

**Needham Finance Committee
Minutes of Meeting of August 13, 2013**

The meeting of the Finance Committee was called to order by the Chair, Richard Lunetta, at approximately 7:30 pm in the Highland Room at the Town Hall.

Present from the Finance Committee:

Richard Lunetta, Chair; John Connelly, Vice Chair

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

Also Present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Dan Matthews, Board of Selectmen

Citizen Requests

There were no requests to address the Committee.

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.

Reserve Fund Transfer Request

Ms. Fitzpatrick stated that the Town and the Board of Selectmen are requesting a transfer from the Reserve Fund for a deposit payment for the property located at 66-70 Chestnut Street. The property covers almost 0.6 acres, and is adjacent to the Police Station and the Chestnut St. parking lot. The Town plans to purchase the land through a fall Special Town Meeting appropriation, and to include this property in the Facilities Master Plan. Thus, there is currently no specific plan for the property, but it would be useful for a possible expansion of the Public Safety Building, or to be used for swing space for Police and Fire Departments or for the Schools. The property purchase price is \$1.5 million. The Reserve Fund Transfer request is for \$75,000 for the deposit. An additional Town Meeting appropriation of \$1.53 million would be needed for closing costs and contingency.

Mr. Davison distributed a spreadsheet showing how this property purchase would be managed within the 3% debt service limit. Mr. Davison stated that the School Department recently informed him that they may need to request funding for modular units at the Mitchell School, which was not included in this analysis. He stated that otherwise, this spreadsheet is an update to last year's facilities report, with several changes. This analysis includes a \$1.6 million land purchase for the Chestnut Street property, with a borrowing rate of 6%. It includes projects that are in the Capital Improvement Plan for FY15-FY18 but not yet approved. In addition, the interest rate assumption for future roads projects has been increased from 6% to 7%, although 6% is being used for projects that are already approved but not bonded. The assumed funding level for roads stays the same. The same projects that are in the CIP and approved are included

in the current analysis. Mr. Davison stated that he also included \$800,000 debt for a Lincoln St. property being considered. He stated that everything fits within the 3% limit. He stated that FY15, FY16 and FY17 are tight but that he expects interest rates to be more favorable than assumed. Also, he has not removed projects which are finished but are not formally closed out. There is some borrowing capacity that will not be used, but is still being assumed as borrowed in the analysis.

Mr. Matthews stated that the 66-70 Chestnut Street property is one property among a group of properties that the Selectmen were seeking in the area. He stated that this chance to buy the property is a good opportunity since the price is reasonable and interest rates are favorable. Mr. Connelly asked about the amount of the appraisal and whether environmental issues have been considered. Ms. Fitzpatrick stated that the appraisal was \$1.2 million. She stated that an environmental review has not been done, but that there is a due diligence clause in the purchase and sale agreement. She stated that there is an oil tank on the property that was installed in the 1990s, and that further evaluation will be done as part of the facilities master plan study. Mr. Zimbone asked if the master plan could be sped up so that information could be available at Town Meeting. Ms. Fitzpatrick stated that the RFP is still being prepared, but that the Town has considered many options for the property in the future including selling. She stated that the \$75,000 deposit is refundable. Mr. Reilly asked if there were ways to legally reimburse the Reserve Fund, since he would prefer to keep the Fund whole. Ms. Fitzpatrick stated that some of the free cash could be appropriated to the Reserve Fund. Mr. Davison stated that any new money available at Town Meeting will be suggested to be appropriated to the Reserve Fund. Ms. Zappala suggested considering using free cash for the land purchase since it is arguably an extraordinary purchase. Although the general policy is to use debt for land, there is a premium for taking on the debt. Ms. Fitzpatrick stated that if the warrant identifies the funding source as debt, it can be changed to free cash later. Mr. Davison stated if free cash is not certified by the fall for Town Meeting, then there will need to be temporary financing. The financial software conversion is causing a challenge.

Mr. Creem asked if there would be tenants on the property. Ms. Fitzpatrick stated that the current tenants are at-will, and that the Town will not accept land with tenants on it. Mr. Lunetta stated that it is important to show some viable options for using the land to present a clear case to Town Meeting. Mr. Reilly stated that it will also be important to justify the 25% premium of paying \$1.5 million for a property assessed at \$1.2 million.

MOVED: By Mr. Zimbone that the Finance Committee approved the request for a transfer from the Reserve Fund to the Board of Selectmen budget in the amount of \$75,000. Mr. Connelly seconded the motion. The motion was approved by a vote of 6-0.

Solar Photovoltaic Project

Mr. Zimbone stated that there was a meeting of the Solar Energy Exploratory Committee with the consultant to discuss the solar power project proposed to be sited at the RTS. He stated that he was impressed with the consultant. The goals for the fall Special Town Meeting are to amend the zoning by-law to allow the project, and to get authorization for the Town to enter into long-term contracts to lease the land, and to enter into a power purchase agreement and a tax agreement. Ms. Fitzpatrick stated that Chapter 25 allows the Town to enter into an agreement

for payment in lieu of taxes. It is better for developers to have a known cost. Mr. Zimbone stated that the contract will lease the land to the company which will design, build, and maintain the facility, with some oversight by the Town. The Town will get revenue through the power purchase agreement. He stated that the project schedule has been changed to allow sufficient time to get ready for Town Meeting. Mr. Zimbone stated that there are still issues of who will garner the benefit of the project between the Town and the Enterprise Fund. Ms. Fitzpatrick stated that the company also needs to benefit. In response to a question from Mr. Lunetta, Mr. Zimbone stated that the projections for power to be generated are realistic, and that the Town would be the sole recipient of the power. Mr. Reilly stated that he would like to know the critical financial assumptions made in the projections, and the potential pitfalls along the way. Mr. Connelly stated that he supports the project, but thinks the time frame is too tight which could jeopardize the project.

Mr. Zimbone stated that the RFP will be broad to allow developers to propose different options for lease payments and power purchase agreements. He stated that the different bids should allow the Town to consider more options. Ms. Zappala stated that there are some technical issues that need to be considered. Mr. Connelly stated that the SEEC is not keeping the residents informed, and he is concerned whether this will be ready for Town Meeting. He asked if there is a reason not to wait until May. Mr. Zimbone acknowledged that it is an ambitious schedule, and stated that the fall provides a window of opportunity to get into the public queue with NStar, which may not be possible in May.

Adjourn

MOVED: By Mr. Zimbone that the Finance Committee meeting be adjourned, there being no further business. Ms. Zappala seconded the motion. The motion was approved by a vote of 6-0, at approximately 8:22 p.m.

Documents: Reserve Fund Transfer Request dated 8/13/13; General Fund Debt Service recap spreadsheet dated August 12, 2013.

Respectfully submitted,

Louise Mizgerd,
Executive Secretary/Staff Analyst

Approved September 11, 2013