



Finance Committee Report

City of Newton In City Council

Monday, April 24, 2017

Present: Councilors Gentile (Chair), Norton, Brousal-Glaser, Blazar, Fuller, and Lappin

Absent: Councilors Ciccone and Rice

City staff present: Elizabeth Dromey (Director of Assessing), Robert DeRubeis (Commissioner of Parks and Recreation), Josh Morse (Commissioner of Public Buildings) Maureen Lemieux (Chief Financial Officer/Chief of Staff), and Sue Dzikowski (Comptroller)

#109-17 Appropriate \$600,000 from Overlay Surplus to fund revaluation

HIS HONOR THE MAYOR requesting authorization to appropriate and expend six hundred thousand dollars (\$600,000) from Overlay Surplus to fund revaluation and litigation costs. [04/11/17 @ 1:06 PM]

Action: Finance Approved 6-0

Note: Director of Assessing Elizabeth Dromey explained that this is a request to appropriate \$600,000 from the \$4.6 million declaration of Overlay Surplus made by Ms. Dromey, as Chairman of the Board of Assessors, earlier this year. When Ms. Dromey made the declaration of surplus, she informed the Administration of the need for the requested \$600,000 to defend the City's tax valuations that have been appealed to the Appellate Tax Board.

The funds would be used to fund expert witnesses, pay court costs, and needed legal services to defend the City's tax valuations that have been appealed particularly some of the NStar Electric valuations. In addition, there are some other unique appeals of valuation by telecommunication companies, cable companies and a nursing home that may require additional funds for experts. Ms. Dromey believes that the City stands a good chance of winning the cases.

Ms. Dromey provided the attached handout that includes the City's estimated expenses for attorney fees, expert witness fees, and computer software and hardware upgrades that are necessary to comply with the Department of Revenue's certification requirements. Ms. Dromey consulted with Boston and Brookline as they have recently used outside attorneys and expert witnesses to defend similar valuations for telecommunication companies and utilities.

Chief of Staff Maureen Lemieux added that the reason Ms. Dromey was able to declare \$4.6 million surplus was the successful defense of similar utility and telecommunication valuations. The Committee understood the need for the request and Councilor Brousal-Glaser moved approval, which carried unanimously.

Referred to Programs & Services and Finance Committees

#112-17 **Appropriate \$185,000 to supplement the Highlands Playground Project budget**
HIS HONOR THE MAYOR requesting authorization to appropriate and expend one hundred eighty-five thousand dollars (\$185,000) from Overlay Surplus for the purpose of covering construction administration and contingency costs associated with the Newton Highlands Playground renovation project.
[04/10/17 @ 2:42 PM]

Action: **Finance Approved 6-0**

Note: The Chair informed the Committee that the actual cost of the Highlands Playground Project is lower than expected. There is no longer an \$800,000 gap in funding to complete the park improvements. It appears that the playground only needs the requested \$185,000 and approximately \$300,000 for the fieldhouse facility once the park is complete to finish all improvements.

Commissioner of Parks and Recreation Bob DeRubeis explained that the requested funds will provide \$65,000 for construction administration. Weston and Sampson has had their Construction Administrator out to the site a number of times, as the contractor has had a number of questions on the project. The remaining funds in the request will provide a contingency fund. All of the previous Community Preservation funding for the project was allocated to construction due to the cost of the project and there was never a contingency for the project.

The Commissioner gave a brief update on the project. The project is moving forward and the construction should be complete by this fall. The football/lacrosse field should be playable in the spring. Commissioner DeRubeis will be back for the building funding when the park is finished. All of the utilities like electrical and plumbing will be installed for the building during park construction. The plan is to install a pre-fab fieldhouse that is approximately 900 square feet with restrooms and storage. The original plans for the building included a concession stand but all of the sports leagues agreed that they could handle concessions without including it in the building. With that, Councilor Blazar moved approval, which carried unanimously.

Referred to Public Facilities and Finance Committees

#113-17 **Appropriate \$528,423 for School Department energy efficiency projects**
HIS HONOR THE MAYOR requesting authorization to appropriate and expend five hundred twenty-eight thousand four hundred twenty-three dollars (\$528,423) from the Energy Stabilization Fund to a dedicated account for the Newton Public Schools' Energy Efficiency Projects. [04/10/17 @ 2:42 PM]

Public Facilities Approved 8-0 on 04/19/17

Action: **Finance Approved 6-0**

Note: Commissioner of Public Buildings Josh Morse joined the Committee to discuss the request for an appropriation of \$528,423 to fund LED lighting upgrades at Newton North High School over the upcoming summer. Commissioner Morse provided the attached breakdown of the project costs and savings associated with the project. The project is expected to generate \$200,000 per year in electricity and maintenance savings. The school uses 20% of all the electricity used by the City and each year its electricity use increases. Although some of the buildings electricity costs are offset by the solar panels on the roof, it is still beneficial to look at ways to reduce electricity use in the building by doing these types of projects and changing the culture of the building users towards saving electricity.

