



Town of Sudbury

<http://sudbury.ma.us/committees>

Strategic Financial Planning Committee for Capital Funding (SFPC)

Minutes

Wednesday, April 25, 2018

8:00 a.m.

Silva Room, 278 Old Sudbury Road

Present:

Patricia Brown and Daniel Carty (BOS), Susan Berry and Joan Carlton (FinCom), Thomas Travers (CIAC), Lisa Kouchakdjian (arrived 8:18 am) and Lucie St. George (SPS School Committee), Dennis Keohane (Finance Director); Melissa Murphy-Rodrigues (Town Manager)

Absent: Mark Howrey (CIAC); Craig Gruber and Kevin Matthews (LS School Committee)

Also Present: Maryanne Bilodeau (ATM/HR Dir)

Chairman Dan Carty confirmed quorum and called the meeting to order at 8:19 am.

➤ Selection of Clerk to take minutes

Dan complimented Joan Carlton on her minutes covering the previous meeting, and observed that all members had had an opportunity to take meeting minutes. Pat Brown volunteered to take minutes for this meeting.

➤ Approval of April 4, 2018, minutes

Dan had received minor modifications to the minutes as originally distributed. Tom Travers moved to accept the minutes as amended. Lucy St. George seconded, and the Committee approved unanimously.

➤ Review action items from April 4

- 1) Dan had distributed to the Committee members by e-mail the documents requested on April 4 prior to this meeting.
- 2) Dan will also submit documents discussed on April 4 as "Supporting Materials" to be posted with the April 4 meeting on the committee website.
- 3) Finance Director Dennis Keohane distributed a wonderfully large printout of town capital items re-categorized as discussed at the April 4 meeting. This included a new category for Open Space, which has nothing in it, and the category of "New or Substantially Remodeled Facilities" for some items previously identified as "Enhancements." Items under consideration for which we do not have an estimated amount (e.g. Broadacres Farm) are not listed.

During the discussion, Tom Travers recommended distinguishing between items in the "Risk Mitigation Maintenance" category that are "one time" or only expected to recur every ten to twenty years. These constitute extraordinary expenses, unlike items that recur every year or two. Town

Manager Melissa Rodrigues agreed that these are major capital expenses, but that they are still maintenance.

Susan Berry had analyzed the project list by taking all the capital projects Dennis provided and first removing major capital projects (e.g. Fairbank Center, Town Hall) [List A] and then additionally removing major “one time” capital items (field replacement, ambulances) from the list. [List B] Assuming a \$100 million budget, spending on List A would be 3.9% (\$3.9 million) of the town budget; spending on List B would be 2.2% (\$2.2 million).

Melissa described using a dedicated capital budget to pay for large purchases by appropriating some amount from the capital budget each year over a multi-year period to pay for a purchase too large to contemplate in the budget for a single year.

Dan ran through the definitions for the terms on the capital items list, adopted in February, to be sure the Committee believed the meaning of the categories is clear. The Committee agreed that both one time and “extraordinary” items should be listed together, and that the categories were descriptive.

➤ **Discussion – Target amount (\$) or percentage (%) of budget for Capital Funding**

Tom Travers had proposed a 2.5% number previously, which is consistent with Susan Berry’s number of 2.2% above (omitting the larger “one time” capital items). This is roughly \$2.5 million annually, although just because money is appropriated in one year does not mean the money must be spent that year.

We could “save up” for future large projects. This would require creating a Capital Stabilization Fund or changing the existing Rolling Stock Stabilization Fund to permit it to be used for other types of capital spending as well. The General Stabilization Fund could be used as well, but it is not well suited for large withdrawals of capital funds for major projects. Withdrawal from any stabilization fund requires a two-thirds vote of Town Meeting. Right now our Town Manager’s Capital Budget is 0.4% (around \$400,000). If we’re able to set aside money for some of our projected capital items, we do not have to go to the taxpayer every single time, eliciting “voter fatigue”. We will still on occasion have to ask the voter to fund projects where our reserves are not sufficient, but we’d like this to happen less often.

Dan, looking at historical data, suggested that our spending on capital is something like 2.5% of our annual budget; Melissa came up with 2.6%, but that includes the \$400,000 from the Town Manager’s Capital Budget.

The Town Manager vigorously recommended that the town adopt a policy of designating a percentage of free cash every year to use for capital projects (either for specific projects or by depositing it in a capital stabilization fund). If there is no free cash, then there is no deposit, but in the normal case of positive free cash the town would be saving annually toward capital items. We’d like to have 2.5% of the budget within the levy available for capital projects. Projects which can be funded by the Town Manager’s Capital Budget are currently limited to projects \$50,000 or less, but they are still capital items. Each year the total of the Town Manager’s Capital Budget, spending on other capital projects and the stabilization fund deposit would be 2.5% of the budget. Since we already have around \$400,000 in the Town Manager’s Capital Budget, we’re looking for roughly another \$2 million annually for capital.

➤ Discussion – Funding Sources

Setting aside sufficient money from the current levy to reach the 2.5% over five years would require a reduction in services. A one-time \$2 million override for capital spending would be painful(!), but would then be part of the levy going forward. This would be partially alleviated by not requiring debt incurred outside the levy (capital or debt exclusion) for ongoing capital expenditures and letting that debt come off the levy without incurring more debt outside the levy.

Sources include:

- Do Nothing/Status quo.
- Override.
- Stabilization override.
- Free cash.
- Reduction in operating budget/Budget cut/Reduction in service elsewhere
- Fund over time – not as big bang
- Fund with new growth
- Combination of two or more options

Town Manager Rodrigues explained a capital stabilization override, which sparked a spirited discussion. The initial appropriation must be approved by Town Meeting, but the Board of Selectmen must approve subsequent appropriations. The Selectmen can appropriate all or part of the available amount, but they may not increase it. In a year in which the Selectmen do not appropriate the entire amount available, in the following year the amount that was appropriated becomes the new maximum amount that can be appropriated. It is our understanding that, if in a given year the Selectmen do not appropriate any amount, the levy remains at the previously appropriated level. The money raised by a capital stabilization override must be spent on capital projects; it cannot be used in the operating budget. A \$2 million override (or capital stabilization override) would cost the average taxpayer residence around \$320 annually.

New growth in FY2020 will continue on a par with this year (FY2019); then we will revert to a “normal” level of new growth, which is between \$500,000 and \$600,000 annually, or a 0.5% to 0.6%.

We held a lively discussion concerning using new growth revenues.

We’re not sure how Committee turnover will be handled; Joan, Lucy, and Mark will no longer be members of their respective committees (and therefore for this committee) after May 31. The affected committees need to assign replacement members prior to June.

The next meeting will be held on May 23 at 8:00 a.m. in the Silva Room.

Future agenda items include funding sources, discipline, oversight, “rainy day” fund, and how to deal with grant payback. The Committee plans to create a report for the Selectmen prior to Fall Town Meeting—hopefully in May or June.

The committee voted unanimously to adjourn at 9:59 am.