

Strategic Financial Planning Committee for Capital Funding

Wednesday, April 4, 2018

Silva Conference Room, Flynn Building

Meeting Minutes

Present:

Patricia Brown (BOS), Daniel Carty (Chair) (BOS), Joan Carlton (FinCom); Susan Berry (FinCom); Thomas Travers (CIAC), Lisa Kouchakdjian (arrived 8:37) and Lucie St. George (SPS School Committee)

Absent: Kevin Matthews (LS School Committee); Craig Gruber (LS School Committee); Melissa Murphy-Rodrigues (Town Manager), Mark Howrey (CIAC)

Also Present: Maryanne Bilodeau (ATM/HR Dir)(attended until 8:30); Dennis Keohane (Finance Director)

Chairman Dan Carty called the meeting to Order at 8:11 a.m.

The Chairman confirmed a Quorum.

Joan Carlton volunteered and was selected as Clerk.

Approval of Minutes from February 7, 2018 meeting

Postponed until later in meeting.

Review of Old Business:

None

Review action items from 3/7/18 Meeting

- **LS Assets**

Chairman Dan Carty put up on the screen a page from the LS Basic Financial Statement that showed LS's value at \$78 million. This is the historic value without depreciation. Sudbury's share (85%) is \$66 million. The town and SPS's assets had previously been valued at \$161 million. Thus the total is \$227 million. Tom Travers asked if the replacement cost was known. Dennis Keohane answered that the town and SPS's buildings are insured for \$125 million. He explained that the insurance is for the buildings only.

- **Future 5 year and past 3 year capital plan shown divided into Categories.**

Dennis Keohane distributed and explained a spreadsheet that contained a list of all capital projects that received budget approval in the last 3 years and all capital projects likely to be requested in each of the next 5 years. The spreadsheet is divided into 4 categories – Urgent Maintenance, Risk Mitigation Maintenance, Enhancements and New Facilities. For each capital project the spreadsheet shows the department that requested the project. For past years, it shows the amount approved for the project. For future years, it shows the estimated cost.

Dennis Keohane explained that the 2019 request for \$600,000 for improvements to the Town and School Parking Lots has been withdrawn and will be likely be added back for one or two years out.

Pat Brown asked about Open Space. Dennis Keohane explained that Open Space is not included in the capital plan spreadsheet. Chairman Dan Carty requested that it be added.

Tom Travers suggested that New Facilities be changed to New Facilities and Major Renovations.

Pat Brown pointed out for New Facilities that not only the Capital & Operating costs need to be considered but also the Ongoing Maintenance Cost.

Discussion of “Bottoms Up” Concept

Chairman Dan Carty put up on the screen a spreadsheet showing the total operating budget (including debt), the total approved or requested for capital projects and the ratio of the two, for the last 3 years and 5 future years. The ratio of the amount approved for capital project divided by the total operating budget for 2016 is 1.7, for 2017 is 2.2 and for 2018 it is 4.3, As projected for future years it is 7.0 for 2019 without New Facilities and 9.0 with New Facilities.

Chairman Dan Carty explained that towns typically spend 2-4% of their budget on capital. Since Sudbury’s operating budget is very close to 100 million, this would be 2-4 million that Sudbury should be spending each year on capital projects.

Looking at the spreadsheet, Tom Travers pointed out that the ratio averages about 4.5.

Chairman Carty pointed out that the row on the spreadsheet, entitled “Capimp/Total Budget”, is the ratio of the capital in the operation budget to the total operating budget. Historically this has been less than ½ percent.

Along with an increase in the Town Manager’s capital budget, Joan Carlton suggested changing the Free Cash Policy to allocate a portion for capital. Tom Travers suggested having sufficient funds in the Town Manager’s capital budget, so that funds could be put away for large ticket items such as fire trucks. A discuss on funding sources for capital followed.

Chairman Carty explained that the idea is to build up the Town Manager’s capital budget so that maintenance items such a HVAC units can be funded without going to the tax payers for funding.

Chairman Carty explained that we would have a separate meeting to discuss funding sources.

Susan Berry commented that the important question is, “How much funding is needed?”

Chairman Carty asked the group if they want to target all 4 categories or just 2-3 of them. Tom Travers suggested that the Town Manager’s capital budget should be \$2.5 million and that Free Cash be used for large capital items. Dennis Keohane suggested that a portion of Free Cash be allocated annually to a fund from which money could be withdrawn for larger capital projects. Dennis used the term “voter fatigue” to describe the result of the current

process of continually going to tax payers for capital projects. He explained that we should only go to taxpayers for large ticket projects.

Chairman Carty reminded the group to think in percent's rather than dollars so the policy will be long-lasting. Tom Travers suggested 2% of budget for maintenance in addition to the existing Town's Manager's budget of ½%. Chairman Cary asked the group how they felt about 2.5%. There was general agreement.

Tom Travers asked about oversight. This was followed by a discussion on methods for oversight.

Chairman Carty asked what are the things we need to do. After discussion with the group, it was decided that we need to talk about –

- What is the right amount
- How do we fund it
- Oversight & policy
- Discipline

Chairman Carty explained that for the next agenda item - "Override vs. Stabilization Override", he felt that the Town Manager, Melissa Murphy-Rodrigues should be at meeting for this discussion.

Susan Berry pointed out that the small amount that will roll off from "debt within the operating budget" could be used for capital. Tom Travers asked about leases. Dennis Keohane thought there was just one lease left.

Action Items

Change Capital Plan that Dennis Keohane presented to add Open Space and change New Facilities to New Facilities and Major Renovations.

Approval of Minutes from February 7, 2018 meeting

These minutes were discussed and edited. Tom Travers made a motion to approve the minutes. It was seconded by Lisa Kouchadjian and the motion passed unanimously 7-0.

Future Agenda Items

Chairman Carty suggested we discussed the Right Amount and How Funded at the next meeting. This was agreed by the group.

Next Meeting

Chairman Carty suggested 8am Wed., April 25th for the next meeting. This was agreed by group.

Chairman Carty said that he wanted to get the work of the group done by Fall Town Meeting. Susan Berry pointed out that the member's appointments expire at end of May.

Chairman Carty also requested we reserve 8am May 2nd for a possible meeting.

Adjournment

Lucie St. George made a motion to adjourn. This was seconded by Lisa Kouchakdjian. The vote was 7-0. The meeting adjourned at 9:43am.