



Finance Committee Report

City of Newton In City Council

Thursday, October 1st, 2020

Present: Councilors Grossman (Chair), Malakie, Humphrey, Kalis, Norton, and Noel

Absent: Councilors Gentile and Ciccone

City staff present: Chief Financial Officer Maureen Lemieux, Comptroller Sue Dzikowski, Fire Chief Gino Lucchetti, Chief of Staff for the Department of Public Works Shawna Sullivan, CPA Program Manager Lara Kritzer and Co-Director of Sustainability Bill Ferguson

Item scheduled for discussion:

#380-20 Appointment of Aaron Goldman to the Horace Cousens Industrial Fund

HER HONOR THE MAYOR appointing AARON GOLDMAN, 11 Jerome Avenue, Newton, as a trustee of the Horace Cousens Industrial Fund for a term to expire on June 1, 2023. (60 days: 11/20/2020)

Action: Finance Approved 5-0 (Councilor Norton not voting)

Note: Chief Financial Officer, Maureen Lemieux explained that the Horace Cousens Industrial Fund is a fund that was set up for people that are having financial difficulties in the City. Through the Fund, residents are able to be granted up to \$750 per application.

Mr. Goldman expressed his gratitude for being considered to be a trustee of the Horace Cousens Industrial Fund. He explained that he worked in the Executive Office for eight years and during that time he was responsible for the City's constituent services operation. In this role he spent time referring residents to the Cousen's Fund. Mr. Goldman explained that this program is important and should be marketed throughout the City.

The Committee thanked Mr. Goldman for his willingness to serve.

Councilor Noel motioned to approve which passed 5-0, Councilor Norton not voting.

#381-20 Acceptance of funds for LED lighting projects and an insulation project

HER HONOR THE MAYOR requesting authorization to accept, appropriate and expend the sum of one hundred thousand dollars (\$100,000) from the Green Communities Grant from the Department of Energy Resources and authorization to appropriate and expend the sum of twenty-three thousand one hundred and ninety-five dollars (\$23,195) from the Energy Stabilization Fund for the LED lighting project at Newton

South High School, the Utilities Building at 60 Elliot Street and the insulation project at the Auburndale Community Library.

Action: **Finance Approved 6-0**

Note: Co-Director of Sustainability, Bill Ferguson, explained that this is the sixth year in a row that the City has received this Green Communities Grant and these funds have been put towards LED lighting projects. With this grant, the Newton South High School LED lighting project will be at approximately 60% competition. Mr. Ferguson noted that these funds will not be going towards the field lights at Newton South High School. The Utilities Building will also be addressed.

Additionally, Mr. Ferguson explained that the City is also requesting for the Council to appropriate and expend \$23,195 from the Energy Stabilization Fund to put towards the LED projects. With these funds the department will also be improving the insulation at the Auburndale Library. Currently, the department is converting the building from oil-fired steam heating to heat pump technology.

Councilor Kalis motioned to approve which passed unanimously.

Referred to Public Facilities and Finance Committees

#383-20 Authorization for the MWRA loan program for sewer improvements

HER HONOR THE MAYOR requesting authorization to borrow the sum of four million five hundred and eighty thousand dollars (\$4,580,000) from the Massachusetts Water Resources Authority (MWRA) Sewer Infiltration/Inflow Local Financial Assistance Program, Phase 13 as an interest-free loan payable in 1/10 installments over 10 years.

Public Facilities Approved 7-0 on 09/23/2020

Action: **Finance Approved 6-0**

Note: Shawna Sullivan, Chief of Staff for the Department of Public Works, explained that these funds will be used for the rehabilitation of section nine, which includes Upper Falls, Waban and Oak Hill. The rehab includes the relining of sewer pipes, removing portions of sewer pipes and replacing them, which includes excavation. This is year eight of the ongoing CIP project to reduce inflow and infiltration in the sewer system.

Committee members asked the following questions:

Q: How does the City make sure that the quality of the completed roads is up to par?

A: Ms. Sullivan explained that there is a construction standard for the flowable fill and there is a construction inspector that is dedicated to the City's water projects. If trenches do fail, they are required to come back and refill them. The roads are not immediately repaved so that the trenches can settle and so that the City can ensure that this is a quality product.

Q: Have these streets been recently paved?

A: Ms. Sullivan explained that the department plans the paving of roads based on the schedule for the City's water and sewer work and any gas work that the department is aware of.

Councilor Kalis motioned to approve which passed unanimously.

Referred to Public Safety & Transportation and Finance Committees

#382-20 Authorization to enter a contract for Emergency Ambulance Services

HER HONOR THE MAYOR requesting authorization to enter into a contract for Emergency Ambulance Services for up to five years.

Public Safety & Transportation Approved 6-0

Action: Finance Approved 5-0-1 (Councilor Humphrey abstaining)

Note: Chief Financial Officer, Maureen Lemieux presented the request to enter into a contract for Emergency Ambulance Services for up to five years. Ms. Lemieux explained that this request is for the City to be able to enter into a three-year contract with two options to have one-year extensions. The Council is not involved in selecting the bidder or writing the contract. Additionally, Ms. Lemieux explained that there were four bidders and a selection committee has been set up to select the ambulance provider. She noted that this is not a cost to the City. Chief of the Newton Fire Department, Gino Lucchetti, noted that they are planning on finishing the bidding process in mid-October.

Committee members asked the following questions:

Q: Has there been consideration to bringing the ambulance services in-house?

A: Ms. Lemieux explained that taking over the providing of ambulance services is a massive undertaking. The City always issues an RFP (request for proposal) and the Fire Department could bid during that process. There are a number of requirements the City looks for while choosing a bidder. The City would need to look to the department to decide if they could do a better job for the residents and the visitors of Newton than past companies. Chief Lucchetti explained that there has been a feasibility study done that is still being researched. This is a process that would take several years which would include training. The start-up cost for this undertaking would be approximately \$1.3 - \$1.5 million and the billing process would also need to be investigated. Chief Lucchetti explained that the department will continue to investigate this option.

Chief Lucchetti noted that this may include training firefighters to become paramedics and currently it is difficult to fill the 12 spots that the private companies offer to firefighters.

Q: Regarding the previous question, how would the City make this decision?

A: Ms. Lemieux explained that the City has been discussing this for years. The determining factors include the cost that the City would incur. Ms. Lemieux expressed that she believes this would not be

cost neutral for the City. Currently, the City is not in the position to start this process but will continue to investigate.

Committee members made the following comments:

The City should further investigate bringing ambulance services in-house before the next contract is up. This service had been offered in the past and may work well again. Additionally, having the Fire Department handling the ambulance services may help in emergency situations.

Regarding the previous comment, an item should be docketed to discuss this in the Public Safety & Transportation Committee.

Councilor Kalis motioned to approve which passed 5-0-1, Councilor Humphrey abstaining.

Referred to Public Safety & Transportation and Finance Committees

#365-20

Authorization to expend a \$164,863 grant from Assistance to Firefighters

HER HONOR THE MAYOR requesting authorization to accept, appropriate and expend a one hundred sixty-four thousand eight hundred sixty-three dollar grant (\$164,863) from the Assistance to Firefighters Grant for Rapid Intervention and Vehicle Operator Training in the Newton Fire Department.

Public Safety & Transportation Approved 6-0

Action:

Finance Approved 6-0

Note: Chief Lucchetti presented the request to accept, appropriate and expend an Assistance to Firefighters Grant for Rapid Intervention and Vehicle Operator Training in the Newton Fire Department. He explained that the department is constantly looking for federal grants. This year the department was awarded two separate grants. One was to do driver training which gives each member of the department the opportunity to get certified in the use and driving of heavy-duty equipment. The grant also includes overtime-cost if needed.

The second half of the grant is for rapid intervention training. Chief Lucchetti explained that these firefighters are trained on rescuing other firefighters when the situation calls for it. The Mass Fire Company does come the Newton to offer hands-on training for this. This also includes funds for overtime if needed.

Committee members thanked the Fire Department for continuing to seek grants to help the City financially.

Councilor Noel motioned to approve which passed unanimously.

