

EXECUTIVE SESSION
Needham Finance Committee
Minutes of Meeting of March 21, 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 8:15 pm in the Selectmen's Chambers, at the Town Hall.

Present from the Finance Committee:

Matthew Borrelli, Chair; Richard Reilly, Vice Chair

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

Also Present:

Moe Handel, Chair, Board of Selectmen

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Director of Finance

Real Property

Ms. Fitzpatrick stated that the Town has submitted an offer to purchase 59 Lincoln Street and 89 School Street for the prices that the owner purchased them in 2008 and 2010, which is \$525,000 each, which is slightly less than the amount authorized by the Board of Selectmen. Ms. Fitzpatrick stated that she is seeking \$1.075 million for the purchase, and to do site and drainage work for an additional \$125,000. She stated she had already come to the Finance Committee to discuss the possibility of borrowing to pay for the land, and paying cash for the fire truck. That would require amending the article regarding the fire truck to change the funding source. She stated that there would be a gain of approximately 32 spaces on one parcel. The purpose for the property purchase would be to relieve congestion downtown, and to provide additional parking for the Police and Fire Station. The property could also be used for short-term public parking. She stated that they do not expect to convey the property until about one year from now. She stated that the Town is planning to all the site work at the same time for economies of scale. In response to a question from Mr. Zimbone, Ms. Fitzpatrick stated that there are no underground oil tanks, and that the properties have been residences since the zoning laws took effect in the 1920s.

Mr. Creem stated that he would prefer not to shift the fire truck from debt financing to cash capital. He stated that the fire truck is something that must be replaced on a cycle, and cash capital is intended for one-time needs. He asked if there was any possibility of borrowing for this purchase within the 3% debt policy without shifting the financing of the fire truck. Mr. Davison stated that it is possible, especially since the time of the actual purchase is being pushed out. Ms. Fitzpatrick stated that that has not been authorized by the Board of Selectmen. She stated that the Board is concerned with using the 3% debt capacity. Mr. Creem stated that he is concerned with whether the Town is adequately funding its reserves.

Ms. Fitzpatrick stated that the owners are not seeking a deposit. They would plan to pass papers in January 2013. She stated that the Town does not want to take possession until they are ready to take down the buildings. Mr. Zimbone asked if there was still hope to obtain the Community Council property. Ms. Fitzpatrick stated that the other parties have signed a Purchase and Sale agreement. If a problem arises, it could fall through. Mr. Zimbone asked how to address Mr. Creem's concern. Ms. Fitzpatrick stated that if the fire truck is considered a recurring item, then it would be financed over 5 years. She stated that the issue is whether borrowing the amount over 20 years, which would be the time for borrowing for the land purchase, would impact the next fire truck purchase. She stated that the Town is always freeing up debt capacity, so everything should work out. Mr. Zimbone stated that if another property comes up, the Town will be in the same position. He asked if both items could be financed within the 3% limit. Ms. Fitzpatrick stated that if the Community Council property does become available, it would not be easy. She stated that the Town would retain more flexibility if it buys the fire truck with cash. She stated that have the structure to fit it in now because interest rates and property values are low. Mr. Handel stated that there may also be other opportune properties in the same block that could come up. He feels it would make sense to retain flexibility.

Mr. Davison stated that he would consider the fire truck to be a non-recurring expense. The proposal is to do a debt swap: the \$750,000 is paid for within cash capital, and not borrowed. The issue is about flexibility. If less is borrowed within the 3% debt limit, then there is more available in the future. Ms. Zappala stated that she is not sure if an additional \$750,000 would be needed for the Town's reserves, although she stated that the Committee may need to discuss that in the open session. Mr. Creem stated that this is an extraordinary free cash year, and his modus operandi is to put the additional money into reserves in a year like this. Ms. Zappala stated that the right way to finance this is to borrow for two years, and we does not want to do it differently just for principle. Mr. Lunetta stated that he would support the plan to purchase of the truck with cash and to borrow for the property. Mr. Creem stated that he supports the fire truck purchase, but not the financing. Mr. Zimbone asked for some perspective of whether additional properties in the area will become available in the next few years. Ms. Fitzpatrick stated that there is a modest chance that the Community Council building will sell available again. She thinks other properties may come up after several years. She noted that expansion of the Police and Fire Station is in the Facilities Master Plan. Ms. Zappala stated that she supports using cash capital for the fire truck and borrowing for the property. Mr. McNeill also supported the plan.

MOVED: By Mr. Lunetta moved that the Finance Committee exit the Executive Session at approximately 8:42 p.m. Ms. Zappala seconded the motion. The motion was approved unanimously with the following roll call vote: Mr. McNeill: Aye; Ms. Zappala: Aye; Mr. Borrelli: Aye; Mr. Zimbone: Aye; Mr. Creem: Aye; Mr. Lunetta: Aye.

Respectfully submitted,

Louise Mizgerd
Executive Secretary/Financial Analyst

Approved June 12, 2013