

Minutes
Lincoln Finance Committee
Town Offices 2nd Floor Meeting Room

February 25, 2020
6:30 pm

Present: Andy Payne (Chair), Jim Hutchinson (vice-Chair), Gina Halsted, Nancy Marshall, Tom Sander, and Elisa Sartori. Paul Blanchfield called in via telephone.

Also in attendance: Kim Bodnar (School Building Committee Vice-Chair), Buck Creel (LPS Administrator for Business & Finance), Tim Christenfeld (School Building Committee), Chris Fasciano (School Building Committee Chair), Jennifer Glass (Selectman), Dr. Becky McFall (Superintendent of Schools), Tara Mitchell (Lincoln School Committee Chair), Susan Taylor (Lincoln School Committee), and Colleen Wilkins (Town of Lincoln Finance Director).

The meeting was called to order at 6:31pm.

Andy Payne opened the meeting with an overview of the school building project budget and the sequence of town committee and board meetings which lead up to that evening's meeting.

On January 26th the Town Meeting Warrant was closed. Construction Bids were opened on January 29th. After reviewing the bids, the project was determined to be \$3.5M over budget. On February 12th, the School Building Committee (SBC) approved the necessary cuts to the project to keep the project on budget.

Wanting to keep all options open for Town Meeting, the SBC made a recommendation for a Special Town Meeting to the School Committee. The School Committee supported the recommendation and met with the Board of Selectmen (BOS) on February 24th. The BOS unanimously supported the request for a Special Town Meeting within the March 28th Annual Town Meeting. A Special Town Meeting warrant was submitted. Additionally, a quorum of SBC members met on February 24th to begin prioritizing the list of items that it hoped to put back into the project. This work was done in preparation for a full SBC meeting on February 26th and no vote was taken.

Mr. Payne further explained that he would be meeting with Colleen Wilkins on February 27th to finalize the financial warrant for printing and mailing. The Finance Committee (FinCom) will have its Budget Hearing on March 4th and another meeting on March 25th.

Mr. Payne explained that the purpose of the evening's meeting was to provide the FinCom with an update on the School Building Project. He reminded Committee members that a recommended budget had been approved at the last FinCom meeting, and that this discussion was to determine if the committee wanted to change its thinking of the budget in light of new information about the School Building Project. He further reminded Committee members that

any changes to the recommended budget would need to be decided that evening.

Tim Christenfeld detailed the sequence of events and timing that resulted in this discussion happening on a relatively tight schedule and after the typical budget discussions.

Chris Fasciano explained that the SBC was there to explore options. He emphasized that the SBC was trying to collect and understand all available courses of action. Based on the options, the SBC would deliberate the next evening. Mr. Fasciano reviewed some basic facts about the project. The approved budget is \$93.9M. The Construction Budget is about \$67M. Mr. Fasciano explained the Massachusetts public works bid process and the differences between “trade bids” and “non-trade bids”. He shared that non-trade bids would continue to be received for another couple of weeks and that there was the possibility that some of these bids might be lower than those already received.

Mr. Fasciano explained two factors that contributed to the high bids:

1. **Escalation:** Cost escalation had been running around 5% during most of the Design Phase. Recently, a more conservative estimate of 6% was used in budget calculations. The Construction Manager, Consigli, reports that since the beginning of the year, they are seeing escalation rates increase to 8%.
2. **Renovation vs. new construction:** There is a great deal of construction taking place in the Boston area, and contractors are preferring to bid on new construction projects over renovations. Contractors find new construction projects to be less risky than more complicated renovations.

Mr. Fasciano explained the restriction of what could be eliminated or reduced from the project, since the scope of work for 14 trades cannot be changed without a re-bidding process. Only non-trade bid items could be value-engineered from the project. Of the \$3.5M of items removed from the project, the SBC identified about \$780K of items which would be permanently removed.

Jennifer Glass shared news about a gift to the Town of Lincoln that would impact the school project. Long-time Lincoln resident Harriett Todd had left a generous gift to the Town on her passing. Mrs. Todd had a long history of civic engagement, including being a member of the League of Women Voters and a two-term Selectmen. Honoring her legacy, Mrs. Todd’s family had approved using up to \$275K of her gift for updates of the Donaldson Auditorium (which is the civic center of Lincoln and the site of Town Meetings) and \$225K for academic scholarships.