Referred to Land Use and Finance Committees

#364-20 **CPC Recommendation to appropriate \$1,244,857 of CPA funding**
COMMUNITY PRESERVATION COMMITTEE recommending appropriation of one million two hundred forty-four thousand eight hundred fifty-seven dollars (\$1,244,857) in Community Preservation Act (CPA) funding for the creation of affordable housing in the Golda Meir House Expansion Project.
Land Use Approved 7-0 (Councilor Auchincloss not voting)
Action: **Finance Approved 6-0**

Note: CPA Program Manager Lara Kritzer, presented the CPC recommendation to appropriate \$1,244,857 in Community Preservation Act (CPA) funding for the creation of affordable housing in the Golda Meir House Expansion Project. Ms. Kritzer was joined by Zoe Weinrobe and Rachel Belanger from 2Life Communities. Mark Armstrong, Chair of the Community Preservation Committee, was also present. Ms. Kritzer’s presentation is attached.

Committee members asked the following questions:

Q: Are the contributions from 2Life from private donors?

A: Ms. Weinrobe explained that those are two sources of funds. 2Life Communities has raised approximately \$1.7 million from two large philanthropic foundations. They are also underway with a capital campaign which will hopefully close the gap. Ms. Weinrobe noted that this a difficult time to be in a capital campaign so 2Life Communities is going to front the money for the project.

Q: Is the \$1.2 million an unexpected incremental amount above the \$3.2 million?

A: Ms. Weinrobe explained that they had requested the \$3.2 million in 2018. In 2019 they went after the 202 funds and this created a financing gap. One reason this occurred is because of the construction requirements that now need to be followed. They have also asked for additionally money from the State and lowered their Average Median Income (AMI) levels.

Q: Is the management fee just for the \$1.2 million and is this an average management fee?

A: Ms. Weinrobe explained that in the project budget there is a developer fee that the State has a formula for, and the City is below the average fee allowed. 2Life is also the owner, operator, property manager and service provider who also gets a property management fee out of the operating budget, which is usually about 5% of the net income on the project. The management fee that is listed is standard.

Committee members expressed their approval of the work that has been done on this project.

Councilor Kalis motioned to approve which passed unanimously.

Chairs Note: *Chief Financial Officer Maureen Lemieux provided an update on the expenditure of funds for COVID-19 as related to item #239-20.*

Note: Ms. Lemieux explained that on October 19th when the City Council is given the financial forecast, there will be a spreadsheet that shows all of the funding sources that are available, what the City has spent, applied for and received. The City has been awarded another \$600,000 in CDBG funds and other grants for the Fire and Police Department since the last update that was given to the Finance Committee. The Clerk's Office has also received a \$37,000 grant for elections. The CARES Act is also going to cover additional funds that will be spent during the election because of COVID-19.

By the time the forecast is given, the administration needs to apply for the FEMA funds that have been spent through September 15th. By October 30th, the administration will be in the second part of the application for funding through the CARES ACT. The State will apply for all municipalities through MEMA as one package to FEMA. FEMA's goal is to reimburse municipalities by the end of the calendar year. Additionally, any PPE that is purchased after September 15th will no longer be covered by FEMA unless it is for first responders, but PPE could still be covered by the CARES Act. There is also now a requirement that a municipality can only have 60 days' worth of reimbursable COVID related supplies. Ms. Lemieux explained that they do need to provide a tremendous amount of back-up to apply for these reimbursements.

Ms. Lemieux explained that by October 30th she would have an estimate regarding how much all of the HVAC work that is intended to be done in the schools will cost. All of this work does need to be done by December 30th to be able to apply for reimbursement through the CARES Act. The Commissioner of the Public Buildings Department is currently working with vendors to get this project completed as soon as possible. Ms. Lemieux explained that the requirements for reimbursements are changing on a daily basis.

Committee members asked the following questions:

Q: How are municipalities estimating their costs through the end of the year?

A: Ms. Lemieux explained typically when the City receives federal funds it is a reimbursement. For the CARES Act the City is able to estimate the costs that may be incurred but the limit is \$7.8 million. If the City does overestimate, the extra funds received do need to go back to the State. If the City underestimates, then the funds will be reconciled in December.

Q: Has the City looked into buying heaters for restaurants through COVID funds?

A: Ms. Lemieux explained that they will investigate to find out if this is reimbursable.

