

EXECUTIVE SESSION
Needham Finance Committee
Minutes of Meeting of February 15, 2012

The Executive Session of the Finance Committee was called to order by the Chair, Matthew Borrelli, after a unanimous roll call vote by the Committee during an open meeting to go into Executive Session (Exception 6) at approximately 9:34 pm in the Great Plain Room, at the Town Hall.

Present from the Finance Committee:

Matthew Borrelli, Chair; Richard Reilly, Vice Chair

Members: Richard Creem, Richard Lunetta, Gary McNeill, Steven Rosenstock, Lisa Zappala, Richard Zimbone

Also Present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Director of Finance

Real Property

Ms. Fitzpatrick stated that the Town has the possibility of acquiring two parcels on Lincoln Street and one on School Street. The Board of Selectmen voted to enter discussions with the property owner, and asked her to talk the Finance Committee about approaching the owner. Mr. Zimbone asked the value of the property. Ms. Fitzpatrick stated that it was in the range of \$1.8-\$2 million. The cost of demolition and creating parking would be approximately \$200,000. She stated that the Community Council was accepting an offer from another entity today for one parcel. She stated that she thinks the value of the other two is less. She stated, however, that things do change. She heard that the prospective buyer planned to make a hospice or some other type of home. Mr. Davison stated that the Town would need a \$2.2 million appropriation to be able to work within the 3% debt limit. Once concept is to fund the Fire Engine Quint with cash instead of debt. He stated that the level of Free Cash should be sufficient to fund the entire cash capital request plus the fire truck, and still leave money for reserves. He stated in that case, the \$2.2 million would fit in, and the Town could borrow for 20 years, which is the maximum time the Town can extend for borrowing for land. The amortization schedule would probably be close to 3%. He would borrow on a note, then convert it to a bond. The note would be about 3%. If this happened, the updated Capital Improvement Plan would not have the Quint, and would reflect new revenue numbers for FY13. Since the numbers have improved since the CIP was issued, he would go back to the Pro Forma numbers. The updated CIP would also include the downtown land purchase, and the projected debt service would be \$397,200. Ms. Fitzpatrick stated that if the Town could lock in at 3% instead of 6%, it would knock out half of the interest rate in the assumption.

Mr. Rosenstock asked the timing of the proposed purchase. Mr. Davison stated that they would close in fall of 2012. He stated if the note matured in July 2014, then he would make the principal payment and bond it. Ms. Fitzpatrick stated that they have assumed

\$2.2 million. She stated that the Town expects to have \$1,212,800 cash available after paying for all the cash capital. She will have recommendations closer to the end of the fiscal year. She is considering an OPEB contribution. Mr. Zimbone stated that the Committee has not yet discussed cash capital. Ms. Fitzpatrick stated that she is assuming that all of the cash capital requests for all departments are being funded, which still would leave some cash available. Mr. Davison stated that all requests are assumed to happen. All funding that is not yet spoken for within the debt service limit is what is being considered to be still available. Mr. Rosenstock asked how much is being used for roads. Mr. Davison stated that none of the assumptions has been changed. He stated that the new authorization would bring the debt service to 3%. The Public Works Infrastructure would still be \$600,000 in FY 2014, and \$600,000 in FY 2015. Mr. Rosenstock asked if there is any contingency. Mr. Davison stated that it opens up in FY 2016. He stated that FY 2015 is still tight. Mr. Rosenstock expressed concern that this proposal would make the capital plan tighter. Ms. Fitzpatrick stated that it would substitute the truck for the land, so the situation would not be any worse. The benefit is that the truck can only be borrowed for 5 years, and the land can be borrowed for 20 years. Mr. Davison stated that everything recommended in the CIP is still being recommended. Ms. Zappala stated that it is creative because the Town gets both things.

Mr. Creem stated that he thought the Town was not interested in the Community Council parcel. Ms. Fitzpatrick stated that she had given up when she did not have \$2.2 million for the property, but when the 2nd lot came up, she regained interest. She stated that she feels the community values having the Fire Station in the downtown area, and this land is contiguous. She senses the Board of Selectmen would like to buy the land, but it depends whether there will be sufficient Free Cash to close the gap. Mr. Creem stated that the stabilization funds are important to the Town, and if there is extraordinary Free Cash in a year, the Town should make meaningful contributions to those funds. He stated that some funds are woefully underfunded, and the Town should not squander such an opportunity. Ms. Fitzpatrick stated that if the Town goes forward with the land purchase, it will have to put \$500,000 toward it. She stated that there might also be money left from FY12. Mr. Creem asked why the Town is not exploring an override. Ms. Fitzpatrick stated that there aren't enough votes on the Board of Selectmen for it. They felt getting the word out and getting the support would be a challenge since this is a complicated situation. The Board discussed whether some funding decisions were better made by Town Meeting.

Mr. Zimbone stated that the plan is to buy the lot now for use as a parking lot, but with the potential for building expansion. He asked where the Town is in that planning. Ms. Fitzpatrick stated that there will be a feasibility study in the next Five Year Capital Plan so the work would be in the next 10 years. Ms. Zappala stated that when debt capacity was used for the Senior Center, the Finance Committee felt that there was a risk that it would be taking away the opportunity to buy land for parking downtown. She thinks this is a great opportunity, but it could push the Town toward 3.25% or 3.5% debt service. She asked if the Town still wanted to buy the two smaller parcels if the large is not available. Ms. Fitzpatrick stated that they will need to discuss that.

MOVED: By Mr. Zimbone moved that the Finance Committee exit the Executive Session and adjourn at approximately 10:00 p.m. Mr. Rosenstock seconded the motion. The motion was approved unanimously with the following roll call vote: Mr. McNeill: Aye; Ms. Zappala: Mr. Rosenstock: Aye; Aye; Mr. Reilly: Aye; Mr. Borrelli: Aye; Mr. Zimbone: Aye; Mr. Creem: Aye; and Mr. Lunetta: Aye.

Respectfully submitted,

Louise Mizgerd
Executive Secretary/Financial Analyst

Approved June 12, 2013