

**Strategic Financial Planning Committee for Capital Funding  
Minutes  
Tuesday, September 20, 2016  
8:00 AM – 10:00 AM  
Silva Room, 278 Old Sudbury Road**

**Present:** Charles Woodard (Chairman), Mark Howrey, Lisa Kouchakdjian, Joan Carlton, Elena Kleifges, Lucie St. George, Patricia Brown, Thomas Travers, James Kelly (Combined Facilities Manager, ex officio), Melissa Murphy-Rodrigues (Town Manager, ex officio), Dennis Keohane (Finance Director, ex officio)

**Absent:** Adrian Davies, Kevin Matthews

**Also Present:** Susan Rothermich (Sudbury Public Schools Business Manager)

The Chairman called the meeting to order at 7:38 am.

**Selection of Clerk:** No one was willing to serve as Clerk for a year. Pat Brown volunteered to take minutes for this meeting.

**Discussion of the June<sup>1</sup> election:** The group held a spirited discussion of the meaning of the May 17 election in which the voters rejected eleven out of fourteen proposed capital projects. Comments included:

- Despite thorough preparation and vetting by numerous dedicated groups, the ballot had too many items with too great a total cost.
- Items were not prioritized. The ballot looked like a laundry list.
- Did we get the information on why these projects were needed and why we proposed funding them in this way out to the voters? And how specifically could we improve communication?
- Voters who attended Town Meeting and got their information there supported the projects by more than 2/3rds. Voters at the polls who didn't see the Town Meeting presentations rejected the projects.
- The Capital line item within the annual budget is a standard part of the budget recommended by FinCom and approved by Town

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<sup>1</sup> The agenda refers to the June election. The discussion focused on the May 17, 2016, special town election which listed fourteen capital items as ballot questions.

Meeting every year. 2016 Town Meeting approved \$404,000 for this item. We need more funding for capital needs.

- Small project items (\$25,000 to \$250,000) shouldn't be on the ballot. Rather, we need to fund small capital items within the budget.
- The Town Forum in January 2017 would be a good time to discuss the budget.
- We need not only to inform, but also to listen to residents.
- Sudbury's capital planning process is both complicated and in flux. It should be possible to explain how a capital project is funded to a third-grader—and it isn't.
- How do other towns fund their routine operating capital expenses?
- Social media, specifically the OneSudbury Facebook page, creates buzz about specific topics. Weighing in to correct misinformation on this site may be worth the effort.
- Is the confusion created by multiple small capital items more of a problem than the "blunt tool" approach of consolidating many items into a single request and getting a single yes-or-no response from the voters?
- Would these capital items have been better received on the March Town Election ballot, when people come out to vote for reasons other than just exemptions and overrides (better turnout)?
- Using the Ambulance Fund as a Public Safety Offset rather than reserving it for capital replacement costs is an example of using capital funds for operational expenses, and then requesting additional capital funds to replace the asset. We have to acknowledge this practice where we've adopted it—and point out that Town Meeting approved the resulting budgets—and stop doing it.

The group also considered questions from the Capital Improvement Advisory Committee (CIAC) representatives concerning the role of the CIAC in approving projects brought before the October 17, 2016, Special Town Meeting and how CIAC will evaluate projects for the fall town meeting in general. Of the two specific projects on the May 2016 warrant submitted by the town which CIAC evaluated, one of the projects has been changed. Of the two articles submitted by Lincoln-Sudbury Regional High School, CIAC evaluated one prior to 2016 Annual Town Meeting and CIAC has not evaluated the other at all.

The CIAC accepts that these projects are urgent—but are they the most urgent?

The CIAC members asked for clarification in general about the role of the annual scheduled fall town meeting and how this dovetails with the general budgeting process for Annual Town Meeting in the spring. The entire capital budget process is still under development.

**FY18 capital requests:** Jim Kelly had previously distributed by e-mail a spreadsheet showing past projects, 5 year capital projects, and 15 year capital projects as understood on September 6. Mark Howrey distributed two handouts showing ***preliminary*** estimates of the capital projects to come before the town in the next fifteen years from the September 7 CIAC meeting. Summary points:

- Given the failure of the capital articles placed before the voters in May, the capital expenditure for small (< \$1 million) capital projects in FY2017 is artificially low. The projects are now transferred to FY2018, which will see significant increases in capital spending for both rolling stock (from about \$400,000 to about \$1.6 million) and for other small projects (from about \$30,000 to about \$4.2 million).
- Rolling stock expenditures will decline relatively quickly, but expenditures for other small capital projects will remain high (over \$2.5 million annually) through 2022.
- Large capital project show a spike from 0 in FY2017 to over \$35 million in FY2018, including a proposed Fairbank Community Center, Route 20 sewer project, Town Hall renovations, and Fire Station 2 reconstruction.

**Preliminary discussion of capital funding approaches for FY18:** Finance Director Dennis Keohane distributed two documents. The first, “Capital Funding – 5 Year Historical Comparison”, shows annual small capital expenditures from the Operating Budget average about \$400,000. Annual capital expenditures total, excluding extraordinary expenses like the Police Station and Johnson Farm (both bonded), are more like \$1 million to \$2 million, with the difference coming from free cash, repurposed funds, and other sources. FY2017 was significantly lower at \$769,000. The second document, “Debt Service – 5 Year Analysis”, showed how much debt service payments could be expected to decrease over the next five years as debt is retired—total debt, exempt debt, non-exempt debt, and CPA debt.

Exempt debt is exempt from the requirement that it remain within the levy limit for the town as defined by Proposition 2 ½, and requires a debt exclusion passed by both Town Meeting and the voters in a town election. Non-exempt debt is funded without exceeding the levy limit and is the result of borrowing financed entirely from within the tax levy. The bonds for non-exempt debt involve borrowing, and therefore require approval by a two-thirds majority of Town Meeting to assume the obligation, but require no further approval from the voters. As non-exempt debt is retired, the obligation to pay debt service is reduced and funds are “freed up” within the budget to apply to other expenses. Sudbury currently has three specific obligations financed with non-exempt debt in the 2005 timeframe. The non-exempt debt service will decrease by \$77,910 in FY2018. The amount fluctuates in future years.

The Committee discussed at length whether the funds made available by this decrease in non-exempt debt service could—and should—be applied to financing small capital projects from within the levy. There was further discussion about whether these funds could be used to bond capital expenditures within the levy. There are trade-offs here, because money used for capital expenses is not available for operational use. However, Dennis noted that Sudbury has a low level of overall debt for a community of our size.

**Meeting schedule:** The Committee will meet at 7:30 am on Thursday, October 13, and at 7:30 am on Thursday, November 3.

The meeting was adjourned at 9:07 am.

Respectfully submitted,  
Pat Brown