

Present: Christopher Morely (Chairman), Seamus O'Kelly, Lynne Remington
Jim Hill, Richard Bell, Bill Kneeland, Dick Williamson, and
Director of Planning and Community Development Jody Kablack

Absent: Sherrill Cline and John Drobinski

Annual 2012 Town Meeting Article 30 - Pantry Brook Farm

Present: Finance Director Andrea Terkelsen

Copies of handouts entitled a "Refunding Summary dated and delivered 12/15/2012 for CPA General Obligation Bonds totaling \$7,760,000" and a "Community Preservation Act – Pro Forma Debt Service Coverage were distributed to the Committee.

Finance Director Andrea Terkelsen stated she is awaiting advice from the Town's Bond Counsel regarding a recommendation on how best to fund the Pantry Brook Farm land acquisition. She explained several options have been discussed, and the financial advisor she works with has suggested a slightly different approach. Ms. Kablack stated several parties are working together to finalize the language for Article 30 (Pantry Brook Farm) and Article 33 (General Budget) since how the purchase is made could impact both motions.

Chairman Morely reviewed the State limitation of not bonding for an amount more than the yearly CPA surcharge revenues received. Ms. Terkelsen further explained the Department of Revenue (DOR) annual cap guidelines to not have the annual debt service exceed the available CPA surcharge revenues, which does not include the State match or interest earned, and further deducts the amount required to be set aside for historic and housing reserves. She further stated the Town's Bond Counsel thoroughly reviews the motion language and revenue streams when an article includes bonding.

Ms. Terkelsen stated it has been suggested the Town bond in December 2012 for the entire purchase price of amount of \$7,760,000 for 20 years, and to include the estimated issuance costs to be deposited into an escrow account. The strategy would include the intention to sell the bonds at a premium to cover the anticipated issuance costs of \$62,500. Thus, the motion would be written for Town Meeting for the sale amount not to exceed \$7,870,318.10. Ms. Terkelsen further explained the plan would be to defease, or pay off, the biggest portion of the Town's oldest CPA debt service as possible for the Cutting, Libby and Dixon purchases. Thus, instead of utilizing the projected \$4 million of CPA reserves towards the purchase of Pantry Brook Farm, the Town would take \$4,333,000 of CPA reserves and put it towards this defeasement program. She noted there are specific time restrictions for when bonds can be redeemed. The older debt for the Cutting, Libby and Dixon purchases could not have been paid off several years ago, but they will approach their redeemable dates in 2014 and 2015. Ms. Terkelsen explained possible ways the escrow account could be set up to pay off the old bonds currently held at a higher interest rate over the next 12 years from the escrowed funds borrowed at a lower rate. She stated this is similar to advanced refunding. Ms. Terkelsen stated this plan would maximize the marketability of the bond issues.

Mr. Hill asked if the Town is paying double interest if it is borrowing money to pay for interest. Ms. Terkelsen responded saying that is not really the case. Chairman Morely and Ms. Kablack noted the Town would be retiring debt currently costing an average of 4% and paying it off with funds financed for 2.5% over 20 years. Chairman Morely suggested it would be good to have data available for Town

Meeting of what the net cost for the Town to do this would be. Ms. Terkelsen will calculate the variances through 2024.

Chairman Morely asked if this approach is highly unusual. Ms. Terkelsen stated the Town has previously done three advanced refunding packages. Chairman Morely stated it is an advantage to pay off higher rates of debt at a lower rate. He reiterated his suggestion to calculate how much this will cost to accomplish, noting the Finance Committee may also be interested in this information.

Ms. Terkelsen briefly addressed the sometimes expressed concern that the CPA fund might not have enough in reserves for the future, referencing the Debt Service Coverage chart.

Ms. Kablack stated the financial advisor understood the Town's objectives for the purchase and the DOR's guidelines, and he made this recommendation as one of the few options available.

Mr. Williamson stated it is important to keep the reserves as high as possible. Ms. Kablack noted the Town's ability to bond CPA projects would be "maxed" out only for the next few years. Ms. Terkelsen acknowledged how much has been accomplished in a relatively short time by the Town utilizing its CPA funds and bonding capacity.

Mr. Hill asked if Pantry Brook Farm could be purchased in two payments, one now and another in five years. Ms. Kablack stated that is not the deal presented to the Town and the property owners are very motivated to complete the sale in 2012.