The \$780K in permanent cuts plus Mrs. Todd’s \$275K gift reduces the budget gap to approximately \$2.2M.

On February 12th the SBC had approved the removal of \$2.2M of items from the school project. \$1,516K of this amount was in Furniture, Fixtures, and Equipment (FF&E), which would be deferred. Jim Hutchinson asked about the timing of the need for the FF&E items. Ms. Glass explained that about \$600K of critical FF&E items needed to operate the school after the first

phase of renovations were kept in the project. The additional items would be requested from the town at a future date.

Mr. Fasciano reminded the Finance Committee that the project has already had three rounds of Value Engineering reductions, totaling about \$14M.

Ton Sander asked for further clarification about the timing of the FF&E items. Mr. Fasciano explained that FF&E items were categorized into those that needed to be in place for the school to open (such as furniture for hubs, which do not currently exist) and items that could be phased in over the first years of the school. He explained how the SBC would be further deliberating the priority of each Value Engineered item in the following evening's SBC meeting.

Mr. Hutchinson asked about the use of CPA funding for any of the Value Engineered items. CPA funding is a possibility for the FY22 fiscal year, but not in this fiscal year. Nancy Marshall asked about private donations. Ms. Glass assured the Committee that private donations are a possibility and would relieve the budget pressure.

Mr. Hutchinson asked how the warrant was going to be structured at Town Meeting. The warrant article has been constructed in a way to be flexible and able to accommodate whatever decision and dollar amount was approved at this and subsequent meetings leading up to Town Meeting.

Mr. Payne reviewed the four sources of funds that could be considered to reinstate all or some of the \$2.2M of items that had been Value Engineered from the project.

- **Stabilization Fund:** This fund has about \$2.2M and requires a $\frac{2}{3}$ vote at Town Meeting.
- **Free Cash:** Free Cash has about \$1.5M available for use in FY21, leaving about \$1.27M in reserve (which meets FinCom policy). Appropriations from Free Cash require a simple majority vote at Town Meeting. At a prior meeting, the FinCom had recommended an appropriation of up to \$1.5M of Free Cash for a new public safety digital radio system.
- **Capital Exclusion:** Requires $\frac{2}{3}$ vote at town meeting, and a simple majority at the ballot (election).
- **Debt Exclusion:** Requires $\frac{2}{3}$ vote at town meeting, and a simple majority at the ballot (election).

Mr. Hutchinson shared that he had participated in most of the SBC Value Engineering discussions, understood the painful decisions that had been made and the impact of the items that have been eliminated from the project. He proposed that the items that were eliminated from the school project were a higher priority than the public safety system, which is not an urgent need. He proposed removing some or all of the radio system from the recommended FY21 budget and using most of the funds for many of the items that had been most recently Value Engineered. He felt that the items on the VE list are higher priority than the radio project at this time and that the radio project, in its entirety could be planned for FY22.

Mr. Payne asked for clarification on the mechanics for changing the existing warrant. Colleen Wilkins explained that the warrant includes the public safety radio. To add new items, the Town needs to hold a Special Town Meeting. Ms. Glass assured the committee that the STM warrant wording was flexible and could accommodate whatever decision was made. Mr. Hutchinson stated that FinCom's decision this evening was whether it should revisit its decision to fund the radio system and / or request to fund the school building project. The exact amount of the funding and the dollar amount in the STM warrant could be decided up to the day before the Town Meeting.

A discussion on the role of the Finance Committee about the use of Free Cash and the Stability Fund. Mr. Sander wondered if it was within the role of the Finance Committee to make this decision. Mr. Hutchinson reminded FinCom that it decided to recommend the public radio system based on what was known about the capital needs of the town at the time. Since that decision, a new list of capital needs is available and should be considered. Nancy Marshall asked what would happen if this had been an MSBA project. If this had been an MSBA project, the SBC would be able to ask for more money.

