

**Town of Harvard Capital Planning and Investment Committee Minutes
August 8, 2013, Town Hall Meeting Room**

Members present: Debbie Ricci, Marie Sobalvarro, Keith Cheveralls, Alan Frazer, David Kassel, and Lorraine Leonard

The meeting was called to order at 8:05 a.m., and minutes were unanimously approved for meetings on July 1 and March 21.

Election of officers was scheduled for September.

There was a discussion of options for long-term funding of the Capital Stabilization and Investment Fund.

Debbie passed around copies of a spreadsheet she compiled (later corrected, showing projected balances in the Capital Fund of \$815,200 in the current fiscal year, declining in subsequent years and becoming a deficit in Fiscal Year 2017. She noted her projections were based on a balance in the Fund for this year, including a free cash allotment, of \$1,095,200.

Lorraine said it is safe to project a yearly free cash allotment of \$250,000 and that the Capital Fund would need a stable source of revenue of about \$400,000 a year on top of that in order to stay out of deficit.

Three basic long-term funding options were suggested:

The first option discussed was a property tax levy override, which would earmark \$400,000 for the Capital Fund on a permanent basis.

Marie and Lorraine noted that state law authorizes the use of a property tax override to appropriate money to a stabilization fund. Lorraine agreed to send the committee an informational guideline statement from the Department of Revenue noting that the override must be dedicated for the same purpose in subsequent years. This is different from overrides to fund specific projects, which are earmarked in the fiscal year the override is effective.

Marie suggested that a second long-term funding option might be to fund all major capital projects through excluded debt. This would give town voters an opportunity to decide whether and how much they are willing to fund specific projects. A variation on this option would be to fund major projects as capital exclusions.

A third option would be to ask the Finance Committee to dedicate a half percent from the omnibus budget to the Capital Stabilization Fund. Lorraine pointed out that this option would decrease any potential surplus in the omnibus budget and would therefore reduce the free cash allotment that currently goes to the Capital Stabilization Fund. The net dollars in either case would be almost the same.

Alan noted that the mission of the Capital Committee includes determining sources for funding of capital projects, which includes the amount of reliance the Town should have on overrides to fund capital projects.

Keith expressed a concern that if a reliable revenue source is found for capital project that this should not be construed as an automatic approval of expanding spending to include every project listed in the five-year capital plan.

David suggested that the Capital Committee's screening process for capital projects would act as a brake on such runaway spending. Keith suggested that establishing a cutoff point on the committee's point grid for projects could become more difficult or problematic as funding availability increases. Keith and Marie noted that few capital requests are denied and Keith said he thought this could become unsustainable in the long run.

Marie suggested that a zero-based budgeting approach might be considered. Department heads would be required to justify any funding above zero for their desired projects. Another approach might be to agree to fund a threshold percentage of budget requests.

It was decided that liaison assignments to other committees and departments will be made at the next meeting. Keith will continue as liaison to the School Department and Marie will continue as liaison to the DPW.

The next meeting of the committee was scheduled for September 5 at 8 a.m.

The meeting was adjourned at 9:30 a.m.

Minutes respectfully submitted by David Kassel