



Town of Sudbury

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Strategic Financial Planning Committee for Capital Funding Minutes

Thursday, January 9, 2014

8:00 AM – 10:00 AM

Silva Room, 278 Old Sudbury Road

Present: (14 members on committee)

Maryanne Bilodeau (ATM/HR Dir), Glenn Fratto (LS Finance Director), James Kelly (Combined Facilities Dir), Andrea Terkelsen (Finance Dir), Thomas Travers (CIAC), Maureen Valente (Town Manager), Mary Will (SPS Finance Dir), Charles Woodard (BOS), Andrew Sullivan (FinCom), Robert G. Stein (FinCom), Lawrence O'Brien (BOS)

Absent: Robert Armour (SPS School Committee), Kevin Matthews (LS School Committee), Jeff Barker (CIAC),

The statutory requirements as to notice having been complied with, the meeting was convened at 8:02 a.m.

Approve prior meeting minutes

Tom Travers moved to approve minutes from December 19, 2013 meeting as presented.

Larry O'Brien seconded the motion.

All voted in favor of the motion.

Tom Travers discussion of his FY 15 worksheets

Tom presented two worksheets. The worksheets were based on his past experience on the CIAC and his liaison meetings with Combined Facilities Director, Jim Kelly; and Fire Chief Miles.

As the committee talked further about some of the specific capital items listed on the worksheet Chuck mentioned to keep in mind we are not here to recommend specific capital items, as that would be the role of the CIAC. We're here to come up with a financing plan that will have a smoothing impact on the tax bills.

Tom's plan adds another \$790,000 for bonding. Andrea noted that \$790,000 is too small to bond. Tom and Chuck agreed that it would end up being listed as Capital Exclusion.

Chuck passed out and reviewed his **Capital Funding Policy Recommendations (1/9/14)**

Chuck plans to present this to the BOS on 1/14/14 and then to the FinCom.

Since the FinCom doesn't have a meeting until 2/6/14, Andrew said he will reach out to Doug Kohen to see if they can have a meeting before then.

Tom said CIAC is meeting 1/16/14.

As Chuck discussed his recommendations, Larry suggested that he add a statement to the Post FY 15 section that there are multiple ways to fund these projects.

Maureen suggested that there are two other funding options to mention.

1. That if the town or school has extra money in their current budget i.e. snow/ice (if we have a winter without a lot of snow/ice) that we ask town meeting to fund some of these capital projects. This would present an opportunity to pick off the smaller projects.
2. Do we create a way for LS to build up capital money for some of their projects? They are different from the Town and SPS because they have to ask Lincoln if we do something outside of the budget. It was suggested that we should see what other regional schools do. Chuck said that this would be a way to deal with these projects within the levy limit. Tom mentioned that some of LS projects are spread over several years. Glenn said that Superintendent Bella Wong wants to fall in line with what Town and SPS do to fund within budget money to use for Capital items. She would like to include \$150,000 each year.

Maureen said that the \$296,000 within the budget for the Town and SPS should be enough to take care of the small projects as long as we come up with a way to fund the big projects.

What Glenn is suggesting makes sense so that we don't run into issues with the timing issues involved in making sure that Lincoln and Sudbury both agree to fund projects.

Chuck asked Glenn to let him know exactly what is in the LS Stabilization and E&D Funds.

Glenn said they should have the E&D amount by the end of the week.

Glenn also has a list of LS capital projects that have been done over the last 10 years and will get it to Chuck on 1/10/14.

Glen said they are recommending taking \$100,000 from the E&D account and putting it towards OPEB; and \$150,000 for small capital items other than text books.

He also mentioned that Lincoln is going to follow Sudbury's lead as far as funding the technology project out of free cash.

Glenn said they are looking for \$500,000 for infrastructure and \$120,000 for computers from Sudbury; and \$120,000 from Lincoln.

Glenn had to leave (8:38 a.m.) but before he left he wanted to say that he applauds the leadership of Sudbury and is completely impressed by the detail in which we work and is glad to be part of this process.

Larry was concerned with where will the money for training on this new technology would come from. It's important to note when capital projects are discussed that operating issues be planned for as well. For instance licensing, ongoing training, personnel needed to maintain systems, and upgrading systems are not considered capital items by the Town and SPS.

Andrea mentioned that the Town and SPS have Technology budgets within their annual operating budgets. They use them to deal with these things from year to year.

The question came up as to whether we should do an ESCO project in FY 15 or later. We'd need \$2 million to do this. Jim Kelly said that under the ESCO project all capital projects would be done at once and it would not be done piece-meal over several years.

We would need to fund it at once. Maureen said that if the funds to pay it are from within the tax levy only town meeting approval is needed. Since the project does not need to exceed the Prop 2 ½ levy limit, it would not need to go to the ballot.

Andrea stated it might be good to create a special stabilization fund for future energy capital projects in connection with the ESCO project.

Maureen added that this could be a place to pay for some of the debt service for these projects.

The energy savings could be left in the account for future projects. (i.e. when the time comes to replace a boiler replace it with an energy efficient boiler.)

