

CITY COUNCIL MEETING
AGENDA ITEM IV



**CITY OF FRANKLIN
COUNCIL AGENDA REPORT**

July 25, 2016

From: Judie Milner, Finance Director

Subject: Authorization to Borrow

Recommendation:

I recommend the Council authorize the City to borrow for the purpose to purchasing (1) new fire truck.

Suggested Motion:

August 1, 2016

Councilor moves, "I move the City of Franklin City Council approve Resolution 02-17 authorizing the City Manager to borrow \$650,000 for the purpose of purchasing (1) fire truck through Franklin Savings Bank utilizing a 10 year note at the rate of 2.49% and to further approve the procurement of the fire truck through the HGAC Government Purchasing program."

Discussion:

During the FY17 budget process, Chief LaChapelle presented the need to replace Engine 1 which is 29 years old. Based on this need I've solicited financing quotations from Franklin Savings Bank, Northway Bank, TD Bank, Citizen's Bank as well as the New Hampshire Municipal Bond Bank. The least expensive option taking into account interest rate, closing costs, legal fees and prepayment savings was a note from Franklin Savings Bank at a 2.49% interest rate. Franklin Savings Bank (FSB) does require the City to maintain our banking relationship through the life of the note (10 years). I verified with FSB that the City must keep its general fund with FSB but can close and open other accounts as needed. In addition, the balance of the general fund does not need to mirror past experience; the City just needs to have the general fund with FSB. I am comfortable with this as I am still able move balances in and out as allowed under administrative code to get the best interest earnings for the City. Currently NHPDIP is earning 4 times the basis points as FSB so a large portion of the City's general fund balances will be with NHPDIP in coming months. This will not affect the fire truck note.

Concurrences:

The HGAC Government Purchasing program allows communities to take advantage of national bid pricing through cooperative purchasing which ultimately saves the City time and money by bidding the project individually.

Fiscal Impact:

The interest cost of the 10 year note is \$89,018 (amortization schedule is attached). The note can be prepaid with no penalty.

Alternatives:

The City could not purchase a new fire truck. This is not recommended due to the age of and performance issues with the fire department fleet.

Attachments/Exhibits:

Resolution 02-17

Amortization Schedule

Excerpt from Chief LaChapelle's PowerPoint Presentation regarding Engine 1 Replacement

City of Franklin

10 Payments 2.49%

Annual Amortized Principal, Plus Interest.

| | Beginning Balance | Principal Payment | Interest Payment | Total Payment | Interest Rate |
|----|------------------------------|------------------------------|-----------------------------|--------------------------|--------------------------|
| 1 | \$ 650,000 | \$ 65,000 | \$ 16,185 | \$ 81,185 | 2.490% |
| 2 | 585,000 | \$ 65,000 | \$ 14,567 | \$ 79,567 | 2.490% |
| 3 | 520,000 | \$ 65,000 | \$ 12,948 | \$ 77,948 | 2.490% |
| 4 | 455,000 | \$ 65,000 | \$ 11,330 | \$ 76,330 | 2.490% |
| 5 | 390,000 | \$ 65,000 | \$ 9,711 | \$ 74,711 | 2.490% |
| 6 | 325,000 | \$ 65,000 | \$ 8,093 | \$ 73,093 | 2.490% |
| 7 | 260,000 | \$ 65,000 | \$ 6,474 | \$ 71,474 | 2.490% |
| 8 | 195,000 | \$ 65,000 | \$ 4,856 | \$ 69,856 | 2.490% |
| 9 | 130,000 | \$ 65,000 | \$ 3,237 | \$ 68,237 | 2.490% |
| 10 | 65,000 | \$ 65,000 | \$ 1,619 | \$ 66,619 | 2.490% |
| | | | | | |
| | | | | | |
| | | \$ 650,000 | \$ 89,018 | \$ 739,018 | |
| | | | | \$ 739,018 | |

Concerns

#1 The trucks that we depend on the most, are most susceptible to failure

Operational and Maintenance

- ▣ We have been running Engine 1 as a back-up in order to preserve its viability
- ▣ Major concerns of borrowed time
- ▣ Pump corrosion from long term electrolysis (bad water)
- ▣ Frequent breakdowns
- ▣ Major body and structural steel corrosion
- ▣ Monroe Street
 - Structure Fire- loss of cooling system
- ▣ Prospect Street
 - Catastrophic backfire of the exhaust. Loss of brake pressure from melted air lines



CITY OF FRANKLIN, NEW HAMPSHIRE
"The Three Rivers City"

316 Central Street
Franklin, NH 03235

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RESOLUTION #02-17

A Resolution authorizing the City to enter into a bond/note/lease with Franklin Savings Bank to fund a new fire truck.

In the year of our Lord, Two Thousand Sixteen,

WHEREAS, the City Council recognizes engine 1 is 28 years old, in poor condition and in need of replacement, and

WHEREAS, the City Council wishes to replace engine 1 and finance this project through the Franklin Savings Bank or other potential sources of borrowing, and

WHEREAS, the City Council wishes to utilize the applicable appropriation from the recently expired trash truck & recycling program lease payment to fund the bond/note/lease payment, Now

THEREFORE, BE IT RESOLVED at the scheduled meeting of the City Council on Monday, August 1, 2016, the Franklin City Council, Franklin, New Hampshire does hereby support the replacement of engine 1, supports the use of the retired trash truck and recycling program lease monies for annual funding payments and authorizes the City Manager and/or Mayor to move forward with the application process through Franklin Savings Bank for a note not to exceed \$650,000 principal with a 10 year payback period and sign all necessary paperwork by a roll call vote.

Roll Call:

| | | |
|-------------------------------------|-------------------------------|-------------------------------|
| Councilor Clarenbach _____ | Councilor Dzujna _____ | Councilor Barton _____ |
| Councilor Starkweather _____ | Councilor Wells _____ | Councilor Boyd _____ |
| Councilor Desrochers _____ | Councilor Giunta _____ | Councilor Zink _____ |

Approved: _____
Mayor

Passed: _____

I certify that said vote has not been amended or repealed and remains in full force and effect as of the date of this Certification and that Katie A. Gargano is the City Clerk for the City of Franklin, Franklin, New Hampshire.

A true copy, attested: _____
City Clerk

Date: _____

**CITY OF FRANKLIN
NOTICE OF PUBLIC HEARING & MEETING**

In accordance with the provision of Chapter 31, Division 2 of the Franklin Municipal Code, notice is hereby given that the City of Franklin will hold a Public Hearing on Monday, August 1, 2016 at 6:08 p.m. in the Council Chambers, Franklin City Hall regarding Resolution #02-17, authorizing the City to enter into a bond/note/lease with Franklin Savings bank to fund a new fire truck.

Provisions for persons with special needs can be made by contacting the City Manager's office, via telephone or mail at least five days prior to the public hearing.

**City of Franklin
316 Central Street
Franklin, NH 03235
(603) 934-3900**