Tim Christenfeld reminded the committee that the project is on budget, is on time, and will meet its goals of being an educationally transformative net-zero building. In order to remain on budget, the SBC had to remove some aspects from the project that are important to the Town. The Town can have a conversation about whether it wants to restore some of those features or not. In order to have that conversation, the SBC and the Town need to know what funding options are available. He thought it sounded like \$1.5M from Free Cash or the Stabilization Fund could be used to restore the deleted items if the town chose to do so.

Mr. Blanchfield noted that the Town would have had to vote for the radio system, and that it also should be the one to decide on whether to fund a radio system or items taken out of the School Building Project.

Mr. Hutchinson noted that the FinCom had taken the approach in the past of letting the Town decide on the scope of the project. He advocated that the Town should decide on the use of Free Cash. If the Town decides it does not want to use Free Cash for the School Project, then it is available for the radio project. He advocated for putting the Value Engineered school building project items on the Special Town Meeting warrant.

Mr. Payne stated that it would be helpful for FinCom to understand exactly which items were "now or never": items that could not practically be added or changed once the project was complete. He suggested that the SBC clearly indicate which items had to be funded now, or forever be missing from the project ("Forever Items") and those which could be added at a later date.

Mr. Payne pointed out that the FinCom would be deciding whether to back up one notch on their decision tree. FinCom had voted to recommend the use of Free Cash to fund a new public safety radio system as a preferred budget request. Now, it appears likely that a second preferred budget request will be coming. Because of the timing of the school project bidding and upcoming Town Meeting, the typical deliberation schedule is not possible. FinCom needs to decide if it wants to

commit to the recommendation originally made, decide on a different use of the funds now that we have new information, or do nothing.

Several members of the FinCom and audience expressed their opinions.

Mr. Hutchinson stated that there are two sources of funds that could be considered, \$1.5M from Free Cash and \$2.2M in Stabilization Fund. If “Forever Items” amount to more than \$1.5M, some could be funded from the Stabilization Fund.

Mr. Christenfeld assured the Committee that the SBC will do a prioritization of the list of items value-engineered from the project.

Mr. Payne warned that more conservative assumptions will need to be used going forward. He noted that a good amount of execution risk remains in the project.

Kim Bodnar asked for clarification on what the SBC should provide for the March 4th FinCom meeting.

Mr. Hutchinson **MOVED that the Finance Committee backs up a step in our decision-making process and takes back our recommendation for the public safety radio project, takes it out of the report and requests that the School Building Committee put together a fully informed budget request for consideration at Special Town Meeting.** The motion was seconded by Nancy Marshall. The motion passed with five in favor and two against.

Gina Halsted asked about any restrictions or policies about the use of the Stabilization Fund. Ms. Wilkins explained that use of the Stabilization Fund will not jeopardize the Town’s credit rating. The town could spend the entire Fund and still be above the critical liquidity ratio. Mr. Hutchinson also reminded the Committee that the Stabilization Fund is created specifically for capital projects.

Mr. Blanchfield observed that the radio system could be funded out of the Stabilization Fund.

Next, the Committee heard liaison reports.

Ms. Marshall informed the Committee that Lincoln Sudbury Regional High School was about to conclude certification for E&D. The request to use \$500K from E&D will be pulled after certification, because piece-meal updates to the 420 Lincoln Road project proved not to be a cost-effective approach. She also informed the Committee that LS missed the Town of Sudbury warrant deadline for two capital items. The LSRHS School Committee was meeting that evening to determine next steps.

Mr. Sander updated the Committee on decisions that morning by the Water Commission. New rate structures and an increase in the base fee and water rates had been approved that morning. Additionally, the Commission approved a change to the structure of meter rates.

Ms. Marshall provided an update from the Housing Commission on discussions with the regional

housing coordinator on the funding of an affordable housing unit.

Minutes from the Executive Session of February 11, 2020 were approved, as amended, by unanimous vote. Minutes from the Non-executive session of February 11, 2020 were approved, as amended, by unanimous vote.

The meeting adjourned at 8:44pm.

Submitted by: Gina Halsted

Approved: