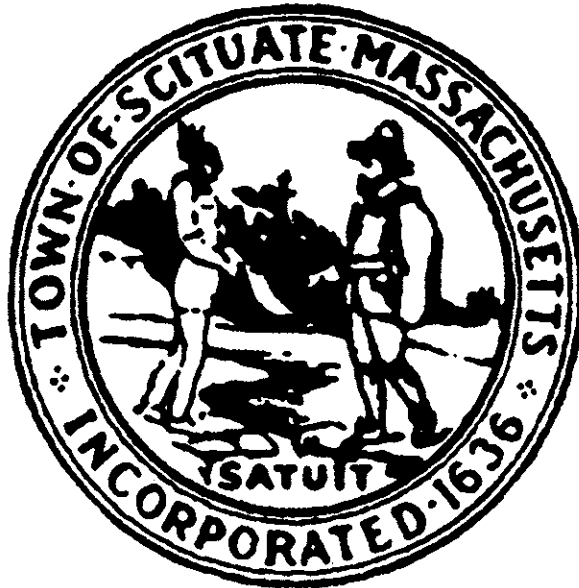


TOWN OF SCITUATE, MASSACHUSETTS

FISCAL YEARS 2018-2022



CAPITAL IMPROVEMENT PLAN

TOWN ADMINISTRATOR RECOMMENDED

BOARD OF SELECTMEN

Martin J. O'Toole, Chairman
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John F. Danehey

Patricia A. Vinchesi, Town Administrator

Nancy Holt, Finance Director/Town Accountant

December 2016

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EXHIBITS

Exhibit A. Town of Scituate Financial and Investment Policies (adopted October 2012)

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Exhibit D: Authorized Unissued Debt Compendium

Exhibit E: FY 18 Budget Timetable and Committee Review

FISCAL YEAR 2018 CAPITAL PLAN

Town Administrator Capital Plan Overview and Message

In compliance with Section 6-3, 6-4, and Section 6-6 (a-e) of the Town Charter, the Town Administrator respectfully submits the following Fiscal Year 2018 capital budget. This document contains recommended projects for funding in FY 2018. This is the seventh year of the reformatted capital planning process and sixth year of a full five-year rolling capital plan as required in the Town's charter. We continue to whittle away at long existing capital needs and have made excellent progress in the past five years. A five-year plan helps us plan for both short and long-term capital.

Fiscal Year 2018 recommendations maintain our commitment for a coordinated multi-year capital asset investment program. We continue to strive for improvements in providing supporting materials for all requested items and it improves a bit each year. Without proper information and fully completed forms received on time, projects cannot be competently rated and risk not being considered. The capital plan timetable always starts in November so departments are aware of this cyclical process.

The overarching goal of the Town of Scituate's Capital Plan is to serve as a forward looking document designed to inform the community in the broadest possible ways of the potential needs and demands the Town is facing for capital equipment, maintenance and infrastructure needs. This year we updated the capital request forms recommended by DOR. These forms provide even more information to decision makers about each requested project.

Financial Policies (Exhibit A)

The Town of Scituate Financial Policies, adopted by the Board of Selectmen in October 2012, provides the overarching framework for funding the Town's capital and operating budgets. The financial policies require the use of extensive revenue and assumption projections (Section 1 of Annual Operating Budget posted on website January 4), required minimum balances for enterprise fund retained earnings, minimum balances for Free Cash surplus, mandatory allocations for fixed costs such as Other Post-Employment Benefits (OPEB), rolling averages for new growth, and prior fiscal year release of the Overlay Reserve. Adherence to these policies resulted in the positive changes to the overall financial status of the Town budget and was and will continue to be a key factor in the Town's bond rating.

Bond Rating (Exhibit B)

Our Standard and Poor's (S&P) bond rating of AA+, one notch below AAA, the highest rating a municipality can achieve, has been maintained. (See Chart in FY 18 Operating Budget). Several

new communities obtained AAA ratings the past year, including Foxborough and Dartmouth. Our major impediment remains OPEB funding.

