

SPECIAL SELECT BOARD MEETING

November 19, 2020 5:00PM

(Eliot Town Hall)

Quorum noted

A. 5:30 PM: Meeting called to order by Chairperson Donhauser.

B. Roll Call: Mr. Donhauser, Mr. Lytle, Mr. McPherson, and Mr. Widi.

Absent: Mr. Orestis (excused). Also absent was the Town Manager.

C. Pledge of Allegiance recited

D. Moment of Silence observed

E. Public Comment:

There was no public comment.

F. Approval of Minutes of Previous Meeting(s)

Minutes were not approved tonight.

G. Department Head/Committee Reports

5:02 PM 1) Fire Department Discussion: New Fire Truck

Chief Muzeroll said that he wouldn't read his memo and added that this is just a background conversation about what's going on and we've worked a couple of years, hard, to try to specify a firetruck that will meet the Town's needs for the future. One of the issues is that it is going to come at a greater cost than what we anticipated. I've tried to budget over the last several years; our goal plan to keep the cost down for this vehicle. We are in the final stages of crunching numbers and it is still going to be around a \$600,000 fire truck. A huge amount of money. Thankfully, the Town has been supportive over the years for capital improvement plan, or reserve plan, for fire trucks but, as you'll in the letters here, we have some funding alternatives according to some conversations with me and the Treasurer and the Town Manager; that you may want to look hard at a lease/purchase option, with a certain amount of money down and finance the rest of the package over a 3-, 4-, or 5-year period. Probably a 5-year period and that may be dependent on how much money we want to put down. One of the things that is still out in the black hole somewhere is how much we would gain by paying, let's say, 80% of a \$600,000 truck. Figures I've received today put the savings at about \$12,000, or 2%, on anything that we would put down. So, if you look at the funding alternatives in the memo and what Mr. Miles and I have discussed is, if we put 80% down on a \$600,000 truck, that means we would be writing a check

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at the purchase and sales agreement meeting for \$480,000 and, at that point, looking to lease/purchase the rest of the vehicle for \$120,000 for a period of time that makes sense. Interest rates are way low right now across the board and, if we want to look to the future on how we maintain our goals for future purchases and still maintain the reserve account I think it makes sense, and Mr. Miles agrees, that we give a certain amount of money up-front, get the discounts that are available to us, continue to fund the capital improvement plan (CIP), or the reserve account for fire trucks, with the same current dollar amount. It would yet to be determined whether we would reduce the amount for the lease/purchase amount on that reserve request, or not. From a bookkeeping point of view, if you have a line item for 5 years and, just for general figures, it is worth \$50,000/year for five years, at least you know that, in the budget process, that that's not going to fluctuate. That would be a standard payment schedule, just like it would be for a car payment, over the course of the term of the lease agreement.

5:05 PM Chief Muzeroll said that I don't want to get too far ahead but we are looking to replace another truck in probably 7 or 8 years. In 2027, it should be going out for specifications and purchase and, if we're using the current rate of appreciation, rather than depreciation, at about a 4% to 5% increase every year, we're looking at the next truck purchase of about \$800,000. There's not much I can do about that; that those are the facts. So, in order to continue to meet some sort of CIP goal for the fire truck replacements, which need to be replaced at the 25-year mark, this gives us the opportunity to balance our books, so to speak. I'm not a finance guy, and some people have a better understanding of it, but to me, if I crunch the numbers, and I've done it with Mr. Miles, it would make sense, and it does financially for the community, to do some sort of a lease/purchase plan. We certainly have the opportunity to buy the truck outright. We currently have \$546,000 in the reserve and, at the end of this fiscal year, there will be another \$125,000 into that. So, if you look at the figures, we take \$480,000 out of that total reserve, leaving us a balance of...if we bought it outright, it would leave a balance of \$71,000. If we do not do a lease/purchase agreement, it would be that \$671,000 minus \$480,000. Then, we would still fund the reserve account for the fire truck. Are there any questions.

5:07 PM Mr. Donhauser asked if, on the lease arrangement, is there a pre-pay penalty.

Chief Muzeroll said that there is no pre-pay penalty as far as I'm aware. I don't believe that there is but I haven't asked that question. I'm dealing with three prime municipal leasing vendors. Two are private equity firms and one is through a bank. Private equity firms seem to be more user-friendly for municipal leases at this point. It hasn't come up in conversation but I can certainly ask.