Since Newton North High School opened in 2010, the technology for LED lighting has dramatically improved and it makes sense to swap out the existing light fixtures to accommodate LED lights, especially as the current lights are at the end of useful life. The \$528,423 will fund all of the interior light fixture replacement. The exterior replacements will occur when the City receives the next round of utility rebates that are expected in the near future.

The project also includes the possible installation of sub-meters for the electrical circuits in specific areas of the building to provide use data and a better understanding of the building's operations. In addition, the Public Buildings Department is working with the Fire Department to determine if it is possible to put emergency hallway lighting on motion detectors. Currently, every third hallway light is on all the time for emergency lighting purposes. It is possible that the emergency light controls could be set to come on with motion and automatically if the emergency generator activates. If the Fire Department is agreeable, motion sensors will be installed for the emergency lights.

The Public Buildings Department is looking at the possibility of adding a small boiler to heat the school's pool instead of using the central boiler, which heats the pool all of the time. The cost estimate for the small boiler is \$65,000. If it is determined that the boiler payback would result in equal or greater savings than the LED light savings, the scope of the LED project may be reduced to install the boiler. With that, Councilor Norton moved approval, which carried by a vote of six in favor and none opposed.

#110-17 Appropriate \$2 million from Free Cash to the Rainy Day Stabilization Fund
HIS HONOR THE MAYOR requesting authorization to appropriate two million dollars (\$2,000,000) from Free Cash to the Rainy Day Stabilization Fund.
[04/12/17 @ 9:37 PM]

Action: Finance Held 6-0

Note: Chief of Staff Maureen Lemieux presented the request to appropriate \$2 million from Free Cash into the Rainy Day Stabilization Fund. The Chair, with input from Ms. Lemieux, explained that the City must increase the balance of the Rainy Day Stabilization Fund each fiscal

year to maintain a minimum of 5% of the City's operating budget. The City currently uses its operating funds to maintain the 5% balance. It would be beneficial if the City could use return on investment to partially or fully fund the yearly increase to the fund; therefore; the Investment Advisory Committee is currently developing an investment policy for the Rainy Day Stabilization Fund, which should be complete before the end of the year. The Investment Advisory Committee may be able to provide investment possibilities that fit within the proposed investment guidelines and Massachusetts State law and provide a better return on investment (ROI) than what the City is currently getting. Once the policy is complete, it will be discussed in the Finance Committee and voted by the City Council.

If the City Council approves a separate investment policy for the Rainy Day Stabilization Fund, only a portion of the funds would be invested. The Chair envisions 1/3 of the funds being invested in an effort to get a ROI greater than the City's current investment of those funds into Certificate of Deposits (CDs). The Investment Advisory Committee is recommending that the City maintain a reserve in the Rainy Day Stabilization Fund. The reserve is necessary in order to protect the 5% balance during market downturns if a portion of the fund is invested.

There is money available right now in Free Cash to provide the \$2 million cushion in the Rainy Day Stabilization Fund without affecting any plans. If the Rainy Day Stabilization Fund Investment Policy does not come to fruition, then the City would have the funding necessary to maintain the minimum level of 5% of the operating budget for at least the next two years. In addition, CD rates are increasing and the \$2 million would earn interest.

There was concern that the City would be putting money into the Fund that is not currently needed. It requires a 2/3 majority vote of the City Council to take any funds out of the Rainy Day Fund. There are a number of projects and areas in the City that could benefit from \$2 million in funding right now. Committee members understood the logic in setting aside the funds now, as they are available and may not be in the future; however, it may make sense to reserve the requested funds in a more accessible fund just in case the funds are needed. Ms. Lemieux will check with the Department of Revenue to determine if there is an appropriate place to put the funds other than the Rainy Day Fund. She will also look into encumbering the funds but that may be an issue at the end of the fiscal year. Councilor Lappin moved hold on the item until Ms. Lemieux can provide the requested information. The motion for hold carried unanimously.

#111-17 Appropriate \$539,881 to the Rainy Day Stabilization Fund

HIS HONOR THE MAYOR requesting authorization to appropriate five hundred thirty-nine thousand eight hundred eighty-seven dollars (\$539,887) from Overlay Surplus to the Rainy Day Stabilization Fund. 04/10/17 @2:42 PM]

Action: Finance Approved 6-0

Note: Chief of Staff Maureen Lemieux presented the request to appropriate \$539,887 from Overlay Surplus to the Rainy Day Stabilization Fund. With the \$150,000 included in the FY 18 budget, the appropriation would bring the Rainy Day Stabilization Fund to the target level of 5% of the operating budget for Fiscal Year 2018. Councilor Lappin moved approval of the item, which carried unanimously.

All other items before the Committee were held without discussion and the Committee adjourned at 10:15 PM. Draft Council Orders for the above items that are recommended for City Council action are attached.

