



## PRUDENTIAL COMMITTEE FIRE DISTRICT #2

20 Woodbridge Street, South Hadley, MA 01075  
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### March 29, 2018 REGULAR MONTHLY MEETING

Convened: 6:30 p.m.

Adjourned: 7:30 p.m.

Present:

Prudential Committee Chair: Kenneth McKenna

Members: Richard Constant and Robert Lak

South Hadley District #2: Fire Chief Scott Brady

Treasurer Barbara Miller

Others Present:

Ryan Moore

Michael Cote

Mike O'Neill

Jim Menard

Todd Calkins

Janice DeToma

Meeting called to order by Chairman McKenna

Payroll and Vendor Warrants were reviewed by R. Lak and R. Constant. Per Sections 57-58 of the Municipal Modernization Act and PC vote of 12/15/2016 warrants were previously approved by K. McKenna PC Chair.

#### **PC Chair Report and Discussion Items**

Chairman McKenna stated that the purpose of the meeting was to discuss potential funding options for a new ambulance. Stating that, upon approval at Annual District Meeting, there will be an annual gift from Mount Holyoke College of \$20,000 each year for 10 years toward that purchase. He indicated that attendees would be provided a few minutes at the beginning of this meeting for comments, adding that the remainder of the discussion would be limited to the Prudential Committee members and the Treasurer. Chief Brady started to ask about the Treasurer proposal spreadsheet. B. Miller interrupted him stating that this was the first time the PC members had seen the proposal and that she would be explaining it later in the meeting. Chief Brady continued, stating that he wished to express a request that the Annual District Meeting warrant articles include a new engine, refurbish E2, a new ambulance, retro A1 and a new utility vehicle. Ken asked if there were any other comments, when no one spoke he asked the Treasurer if she wished to speak. B. Miller stated that she wished to explain the proposal that was provided to the PC members. She stated that based on information she had gleaned from prior PC meetings the needs of the Fire Department include: Ambulance Purchase \$250,000, retro A1 \$25,000, Refurbish E2 to replace E4 \$150,000 and a new fire truck \$650,000. The current available funds include \$50,000 in Ambulance Receipts Reserved for Appropriation and \$501,498 in Fire Vehicle Stabilization. She stated that she proposes using \$25,000 from ambulance receipts reserved for replacement to retro A1 and \$150,000 of Fire Vehicle Stabilization funds to refurbish E2. She further proposes the use of \$25,000 from Ambulance Reserves and \$335,000 from Fire Vehicle Stabilization and a borrowing through State House Notes of \$520,000 with a 15-year repayment for the purchase of an ambulance and fire truck. She provided two payment schedules: Level Debt with payments ranging from \$46,200 to \$49,000 or Equal Principal with

payments from \$55,800 down to \$31,200. R Lak stated that he was of the impression that the PC was recommending an ambulance purchase and asked if they were now looking at doing more. B. Miller responded that this was a proposal strictly from her because she thought it was important that the PC members look at all possibilities. Stating that she felt considerations of all possibilities should include a possibility for funding all the needs which have been expressed by the Fire Chief. B. Miller stated that if the PC decided to go this route she recommended the Equal Principal with declining payments. Her proposal broke the payment plan into five-year increments:

- First five years: \$20,000 annual ambulance gift payments from MHC combined with \$5,000 from ambulance receipts and the remaining (\$30,800 to \$25,200) from taxation
- Second five years: \$20,000 annual ambulance gift payments from MHC and the remaining (\$28,800 to \$23,200) from taxation
- Final five years: Entire payment funded through taxation. By this point the building bond will have been paid off.