Maureen suggested that so these Capital Funding Policy Recommendations aren't viewed as an end all that we add a section to the policy recommendations with a list of questions and issues that are still being looked at.

Chuck also felt that we should also add a line that says: "add special stabilization funds to deal with capital items including ESCO items".

Jim mentioned that it's important to note that Town Meeting still has control over the expenditures out of these funds.

Andrea added that it needs to be a 2/3's vote to expend money from stabilization accounts.

Larry said we should add a note that this document is a "Work in Progress".

Maureen suggested for clarity we should also add: "Use a bond with a debt exclusion" to the two sections that refer to exclusions.

Review and discussion of yet another 10 year financing scenario.

Chuck explained his "Capital Funding Worksheet 010914".

In his projections he added the additional \$750,000 that Tom had included in his projections.

He said he still needs to add the amounts in LS's stabilization and E&D funds.

It was noted that earlier in the meeting Glen had mentioned they had \$383,000 in their stabilization fund.

Maureen said we need to be clear when we talk about 5% of Cash Reserves if we are talking about 5% of the Town's revenues or LS's revenues separately. We don't want to double count these amounts.

Andrea said we should have two lines under LS. One for their "free cash or E&D fund" and another for their stabilization fund.

Chuck asked if there was a revenue deficit could we use free cash for that.

Andrea said we would have to adjust current year's budgets to reduce spending so we don't overspend. She further said that we'd have to go back to town meeting for approval to use free cash and that Free Cash should only be used for one-time items.

Another alternative for the Town-side would be budget transfers or a reserve fund transfer. SPS has bottom-line authority so they can transfer within their own budget on their own.

Chuck suggested that we should not do anymore with our cash reserves than what he has presented. Others agreed; no one disagreed.

Tom suggested moving some of the money Chuck has listed under FY18 for some of the projects to prior years so that engineering and architectural designs can be done in advance so we have a better handle on what the projects will cost.

Chuck continued to review the last page of his projections which showed the impact on the average tax bill. His projections are based on today's costs. They are not adjusted for inflation. Chuck said that he feels his projections are a rational approach to funding so that it doesn't unduly impact the taxpayers.

The Committee thanked Chuck for his the time and effort he put into these projections.

It was also noted that we need to make sure that we have enough money within the operating budget for maintenance.

Tom Travers said it's important to educate the community as to the Town's capital needs. These are all real needs.

Chuck feels that starting in the fall the BOS should be very vocal that there is no room for an operating override over the next few years if the Town wants to move forward with these projections.

The question of putting any exclusion questions on the March ballot or a post town meeting ballot came up and if a capital exclusion or debt exclusion had to go on the ballot, how soon would there have to be a vote of the BOS to do so. Maureen said that 35 days before the election is when the Selectmen have to vote to put something on the ballot.

Larry said it's hard to say whether or not you put items on the ballot before Town Meeting or to have a special election after town meeting. They both have their pros and cons.

Chuck and Andrew will present the Recommendations to BOS on Tuesday night 1/14/14. He said members of this committee are welcome to come if they'd like.

Larry moved to approve Chuck's Capital Funding Policy Recommendations (1/09/14) outline as amended with adjustments that have been discussed during meeting.

Various adjustments were discussed and were noted by Chuck. Some of these adjustments were:

- ESCO Financing

- FY15 special stabilization fund(s) for other capital spending

- Items still under discussion for capital spending

- Add a statement to the Post FY 15 that there are multiple ways to fund these.

Fairbank Building will be increased to \$10 million from \$5 million.
Some projects are amounts that are still up in the air.

Because of all the information being presented Chuck and Andrew will contact Scott O'Connell of the Town Crier to see if he'd like to meet with them before the BOS meeting on 1/14/14 to review presentation beforehand so he has a good handle on what's being discussed.

Chuck will print in bold letters the items where the costs may be changing over time. He'll also note some things that may have contingencies, for example: the Fairbank project is contingent on SPS administration moving to another home, i.e. Flynn Building. That project can't be done until the Town Hall is complete so that town administration can move to Town Hall.)

There was further discussion of items to be included in Chuck's PowerPoint presentation to BOS and then Maureen Valente seconded the motion.

All voted unanimously in favor of the motion.

Chuck reviewed the future schedule:
BOS meeting 1/14/14
CIAC meeting 1/16/14
BOS Meeting 1/28/14

Andrea suggested Chuck ask FinCom to attend meeting on 1/14/14 in case they can't meet beforehand. Chuck would like to get together with FinCom before 1/28/14, to have the FinCom discuss these plans before the Final Presentation, but Andrew is concerned they may not be able to meet.

It was suggested that Chuck should ask BOS to vote on concept of these items on the 1/14/14 so that staff has the green light and enough time to start putting together articles in time for the 1/31 deadline to submit articles for Town Meeting.

Andrea mentioned that she'll need to research the rolling stock stabilization fund to see how that might be set up. Maureen suggested that she start working with Paul Kenny to see what would need to be done to do this.

At 10:18 a.m. Larry made motion to adjourn; Andrew seconded. All voted in favor of the motion. Meeting adjourned at 10:18 a.m.