Committee members noted that there is a sense of urgency to purchase heaters for restaurants to help during the Fall and Winter months. The Committee members also noted that they are available to do research on this matter.

The Committee adjourned at 8:17 p.m.

Respectfully submitted,

Rebecca Walker Grossman, Chair

Golda Meir House Expansion Additional Funding Recommendation

Community Preservation Committee
Presentation to Finance Committee
October 1, 2020

Project Overview

- ▶ Golda Meir House currently has 199 senior housing units, 174 of which have low-income, project-based subsidies
- ▶ Project will add 68 new apartments in 2 additions to existing building
- ▶ Allocated \$3,250,000 in CPA funding in FY2019



Current Funding Request

- ▶ In August 2019, 2Life Communities secured HUD 202 funding award providing for deeper affordability in new units:
 - 50% increase in the amount of housing for extremely low- and very low-income seniors
 - Provides operating subsidy for 45 households to pay 30% of their income in rent, instead of 30 in original proposal
- ▶ Requirements of 202 program created a financing gap in project
- ▶ Request for \$1,244,857 in additional CPA funding to address funding gap
- ▶ Current request 3% of total project cost of \$40,436,000

Golda Meir House Expansion New Units

Housing Unit Mix				
Income Level	Original Proposal		Current Proposal	
	1 Bedroom	2 Bedroom	1 Bedroom	2 Bedroom
Up to 30% AMI	7	1	18	2
Up to 50% AMI	20	0	25	0
Up to 60% AMI	18	2	2	3
Under 100% AMI	8	2	8 (no change)	2 (no change)
No Income Restrictions**	4	4	4 (no change)	4 (no change)
Total New Units	57	11	57	11

** The rents for all units without formal income restrictions are proposed to be offered at below the true "market rate." One the two-bedroom units without formal income restrictions will be a reduced-rent unit for the New England Conservatory graduate students participating in the planned resident enrichment services program.

Development Budget - Uses

Uses	2020 Proposal	2018 Proposal	Difference
Acquisition	\$100	\$100	No change
Construction (Includes 5% contingency)	\$31,115,000	\$24,366,192	\$6,748,876
Soft Costs (includes Water Tower Decommissioning)	\$6,129,000	\$4,892,419	\$1,236,456
Developer Fee & Overhead	\$2,600,000	\$2,500,000	\$100,000
Capitalized Reserves	\$591,900	\$556,133	\$35,803
Total Uses	\$40,436,000	\$32,314,745	\$8,121,135

Development Funding Sources

Source	2020 Proposal	2018 Proposal	Difference
Permanent Loan	7,972,000	7,770,000	202,000
Fed Tax Credit Equity*	10,162,081	10,298,970	(136,889)
State Tax Credit Equity*	3,999,600	3,999,600	No Change
Newton CPA*	3,250,000	3,250,000	No Change
Newton HOME Funding*	255,143	0	255,143
Newton Additional CPA Funding Request	1,244,857	0	1,244,857
DHCD Sub Debt*	5,000,000	3,750,000	1,250,000
Utility Rebates	74,800	74,800	No Change
Golda Rehab Savings*	835,400	0	835,400
Farnsworth + Weinberg Foundations*	1,730,000	0	1,730,000
2Life Philanthropy*	1,512,098	2,546,475	(1,034,377)
HUD 202 Capital Advance*	4,000,000	0	4,000,000
Deferred Dev Fee*	400,000	625,000	(225,000)
TOTAL SOURCES	\$40,435,979	\$32,314,845	\$8,121,134

*Awarded/Committed Funds

Timeline

- ▶ September - October 2020: City Council Review and Vote
- ▶ Fall 2020: Closing process with City, DCHD, and HUD
- ▶ Winter 2021 - Summer 2022: Construction
- ▶ Fall 2022: Lease-Up

Questions & Discussion

- ▶ Thank you!

CPA Available Funds

Total Unrestricted Funding	\$12,807,289
Current Housing Reserve Fund	\$911,042
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Total Funding Available for Housing Projects	\$13,718,331
<u>Additional Golda Meir Project Funding</u>	<u>- \$1,244,857</u>
Total Remaining Funding Available	\$12,437,474

