilities costs are increasing at a higher rate because buildings are aging, and certain maintenance has been put off. Software licensing costs are growing because of the system change. Road maintenance costs are increasing at a higher rate as asphalt costs increase. Snow and Ice is increasing only 1% based on recent experience. The allowance for miscellaneous warrant articles escalates the FY14 figure by 2.5%. Cash capital uses the CIP figures for FY14-FY18 and then increases FY18 by the revenue growth figure to determine FY19.

Mr. Davison stated that the General Fund contributions to the enterprise funds and to drains represent the FY14 amount plus 3%. Mr. Davison stated that although the document shows a deficit for FY15, the law requires a balanced budget. Because of underlying conservative assumptions, the revenue numbers almost always swing up during the budget process. He stated

that Chapter 70 funding is unlikely to be reduced. He stated that he expects library aid may come in higher. He stated that unrestricted aid may decrease, and that other funding programs may disappear.

Ms. Zappala asked Mr. Davison how he determined the free cash levels on p. 12 of the pro forma. Mr. Davison stated that he made the calculations as if the appropriate level of free cash had been certified during FY13. He stated that is it not now known what amount of free cash will be certified in FY14, but that it is not impossible that the amount would be between \$8 and \$10 million. He stated that it is also not impossible to be \$6 million.

### **Approval of Minutes of Prior Meetings**

MOVED: By Mr. Reilly that the Finance Committee approve the minutes of the meeting of July 15, 2013 as distributed. Mr. Connelly seconded the motion. The motion was approved by a vote of 6-0, with Ms. Miller abstaining.

### **Finance Committee Updates**

Ms. Zappala stated that there had been a recent school liaison meeting to discuss the installation of modular classrooms at Mitchell School and the union negotiations. The PPBC has estimated that the modulars will cost \$1.7 million. The teachers' union contract provides increases of 5% in FY14 and 4.5% in FY16 which will make budgeting very challenging. Mr. Zimbone stated that the union negotiations seemed to use a standard methodology rather than being innovative. Ms. Zappala stated that the Schools have squeezed as much as possible out of their budget, and now seem ready to say that they need more money to continue to provide the same quality of programs. Mr. Zimbone asked Ms. Fitzpatrick whether there was any discussion between the Town and Schools about negotiation strategies. Ms. Fitzpatrick stated that there was much discussion in 2010 and 2011 when the School and Town employees had 0% increases. She stated that the current increase comes out to 4.9%, but that does not include turnover, which can bring it down. She stated that steps and lanes make a huge difference in the schools. Ms. Zappala stated that the increase is ahead of revenue growth. Mr. Davison stated that when the prospective turnover is accounted for, the increase comes to 4%.

### **Adjourn**

MOVED: By Mr. Zimbone that the Finance Committee meeting be adjourned, there being no further business. Mr. Reilly seconded the motion. The motion was approved by a vote of 7-0, at approximately 9:55 p.m.

Documents: Town of Needham Solar Photovoltaic Project, Solar Energy Presentation to the Finance Committee, September 11, 2013; November Special Town Meeting Warrant draft dated September 9, 2013; Town of Needham General Fund Revenue and Expense Pro Forma, presented to the Board of Selectmen September 10, 2013.

Respectfully submitted,

Louise Mizgerd,  
Executive Secretary/Staff Analyst

*Approved September 25, 2013*