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5:08 PM Mr. Donhauser said that the current truck that we have will be disposed of in some manner, which precipitated the question about the pre-payment because, we sell it for any amount of money, we could apply that to the lease.

Chief Muzeroll discussed what happened today. I asked the manufacturer that we've been primarily dealing with if they were willing to take a trade. They came back with an offer of \$25,000 for that truck when the new truck drives in the station. That \$25,000 would actually be, that cash value for that truck all things considered, taken from the initial cost of the purchase & sales agreement. In this case, the truck is going to be about \$624,000, minus the \$25,000 trade-in cash value, which means we would be looking at about \$599,000 when all the signatures are on the piece of paper.

5:10 PM Mr. Widi asked how long it takes to get \$600,000 in the account.

Chief Muzeroll said that, currently, we're putting in reserve \$125,000/year. It was a little less than that a few years ago but we saw the need to increase that based on our projections of two more trucks. This may help adjustment of figures to reduce the amount that would be a capital request in line with what you're required to pay on a yearly basis.

Mr. Widi said, looking at Option #1 where you put \$300,000 down, and I calculate it so that if we did it in a 3-year term, it would add \$21,000 to the cost; in 4 years, it would add \$26,000 and, in 5 years, it would add only \$30,000 to the cost but we'd have 5 years of flexibility as far as getting any money for the next truck.

5:11 PM Chief Muzeroll said that that was correct. Certainly, they're not doing this for free, no matter who you do it for; so, there is going to be an interest factor on top of whatever the agreed amount is that you are going to put down. I do not recommend the full purchase price when you sign the purchase & sales agreement. You hold at least 20%, sometimes 50%, for performance at the end. I will say that performance bonds and inspections are already factored into the price.

Mr. Donhauser asked what the life of the truck we are purchasing would be.

Chief Muzeroll said 25 years.

Mr. Widi said that I was thinking \$30,000 was reasonably cheap to get 5 years of flexibility and make sure we have the money for the next one, especially if the price is going to keep going up.

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5:12 PM Chief Muzeroll said that that's correct. We don't have a lot of say on the escalation of pricing for goods. Fire trucks seem to be escalating a little bit greater than a loaf of bread. The worst-case scenario is 5% and our best-case scenario may be 3%. There's some flexibility as to what the economy is actually going to do. I will tell you that two of the people I have dealt with in the leasing companies recommend, for small municipalities such as us, that you consider a master lease schedule. You apply once. You go through all the paperwork once and, if you want to add other capital items, or asset items, in the future, whether you want to buy a dump truck, a fleet of cruisers, or public safety equipment, you can add that to the lease schedule and negotiate an addendum to the lease without having to go through that whole process again. So, I know we all wrestle with that departmentally; that people have got big expenses. So that's just a little something that we never really think about in what the flexibility of leases may do.

5:13 PM Mr. Widi said that the CIP is obviously just sitting there earning some interest. Do you know what that is now.

Chief Muzeroll said that I think Mr. Miles just smiled and said that, basically, we're getting no real return on our money. I am waiting for another vendor (manufacturer) to get back to me with prices. I think they may price themselves right out of consideration. But I don't want people to think that we've focused on one truck and not doing what we think is in the best interests of this community. There are no bells and whistles on this truck. We have kept everything to the minimum that we possibly can. Some of the driving factors are how the manufacturers are now required to create a response shell for protection of the crew in the vehicle as opposed to a commercial chassis where it's basically designed to protect the driver. It doesn't necessarily have the roll-over or safety stuff that's involved for crew protection responding to and from the scene. Electronics are making quite a lot of difference and, for as much as I'm an environmentalist, control issues and mission control issues on today's diesel engines have driven the cost up, as well, as opposed to the last fire truck that we bought. So, there's a number of moving parts to this whole thing. I think I said at the end of that that I would probably like to come with a little bit more focused workshop and maybe have our representative from a company that we would like to deal with here with me to talk about specifics. We're looking at least a year out from the day we would sign the purchase & sales agreement before we'll have a new truck in the door. So, when you take a look at these lease payments, the payment schedule, the first lease payment would not be due until July 15, 2022. That's 18 months and gives you a little bit of time to think about how things will move forward, financially, for the community and let things settle out at that point.

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5:16 PM Mr. Donhauser asked if we are replacing a truck for a truck; that I'm not sure what it is.

Chief Muzeroll said that it's a pumper. We are replacing a pumper truck with a pumper truck. We're replacing a 1996 commercial chassis with a new vehicle.

Mr. Donhauser asked if it would be better if we had a bigger truck or different type of truck. Do we need that specific type of truck.

Chief Muzeroll said that one of the factors that comes in to the purchase of a truck is how it affects the Town's insurance rating, as to what you have for a truck, what the capabilities of those trucks are, and factor in a whole bunch of things – water supply, training, the whole nine yards. We worked hard in the last few years to reduce our fire rating, which is a cost-savings to everybody in the Town. If we move to something that would not meet those requirements for not only operational control but for things that ISO (Insurance Service Office) looks at when they do a data capture, I don't think it would be a smart move for us and the community to look in a direction where it would not meet those requirements.

5:18 PM Mr. Donhauser asked if the new truck required fewer people.

Chief Muzeroll said that the new truck will be pretty much a more modern version; that it is a 6-man cab - driver, officer, and 4 firefighters – and the way the rules are in fire suppression tactics, right now, everybody's a team. Everybody works as a team to two. I realize that you have heard me say this, year-in and year-out, that we have a manpower shortage but we still need to live by those safety rules. So, the more people I can get on-scene, in one vehicle, at the scene of the emergency, the better off we're going to be. Those other vehicles that are in the station are adjunct vehicles. It may be a water supply vehicle; that both of them would actually be a water-supply vehicle, and also would be a supplemental equipment and power resource.

5:19 PM Mr. Donhauser said that we are in very close proximity to Kittery and South Berwick and the question always comes up whether we could share that resource. In other words, if necessary, could we buy a bigger truck with more equipment and have South Berwick or Kittery participate. Because you do mutual aid for them.

Chief Muzeroll said that that's correct. Here's my take on that. We have a good relationship with the four communities that touch our borders. We all have similar equipment. We all have similar needs. We all have similar fires. The one thing that they have that I don't have, that I utilize all the time, is a ladder truck. That's a \$2 million piece of equipment that this Town does not need to use, plus

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Portsmouth Naval Shipyard has plenty of equipment. We are not driving the replacement of this vehicle to support the other communities. We are driving the replacement of this vehicle to support our current and future needs of the community. As we continue to grow, whether we like it or not, residentially and commercially this will fit into that as well as the replacement of another truck in 2028 to be pretty much duplicate trucks. They may look a little different but their capacities will be about the same. Consolidation, regionalism, has been batted around for quite a while and, without getting into the politics of that, it just does not seem to work.

5:20 PM Mr. McPherson said that, according to your numbers, here, we have over 300 calls for service in our own Town, never mind combining those with numbers from other towns.

Chief Muzeroll said that that is correct. Calls for service are a big thing, now. I address it minimally in here but when these trucks go to a fire, we can't guarantee what the water supply is going to be like when we're applying water to a big fire or little fire; that it does take its toll mechanically over a period of time. Then we start weighing the cost of a truck that is borderline-capable does not make a lot of sense on a 25-year-old truck. We can dump \$25,000 into a truck to make it almost brand-new but it's still a 25-year-old truck and getting parts for those 25-year-old trucks is not guaranteed.

5:21 PM Mr. Donhauser asked how many miles are on the truck.

Chief Muzeroll said that they are low mileage. Their hours are up because they are out. Right now, I think this truck is around the 18,000-mile marker. Engine hours, or comp hours, are right up there. There's really no correlation to that. We have a pretty good maintenance program but things wear out.

5:22 PM Mr. Donhauser asked, with a new truck, do you replace all the hoses, etc.

Chief Muzeroll said no; and that's one of the things that we did that some communities don't do. We have a program where we test the pumps, the ladders, the hose, and equipment on a yearly basis. Almost everything but the pump on this one is questionable and I'm looking to, when that new truck arrives, we're going to strip everything off the old truck and it goes out the door pretty much naked.

Mr. Donhauser asked if it comes prepared with all the lights and everything.

Chief Muzeroll said yes, it's ready to go. The only thing you need to do is put equipment and water on it and turn the key.

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5:23 PM Mr. Lytle asked what a new pump cost for that truck.

Chief Muzeroll said that he got a price on that. We're looking at a \$30,000 to \$35,000 price range. That truck, the way it's designed – the chassis - you pretty much have to disassemble the whole truck in order to re-build the truck. Refurbishing the truck was something we thought about over the last year but then, when I started to look at getting parts and what's available, and the major thing for me is crew safety responding to and from the scene, updated components I don't think is a good investment. With this truck right now, it's age particularly, it's not a good idea to invest in a refurb. If it was 10 years old and the pump was failing, then at that point it would certainly deserve consideration.

Mr. Lytle asked what his plan was for it once he gets done with it.

Chief Muzeroll said that I'm going to trade it. The representative company that we are looking to deal with has offered us \$25,000 for that truck. That's \$25,000 for that truck 18 months from now, that price is going to hold. I've looked across the nation for services that sell trucks at about the same age and the most anybody is getting out of it is about \$15,000 to \$16,000. I want to assure you that we are not playing a shell game with the representatives here. It's not a car-salesman-type thing to the best of my knowledge. That's just what it is; that they are going to give us \$25,000 and they drive it away.

5:26 PM Chief Muzeroll said that I'm hoping to come back December 10th with some final figures. We may not be able to sign a purchase & sales agreement then. But I'm going to send it to the SB and make it available elsewhere, I guess, a presentation that I went through the other day from a major municipal lease company. They have about a 15-minute slide show that explains municipal leases, and the advantages. It's pretty informative. It raises some questions. I will ask the question about pre-payment penalties.

Mr. McPherson said that we have another meeting after the 10th but, obviously, in your last page it says the price of that truck goes up \$30,000 after December 31st.

It was clarified that there would not be another meeting in December because of Christmas.

Chief Muzeroll said that all trucks, at the stroke of midnight and no matter who you buy from, are going to go 4% to 5% more. \$30,000 doesn't sound like a lot but it's still \$30,000. That's twice, actually, what you would be saving on the pre-pay.

5:27 PM Mr. Lytle said that you are looking to buy a new one, not renting.

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Chief Muzeroll said we are looking to buy a new one. The way that this lease works, generally, it is just like a lease when you lease a car. You own it, you're responsible for the maintenance. The title is in your name, with a lienholder, just like it would be with a bank or a car finance company. So, you're responsible for everything, from insurance to tire pressure. To clarify, I want to lease/purchase it. I want to put so much money down and, even though it's not considered a loan, you are borrowing the rest of the money from a municipal leasing agency and they pay the manufacturer up front. You are paying the lease agency; you're not paying the manufacturer.

Mr. Lytle said that you are going to do this before the end of December.

Chief Muzeroll said that I would like to. I tried to convince some people to hold it until February 1st and it was an absolute no. So, today's price is the final thing right here that I just got an email a few minutes ago on. Today's price, including the \$25,000 trade-in and all inspections and performance bond, is \$599,523. That's through the door and giving them our other truck. Just to let you know, if we pay 80% of that, up front, it's \$11,867 in savings. If we pay 50% up front, it would be \$7,400 in savings.

5:29 PM

Mr. (Jim) Tessier, Johnson Lane, said that I want to make it clear that I am not representing the Budget Committee but, as a member of the Budget Committee, I wanted to express a couple of thoughts concerning the capital improvement process. Last year we were provided a one-page sheet during the budget process that had very little information. It doesn't have a breakdown of the various fire trucks or a breakdown of how much money is in the various reserve accounts. The Budget Committee raised the issue that this was a real step backwards with this one-page sheet from what was previously provided, which were multi-page sheets and had all the various components of all the trucks in the different departments. After the Budget Committee raised those concerns, two members from the Budget Committee, Mr. Donhauser, and the Town Manager met and agreed on what we felt was a more appropriate capital improvement program that actually looked at the various pieces of equipment. The Town Manager came up with a sheet that was presented to the Budget Committee in that small committee group. It was not part of the budget book presented to us initially but it was a pretty accurate breakdown because the Treasurer put a lot of time looking into these figures. If we look at the truck the Chief is talking about right now, in this more detailed sheet, they have an approximate replacement cost of \$425,000. So, we're looking at \$175,000 more than what we have here and, then, what they indicated they have in the reserve account for this particular truck was \$352,000. So, basically, we need another \$250,000 on top of what's in the reserve account. The second truck the Chief talked about tonight, with a replacement cost of about \$800,000, has only about \$50,000 in that reserve account. To let you know why the Budget

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Committee was so concerned when we got this sheet, it doesn't have any kind of detail. We can't look at this and come to any conclusions on what is in the various accounts and how much needs to be available when a new vehicle is required and how much we need to save each year. With this sheet, we are relying on the best estimates we can on what the replacement costs are going to be 20 years out, which is obviously a difficult thing, but at least it's giving us pretty good numbers to work with and I appreciate it. My personal feeling, as a member of the Budget Committee, is that it's going to be important to spend some time looking at the new schedule for the next budget cycle.