Respectfully submitted;

Leonard J. Gentile, Chair

Revaluation Budget Request

Attorney Fees	\$200,000
Expert Witness Fees	\$300,000
Computer Software & Hardware Upgrades to Comply with DOR certification requirements	\$100,000
Total	\$600,000

Disputed Taxes

NSTAR Electric FY2012-FY2017	\$4,381,776
RCN FY2007-FY2016	\$200,000
Comcast FY2016	\$50,000

CITY OF NEWTON

IN CITY COUNCIL

2017

ORDERED:

That, in accordance with the recommendation of the Finance Committee through its Chair Leonard J. Gentile, an appropriation of six hundred thousand dollars (\$600,000) from Overlay Surplus to the Assessing Department’s Revaluation Account for the purpose of funding expert witnesses, court costs, and legal services to defend real estate, utility, and telecommunications values that have been appealed, be and is hereby approved as follows:

FROM:	Overlay Surplus (01-3497).....	\$600,000
TO:	Revaluation (C106001-5795)	\$600,000

Under Suspension of Rules
Readings Waived and Approved

(SGD) DAVID A. OLSON

City Clerk

(SGD) SETTI D. WARREN

Mayor

Date: _____

CITY OF NEWTON

IN CITY COUNCIL

2017

ORDERED:

That, in accordance with the recommendation of the Programs & Services Committee through its Chair John B. Rice and the Finance Committee through its Chair Leonard J. Gentile, an appropriation of one hundred eighty-five thousand dollars (\$185,000) from Overlay Surplus to the Newton Highlands Play Ground Rehabilitation Budget for the purpose of funding construction administration and contingency costs associated with the project, be and is hereby approved as follows:

FROM:	Overlay Surplus (01-3497).....	\$185,000
TO:	Highlands Playground Rehab – Undist. Budget (21D60215-5795)	\$185,000

Under Suspension of Rules
Readings Waived and Approved

(SGD) DAVID A. OLSON

City Clerk

(SGD) SETTI D. WARREN

Mayor

Date: _____

Newton North HS
LED Lighting Upgrades
April 14, 2017

Line Item #	FACILITY LOCATION	ENERGY CONSERVATION MEASURES	PROJECT COSTS		UTILITY COSTS PER UNIT \$/kWh	INCENTIVES PER UNIT \$/kWh SAVED	ENERGY SAVINGS			RETURN ON INVESTMENT		
			PROJECT COST	EVERSOURCE ELECTRIC INCENTIVE			CUSTOMER NET COST	kWh REDUCTION	kw REDUCTION	ANNUAL SAVINGS	MAINTENANCE SAVINGS	ROI
1	North HS-4TH FLOOR	LED Interior Lighting Upgrades & Controls	\$ 133,506	\$ 40,243	\$ 0.188	\$ 0.30	41.5	134,142	\$ 25,219	\$ 3,164	30%	3.3
2	North HS-BSMINT TO 3RD FLOOR	LED Interior Lighting Upgrades & Controls	\$ 628,176	\$ 184,570	\$ 0.188	\$ 0.30	170.4	615,233	\$ 115,664	\$ 15,057	29%	3.4
3	North HS-EXTERIOR LED	LED Exterior Lighting Upgrades	\$ 182,250	\$ 66,921	\$ 0.188	\$ 0.30	50.9	223,069	\$ 41,937	\$ 972	37%	2.7
North High School SUBTOTAL			\$ 943,932	\$ 291,733	\$ 0.188	\$ 0.30	262.8	972,444	\$ 182,819	\$ 19,193	31%	3.2
PROJECT TOTALS			\$ 943,932	\$ 291,733	\$ 0.188	\$ 0.30	262.8	972,444	\$ 182,819	\$ 19,193	31%	3.2

CITY OF NEWTON

IN CITY COUNCIL

2017

ORDERED:

That, in accordance with the recommendation of the Public Facilities and the Finance Committees through their respective Chairs Deborah J. Crossley and Leonard J. Gentile, the sum of five hundred twenty-eight four hundred twenty-two dollars and forty-four cents(\$528,422.44) be and is hereby appropriated from the Energy Stabilization Fund for the purpose of funding energy efficiency projects in public schools

FROM:	Energy Conserv. (39-3339G)	\$294,349.84
	Energy Proj. Rebates (39G104-4812)	\$234,012.60
TO:	NPS Energy Eff Proj. Undist. Budget (C115010-5795)	\$905,046

Under Suspension of Rules
Readings Waived and Approved

(SGD) DAVID A. OLSON
City Clerk

(SGD) SETTI D. WARREN
Mayor

Date _____

CITY OF NEWTON

IN CITY COUNCIL

2017

ORDERED:

That, in accordance with the recommendation of the Finance Committee through its Chair Leonard J. Gentile, an appropriation of five hundred thirty-nine thousand eight hundred eighty-seven dollars (\$587,887) from Overlay Surplus to the Rainy Day Stabilization Fund, be and is hereby approved as follows:

FROM:	Overlay Surplus (01-3497).....	\$587,887
TO:	Rainy Day Stabilization (0110499-5922A)	\$587,887

Under Suspension of Rules
Readings Waived and Approved

(SGD) DAVID A. OLSON

City Clerk

(SGD) SETTI D. WARREN

Mayor

Date: _____