

Using Free Cash as Partial Funding Source for Capital:

Background:

In last 5 years (FY13 – FY17), have certified an average of \$2.55M Free Cash and used an average of 1.77M for capital expenses. An average of \$510K was used for other expenses – Eversource litigation, Sudbury Station litigation, Snow & Ice, Melone.

Assumptions: Best practice for use of Free Cash is to fund one-time expenses. Some amount of Free Cash is likely to be available in the future for the funding of capital items.

Proposal:

After bringing Stabilization Fund to 5% and withholding .5% recommended by the Finance Committee, next \$500,000 (to be discussed) could be added to the capital line item. Any additional Free Cash, not needed for capital or other expenses could be added to the Capital Stabilization Fund in anticipation of large capital expenses.

Free Cash and an Override Mix:

1.5M override + .5%M Managers Capital Budget + .5M Free Cash

Free Cash + New Growth Mix:

Some % of New Growth added to the capital line item; supplemented by Free Cash and Capital/Debt Exclusion until line item reaches \$2.0M. Then use \$500K Free Cash and any not used (of \$500K and remaining Free Cash) put in the Capital Stabilization Fund

Other suggestions:

Use of 0.5 to 1% decrease in CPA surcharge

- Need information about how process to decrease surcharge would work; who needs to vote on this
- If decreased passed, would still need an override to add this money to the levy.

Note: We should also think about adding the decrease in the nonexempt debt service to the capital line items even though the decrease is a fairly small amount until 2026.