

Capital Oversight Proposal and Process

Background:

The Town of Sudbury has approximately \$240,000,000 in capital assets that provide services to the town. This includes buildings, equipment, open space and rolling stock. Over the last few years and projected forward the cost of maintaining these assets, replacing the equipment, upgrading the equipment and replacing the rolling stock has averaged and will continue to average approximately \$2,500,000 annually. The present capital budget included in the tax levy is approximately \$550,000. This leaves a shortfall of approximately \$2,000,000 a year which has been funded in the past by a combination of capital exclusions, use of free cash, debt exclusions and even some capital leases. In order to fund this shortfall there have been various approvals at town meetings that have failed at the polls. Assuming that the town's operating budget is increased by \$2,000,000 to fund capital operating projects we must have a review and approval process that assures transparency, debate and oversight that is timely and efficient.

Oversight Proposal:

All capital projects whether proposed by the Town Manager (TM), one of the three Town Cost Centers (TCC), a citizen petition, any Town Committee, the Community Preservation Commission (CPC), or the Board of Selectman (BOS), (hereinafter referred to a Capital Petitioners,) must be reviewed by the Finance Committee (FC).

Any project with a cost over \$100,000 in one year or \$250,000 over multiple years (CIAC Capital Projects) must be reviewed by the Capital Improvement Advisory Committee (CIAC). The projects that will be included in the tax levy will be presented in a Capital Operating Budget article at the May Town Meeting. The items included in this capital operating budget article will include any qualified capital projects less than \$1,000,000 that replace or upgrade rolling stock, replace or upgrade equipment, maintain building systems and equipment, maintain open space or recreational facilities or replace or upgrade technological systems (Capital Operating Projects).

New open space, new buildings, major renovations or rehabilitation of existing buildings, additional assets such as new equipment and rolling stock (not replacements) are excluded from this Capital Operating Budget.

Oversight review and funding discussion:

Every year, during December, Capital Petitioners shall propose capital projects by submitting a Form A for the project to the TM. The TM will segregate these proposed capital projects into three groups and provide a detailed listing of the projects in each group to the BOS, FC, and the CIAC.

Group One are projects over \$1,000,000 that do not meet the definition of a Capital Operating Project. Group Two are projects under \$100,000 in one year or less than \$250,000 in multiple years that need the FC to review as part of its normal review of the operating budget. Group

Three are projects over \$100,000 in one year or \$250,000 over multiple years that need to be reviewed by the CIAC. The projects proposed in Groups Two and Three will be basis for the proposed Capital Operating Budget for the fiscal year. Items in Group One will each have separate capital articles in the May Town Meeting warrant.

The Finance Committee will be responsible for review of the Capital Operating Budget and will review "Form A" proposals for all items included in Group Two. For any item in Groups One and Three the CIAC will review the project with the Capital Petitioner and make their recommendations to the FC and the BOS. Their report will be completed by the end of February. A joint meeting of the FC, BOS, the Town Managers, CIAC and Capital Petitioners will be held during the first two weeks of March to review the CIAC's recommendations.

The BOS and the FC will be responsible for determining the funding mechanism for any projects not included in the Capital Operating Budget (Group One). These capital projects will be funded by a debt exclusion, a capital exclusion or by other means (such as Free Cash, CPC or a specialized Stabilization Fund).

In addition, the town should adjust its free cash policy, and allocate a portion of the general growth funding over 2.5% to be placed in another Special Major Capital Stabilization Fund to help with the initial funding for Group One proposed projects.

Town Meeting and Other Approvals:

At the May Town Meeting the Capital Operating Budget article will be presented by the Town Manager. The listing of the projects will be summarized in the Appendix of the town warrant. As we do today, any item included in the Capital Operating Budget maybe questioned by citizens and voters and explained at Town Meeting. Amendments could be proposed and debated at Town Meeting. A two-thirds vote will be required at Town Meeting to approve the Capital Operating Budget.

Any capital projects (Group One) not included in the Capital Operating Budget shall be presented at Town Meeting under separate articles. Each project will have to be approved by a two-thirds vote at Town Meeting. The funding source to pay for these articles will determine if these capital projects will have to be approved at the polls by the voters.

Administration of the Implementation of Projects:

The TM shall administer the implementation of all approved projects. One year after a project is approved each Capital Petitioner must submit a Capital Implementation Report to the Town Facility Manager reporting the project's status or implementation. Any projects in which there are funding, implementation or other problems shall be brought to the attention of the TM and the BOS for appropriate action.

All projects that require outside construction contractors will be administered by either the Permanent Building Committee, a town department that has qualified professional engineers or qualified staff to oversee the project, the Town's building commissioner or an outside

professional engineer or architect who is a member of the project team. If an OPM is required the Capital Petitioner shall include the cost in their proposal.

Any project for which cost savings have been realized should be reviewed by the TM and the excess appropriation released.

Executive Summary:

Under this Oversight proposal every capital project will be reviewed in an orderly, efficient and timely manner. There will be multiple opportunities to understand the purpose of the proposed capital projects and the funding sources for the proposed projects will be clearly identified. The TM will set the priorities with TM staff and determine what items will be part of the Capital Operating Budget and what items will be presented outside the Capital Operating Budget.

Our citizens will have the opportunity to input and question the capital projects. All Capital Operating Budget projects or non-operating capital budget projects will require a two-thirds vote at Town Meeting. Only items funded by capital or debt exclusions will require voter approval at the polls.

Projects will be administered by professionals with the skills and education to make sure the Town is receiving value for its investments. It will also insure that what was proposed and approved on the Form A is consistent with the Town Meeting intent and the project's implementation.