B. Miller stated that she felt this was the best way to guarantee the entire \$200,000 from MHC would be used toward funding the ambulance and it meets the current needs of the fire department and leaves a balance of \$146,000 in the Vehicle Stabilization account. She stated that she had also provided the PC members with payment schedules for a \$200,000 bond with a five-year repayment if they choose to fund only an ambulance. Again, there are the two options: Level Debt with payments from \$44,000 down to \$43,260 and Equal Principal with payments ranging from 41,200 to 46,000. R. Constant asked for an explanation of the difference. B. Miller stated that Level Debt keeps the annual payments at approximately equal amounts and the principal portion of the payment increases over time while the interest portion decreases. With Equal Principal payments the principal portion of the payment is the same each year and the interest portion goes down over time. In longer term borrowing the Equal Principal payment saves money but the payments are higher in the beginning. In the case of the five-year term for the ambulance, there is very little difference in the total amount of interest. B. Miller stated T. Calkins had provided lease to own options obtained from the ambulance company; the interest rates are higher than those projected for State House Notes and she wasn't recommending that option. R. Constant stated that he does not want the purchase of the ambulance married to a fire truck; he doesn't want it to fail at District meeting and risk losing the \$200,000 from MHC. R. Lak stated the he agreed and suggested we can start up talks with MHC regarding a fire truck. R. Constant asked the Treasurer which of the \$200,000 bond options she recommended. B. Miller recommended the level debt option in this scenario because the amount of additional interest is negligible and the payment amounts being nearly the same each year is helpful. K. McKenna stated that he took into consideration the statements made at a previous meeting that funding the ambulance should not include any tax dollars. He further stated that the current MHC gift agreement for \$20,000 is up in 2020 and there are signs that it will be favorably considered for renegotiation. He said that combining that annual \$20,000 with the \$20,000 annually MHC has offered for an ambulance nearly covers the bond payment each year and the remaining amount can come from Ambulance Receipts Reserved for Appropriation. K. McKenna stated that the last five-year ambulance bond had worked well. He asked the Treasurer for the bond payments schedule if the entire \$250,000 were borrowed. B. Miller went to her office to get the information, retuning with an equal principal, five-year debt schedule with payments from \$58,750 down to \$51,750. K. McKenna stated that he had considered 5% projected annual increase in ambulance receipts when considering how to cover the payments. He expressed concern with the idea of putting everything together. He stated that looking forward there are many needs coming up. He looked to T. Calkins for confirmation that the fire department is purchasing hose from the current budget, T. Calkins acknowledge that he was correct. R. Lak stated that his only stipulation would be that the \$20,000 from MHC, in years six thru ten of the new agreement, is put into ambulance. He further stated concerns that using the current MHC annual \$20,000 gift, which has previously been used to purchase equipment, will ultimately increase the tax rate since

the MHC money for equipment will no longer be available. K. McKenna stated that ambulance receipts with projected increases should cover the debt adding that line items 5432 and 5441 in the budget provide some funding for equipment.

R. Lak made a motion to add a warrant article to use \$50,000 from the Ambulance Receipts Reserved for Appropriation (Fund 257) and to borrow \$200,000 for the purpose of purchasing a new ambulance. Second by R. Constant. Vote unanimous.

R. Constant asked if the Vehicle Stabilization account was specific to fire vehicles. B. Miller explained that, as she understood it, there was a verbal agreement at the time the ambulance was discussed on the floor that taxation would not be used to fund the ambulance. R. Lak agreed. R. Constant stated that he felt that had been an unreasonable expectation, being that the same employees perform both duties. R. Lak said that he felt we should continue our efforts to separate. K. McKenna said he felt it was more of an accounting thing, further stating that most ambulance services don't make money. F. DeToma stated that his memory is that there was a strong feeling, then, that the ambulance should be self-funded but that he is not sure how strong those feelings are now. He suggested bringing it to the voters and explaining how difficult it is. K. McKenna stated that most ambulances run at a 60% collection rate, ours is currently 73% which is extremely good. R. Lak said the reason he thinks it's important, is that, the ambulance wouldn't have happened without that understanding.

Minutes of March 6, 2018, approved as presented. Motion to approve the minutes made by R. Constant, second by R. Lak.; the motion passed unanimously.

- The next regular District meeting will be April 9<sup>th</sup> at 6:00 p.m.

Respectfully submitted,

Barbara Miller, Treasurer

Minutes approved \_\_\_\_\_