



Town of Sudbury

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Strategic Financial Planning Committee for Capital Funding Minutes

Thursday, January 19, 2017

7:30 a.m. – 9:00 a.m.

Silva Room, 278 Old Sudbury Road

Present:

Patricia Brown (BOS), Susan Berry and Joan Carlton (FinCom); Mark Howrey and Thomas Travers (CIAC), Lucie St. George (SPS School Committee), Elena Kleifges (LS School Committee), Melissa Murphy-Rodrigues (Town Manager), James Kelly (Combined Facilities Dir),

Absent: Charles Woodard (BOS), Lisa Kouchakdjian (SPS School Committee) Kevin Matthews (LS School Committee),

Also Present: Dennis Keohane (Finance Director) and Maryanne Bilodeau (ATM/HR Dir)

The statutory requirements as to notice having been complied with, the meeting was convened at 7:35 a.m.

Selection of Clerk:

Maryanne Bilodeau took minutes.

Mark Howrey chaired the meeting

Approval of December 8, 2016 minutes:

Susan Berry mentioned that Dennis' name is misspelled.

Elena Kleifges made the motion to accept the December 8, 2016 minutes with this revision. Susan Berry seconded. All voted in favor of the motion.

Discussion and possible vote on an FY19 - FY28 Capital Funding recommendation;

Discussion and possible vote on a capital funding approval process recommendation;

Discussion and vote on the draft Capital Funding Recommendations memo;

Mark Howrey reviewed the draft Capital Funding Recommendations previously sent out by Chuck.

Pat Brown shared that CPC will be meeting again on February 1st so if we need to get on the agenda please let them know.

Various funding options were discussed. One was a request for a Capital Override. This discussion has come up several times. If, for example, a \$1.5 million capital override was approved we could

Mark asked if the committee could approve the recommended funding plan as previously suggested. No motion was presented. Committee decided that another meeting was necessary.

Discussed dates for another meeting. March 16th determined.

At 9:05 a.m. Mark made motion to adjourn. Tom seconded. All voted unanimously in favor of the motion.

Date: January 19, 2017
To: Board of Selectman
Finance Committee
From: Strategic Financial Planning Committee for Capital Funding
Subject: Capital Funding Recommendations

Summary

A list of Committee members, a summary of the projected capital needs of the town and schools, and projected declines in debt service inside the Levy for the period FY18-FY28 are attached, together with a summary of the current status of National Development mitigation payments. We hereby submit three sets of recommendations:

- 1) Capital funding plan for FY18
- 2) Capital funding plan for FY19-28
- 3) Process for developing and approving annual capital funding recommendations

Please note that the focus of the Committee was on funding the recurring capital needs of the town, generally items with a cost of \$1 million or less. Projects of greater than \$1 million are sufficiently large to be appropriately considered one at a time and would most likely be funded with a debt exclusion.

Fiscal Year Ended June 30, 2018

The projected need including a \$940K ladder truck for the Fire Department: \$3,797K

Recommended sources:

Capital Budget inside the Operating Budget	\$413K
National Development mitigation payments toward public safety (out of \$850K total public safety payments)	\$325K
Private sources	\$200K
CPA funds	\$1,296K
Free Cash	<u>\$1,563K</u>
Total	<u>\$3,797K</u>

This would leave \$527K of Free Cash remaining over and above the minimum levels of Free Cash and Stabilization Fund recommended by the Finance Committee.

FY19-FY28

The total projected amount of recurring capital needs for the ten years FY19-FY28 is \$28,070K, or an average of \$2,807K per annum.

The Committee suggests a recurring source of funds adequate to provide for ___% of the projected need, or roughly \$_____K per annum, with the balance to come from other sources as available.

Specific recommendations:

- 1) Request an operating override in the amount of \$_____K in FY19 to increase the recommended Capital Budget inside the Operating Budget to \$_____K.
- 2) Increase the recommended Capital Budget each year by the amount of decline in debt service inside the Operating Budget (inside the Levy) from the prior year.
- 3) Repurpose and rename the Rolling Stock Stabilization Fund to be a Capital Stabilization Fund, the use of which would be limited to capital items as approved by Town Meeting.
- 4) With the approval of Town Meeting, annually transfer unused portions of the Capital Budget to the Capital Stabilization Fund for use in future years.
- 5) Apply the following to recurring capital needs as required to supplement the \$_____K annual Capital Budget:
 - a. Where available and applicable, grants.
 - b. Where available and applicable, mitigation payments to be received from National Development.
 - c. CPA funds as approved by the CPC.
 - d. Amounts available in the Capital Stabilization Fund.
 - e. Other revolving funds (e.g. Green Energy Fund)
 - f. ___% of Free Cash in excess of minimum levels recommended by the Finance Committee for Free Cash and Stabilization Fund, with the other ___% of such excess Free Cash to be considered for the OPEB liabilities of the Town and LS.
 - g. Capital exclusions. Debt exclusions should be reserved for the large (greater than \$1 million) capital items.
- 6) Deposit proceeds from the sale of the old police station to the Capital Stabilization Fund.

Funding Approval Process

Capital project approvals should continue to be handled as before:

- CIAC recommends projects with a single payment of \$50K or more or multiple payments that total \$100K or more.
- Projects below these thresholds are considered by Town, School & High School representatives in meetings chaired by the Town Manager.
- Town meeting approves individual capital items funded by any of the uses noted in c. through g. above.
- Town meeting approves the total amount of the Capital Budget each year, with detail provided to Town Meeting on the individual items to be purchased.
- Changes after Town Meeting to the list of items to be purchased with the Capital Budget can be approved by the affected cost center (other than LS) if the amount to be spent is less than \$25K, otherwise approval would be required by the BOS. This is because the BOS must approve all contracts of \$25K or more (except for

LS). In the case of LS, any changes after Town Meeting would be approved by the LS School Committee.

- Each Town Meeting article above requires an opinion from the CIAC, the FinCom, and the BOS.

One exception: the handling of National Development mitigation funds. While this money can technically be spent with the approval of the BOS only it would seem appropriate for individual items meeting the CIAC threshold to be approved at Town Meeting.

Once the town reaches the more appropriate level of annual Capital Budget of \$_____K this Committee should be disbanded.

The CIAC should consider annual capital requests and funding sources at the same time, with the funding sources to be used in the following order:

First: the annual Capital Budget

Second: items a. through f. above, in that order

Third, in consultation with the FinCom and the BOS, capital exclusions.

Attachments:

Committee Membership

FY 18 Capital Plan Summary

Summary of Capital Needs FY18-FY28

Projected declines in debt service inside the Levy FY18-FY28 [Dennis to provide]

Capital Needs and Sources Projection [Mark to provide]

Current status of National Development mitigation payments