5:32 PM Mr. Donhauser asked, regarding the sheet, if the \$125,000 for the fire truck reserve account in there for this year.

Mr. Tessier said that the total for the Fire Department was \$221,000 added to the reserve for all of the different fire components. There was \$60,000 for the pumper truck, also listing out other amounts for various vehicles, so there was \$125,000 just for the trucks.

Mr. Donhauser asked, if in Mr. Tessier's opinion, adding \$125,000/year to the reserve is sufficient.

5:33 PM Mr. Tessier said that I think those were very good numbers when we were looking at a replacement cost of \$425,000 for one and \$420,000 for the other. Now, if we're looking at replacement costs of \$600,000 and \$800,000, I don't think those numbers are very adequate. But it's so much easier seeing that kind of detail when you have a sheet that looks like 'this'. I wouldn't have a clue where we stood looking at what was given to us last year.

5:34 PM Chief Muzeroll said that we do the best we can to predict costs of fire trucks. As a department head, I will take some responsibility for not thoroughly understanding how much the trucks were going to go up. So, it was the best-guess scenario. I will say, and it is part of Mr. Tessier's concern and I agree with him, is that it is hard to plan when you don't know what the figures are going to be. So, change in attitudes, or change in finance attitudes more than anything else, based on the increase or the unprojected cost increase of a piece of equipment, is driving us to think in a different financial situation that will satisfy both the current need and the future need and, in this case, the concern of the people that are taking a look at how we're going to pay for things in the future. Yes, there's a shortfall but there's not much I can do about that. The figures I presented to you in the paper tonight from the Treasurer, as to what's there and what will be there and then what we'll do with that money, will be up to the SB, Treasurer, and Town Manager to decide. I will tell you that, quite honestly, up until a couple months ago, I really hadn't given lease/purchase much of a thought until I sat down with somebody

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who is a little bit better with figures than I am, and a couple other Chiefs that have been doing it for the last several years. That it may make a little bit better sound decision rather than depleting all of your reserve fund in on purchase and, then, trying to make up for it over the projected, unprojected in this case, costs in the future.

5:36 PM Mr. Donhauser agreed. And interest rates are low.

Mr. Tessier said that I want to make it clear to the Chief that I'm not trying to be critical of his estimates and what he's done in the past. I am being a little bit critical of not having the best...I guess the capital improvement program isn't worth squat unless you get good heads together and get good estimates from the Chief and talk about how to set up reserve accounts. I really appreciate the fact that you are looking at different options, like the lease/purchase. But, in my opinion, we need to be having a detail like 'this' and it being looked at each year, so, when you have this kind of detail, the Chief may look at it and realize we can't get that truck for \$425,000, anymore, it's got to be \$550,000, or some other number. So, we need to adjust the schedule each year based on the best information we have for the actual replacement cost. It may be that we need to replace it a year early or it might last two years longer and those things get factored in because we don't want to have more money in here than we need but we do want to have close to the right amount. The more detail we have in this plan, the better off that we are, and better off for the whole Town.

5:37 PM Mr. McPherson said that this should apply to all departments, with their equipment needs.

5:38 PM Mr. Donhauser said that we will cover the remaining items on tonight's agenda at our next meeting.

H. Administrative Department

- ___ PM**
- 1) Town Manager Report(s)**
 - 2) Pay Adjustments/COLA 2021/2022 Discussion**
 - 3) Earned Paid Leave**
 - 4) TIF Project Update/CWSRF Loan Fund**

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5) Approve Warrants

I. New Business:

1) Eliot Pandemic Policy/FFCRA (2nd Reading)

J. Old Business:

K. Selectmen's Report:

____ PM 1) Seeking Committee Members

M. Adjourn

There was a motion and second to adjourn the meeting at 5:41 PM.

VOTE

4-0

Motion approved

Respectfully submitted,

Ellen Lemire, Recording Secretary

S/ Mr. Robert McPherson, Secretary

Date approved: December 10, 2020