Chairman Morely highlighted the Town is only paying for development rights. Mr. O'Kelly stated this can be a controversial concept. Ms. Kablack stated the property is also held in Chapter 61A, and according to current appraisals, this deal would lower its property values and leaves approximately another \$1.95 million available for sale of no more than one lot on each side of Concord Road. Chairman Morely opined the state of the current real estate market and economy has helped the Town to be able to afford to purchase this property. He also stated the property owners have been advised by their tax professionals that the transaction is most advantageous to them if completed in 2012.

Ms. Remington asked how much the average taxpayer's property taxes would increase as a result of this land purchase. Ms. Terkelsen stated there would be no impact to the average taxpayer because the CPA surcharge they already pay would remain the same.

Ms. Kablack stated 75% of Sudbury households contribute \$321 or less a year to the CPA surcharge.

Mr. Kneeland referenced his prior professional experience, and he asked when the bonds are defeased are they also removed from the Town books, as is done in the private sector. Ms. Kablack asked if this plan also retires the bonds from the CPA table.

Ms. Terkelsen will further research these questions, but she noted the debt service would remain, and should still be the focus.

In response to a few questions from the Committee, Ms. Terkelsen explained there are limited options for how and in what the escrow fund could be invested. Mr. Kneeland asked if an arbitrage-type plan could be considered where the account is invested and structured in a way to earn more than by remaining in the CPA reserves. He also later asked if a balloon payment could be structured. Ms. Terkelsen stated it was considered but decided it could not be significantly structured for this scenario.

Mr. Hill reiterated his concern that it is costing money to do this, and that the overall debt is being increased. Ms. Terkelsen stated the objective is to make this land purchase work and not for the Town to necessarily make money on the deal.

Ms. Kablack stated it would soon be determined in which article(s) the bonding is presented.

On motion duly made and seconded, it was unanimously:

VOTED: To recommend the bonding of up to \$7,870,318.10 for the purchase of the acquisition of the Pantry Brook Farm preservation project by the Town of Sudbury.

On motion duly made and seconded, it was also unanimously:

VOTED: To recommend that \$4,333,352.56 +/- be appropriated from Community Preservation Act cash reserve funds to be paid out to an escrow account to retire senior debt on the Cutting, Libby and Dixon acquisitions, contingent upon Article 30 passing at the Annual 2012 Town Meeting.

Ms. Terkelsen stated it is hoped the Town will be successful in its pursuit of a Land Grant which would then be deposited to the CPA reserve account.

The consensus of the Committee was that the presentation for Town Meeting of the funding plan should be kept simple, noting the plan accomplishes what the Committee proposed by using a portion of its reserves.

Mr. Williamson asked if the Finance Committee will also support the article(s).

Mr. Kneeland stated the Finance Committee will meet tomorrow night to discuss this.

Mr. O'Kelly asked what the perception around Town is regarding the purchase.

Ms. Kablack stated this is a property which has been identified in every Town planning document as being highly desirable for preservation, and she believes those same people will support it at Town Meeting.

Mr. Kneeland stated that, although this is an open space purchase like Nobscot, Nobscot had public access. Mr. O'Kelly stated the lack of access is a perceived problem.

Mr. O'Kelly stated development of this property would change the character of the Town. Mr. Williamson highlighted the environmental habitats and character of the Town would also be dramatically changed. Ms. Kablack reminded the Committee a tour of the property will be conducted on Sunday, May 6, 2012 at 3:00 p.m.

In response to a question from Mr. Williamson, Ms. Kablack summarized the proposed resolution for access suggested for the Letter of Intent.

In response to a concern expressed by Mr. Hill, Ms. Kablack stated she will further research how future transfer of land separate from the five-acre lot should be addressed when drafting the Conservation Restriction.

Annual 2012 Town Meeting Article 31 - 15 Hudson Road

Ms. Kablack stated the article was submitted in the Warrant to be appropriated from both open space and historic funds. She suggested that it be revised to be appropriated from both recreation and historic funds.

On motion duly made and seconded, it was unanimously:

VOTED: To revise the language of the motion for the Annual 2012 Town Meeting Article 31 - 15 Hudson Road to allocate funds equally to recreation and historic purposes and to vote an amount not to exceed \$300,000 for this project.

CPC Future Meeting Schedule

Ms. Kablack will notify the Committee at a later date if a meeting is needed prior to Town Meeting.

On motion duly made and seconded, it was unanimously:

VOTED: To adjourn the meeting at 9:01 p.m.