Capital Stabilization Fund

Created at the November 2012 special town meeting with \$100,000 of seed money, this fund institutionalizes a funding mechanism to allocate monies for large ticket items or projects so that their costs need not be absorbed all in one year. Last year the Town created similar Stabilization Funds for both the Water and Sewer Departments. The year's capital improvement plan also recommends the creation of a Golf Stabilization Fund at the 2017 Annual Town Meeting to allocate funds for upcoming large ticket capital items. This relieves pressure on debt service and is keeping with the principles of the five-year rolling plan to fund items over time in as stable a manner as possible, avoiding huge spikes in annual payments. Also, in keeping with the Town's Financial Policies, \$100,000 of taxation has been allocated to the capital plan along with \$63,776 in anticipated meals tax receipts in FY 18. The policies recommend that the Town endeavor to use 2%-3% of net operating revenue from taxation each year. That number is approximately \$1,462,000, so we remain substantially below that target. Some allocations to the Capital Stabilization Fund are earmarked while other funds are noted as being for future debt.

Below is the current itemization of allocations including those recommended for FY 18 in the Town Administrator's Capital Plan:

Capital Stabilization Fund				
<i>Established STM 11/2012 Article 8</i>				
Date	TM Date/Art	Amount	Balance	Comment/Purpose
11/13/2012	STM 11/2012, Art 8	100,000.00	100,000.00	Fund established
4/9/2013	ATM 04/2013, Art 3A	375,000.00	475,000.00	Fire apparatus
4/9/2013	ATM 04/2013, Art 3E	35,000.00	510,000.00	Voting machines
4/9/2013	ATM 04/2013, Art 3G	129,000.00	639,000.00	Foreshore Protection
4/9/2013	ATM 04/2013, Art 3K	100,000.00	739,000.00	Future Debt Service
11/4/2013	STM 11/2013, Art 8	(375,000.00)	364,000.00	Purchase fire apparatus
4/14/2014	ATM 04/2014, Art 5F	(35,000.00)	329,000.00	Purchase Voting machines
4/14/2014	ATM 04/2014, Art 5F	163,776.00	492,776.00	Future Debt Service
11/13/2014	STM 11/2014, Art 6	400,000.00	892,776.00	Future Debt Service
4/13/2015	ATM 04/2015, Art 3A	(147,335.00)	745,441.00	Foreshore Protection
4/13/2015	ATM 04/2015, Art 3J	50,000.00	795,441.00	Replace ambulance
4/13/2015	ATM 04/2015, Art 3K	50,000.00	845,441.00	Community turf field
4/14/2015	ATM 04/2015, Art 3L	75,000.00	920,441.00	Humarock Fire Stn #4
4/15/2015	ATM 04/2015, Art 3M	163,776.00	1,084,217.00	Future Debt Service
11/2/2015	STM 11/2015, Art 7	(780,000.00)	304,217.00	Public Safety Complex
4/14/2016	ATM 04/2016, Art 3	50,000.00	354,217.00	Replace 1986 Loader
4/14/2016	ATM 04/2016, Art 3	63,776.00	417,993.00	Future Debt Service
4/14/2016	ATM 04/2016, Art 3	(50,000.00)	367,993.00	Replace ambulance
10/16/2016	ATM 10/2016, Art 1	487,000.00	854,993.00	Future Debt Service
4/26/2017	ATM 04/2017, Art 3	(75,000.00)	779,993.00	Humarock Fire Stn #4 (proposed)
4/26/2017	ATM 04/2017, Art 3	(50,000.00)	729,993.00	Community turf field (proposed)
4/26/2017	ATM 04/2017, Art 3	(50,000.00)	679,993.00	Replace 1986 Loader (proposed)
4/26/2017	ATM 04/2017, Art 3	(50,000.00)	629,993.00	Expand Cudworth Cemetery (proposed)
4/26/2017	ATM 04/2017, Art 3	63,776.00	693,769.00	Future Debt Service (proposed)
4/26/2017	ATM 04/2017, Art 3	100,000.00	793,769.00	Replace 1987 Rescue Pumper (proposed)
Proposed Allocation Break-downs After April 2017 STM				
	Foreshore Protection	129,000.00		
	Replace Fire Engine 5	100,000.00		
	Unallocated	564,769.00		
	Total	793,769.00		
<i>plus interest that accrues on the balance</i>				

Authorized but Unissued Debt

Over the past year the Town did not have any additional issued but unauthorized debt to rescind. The current authorized and unissued debt is summarized in the table below.

Authorized & Unissued Debt		
Project Description	Authorization	Total
General Fund		
Energy Services Contract (ESCO)	Art 4H, ATM 04/2012	\$3,200,000
Facilities Design/Engineering	Art 4J, ATM 04/2012	\$150,000
Library Renovation/Constrctn-DE	Art 12, STM 11/2013	\$7,000,000
Integrated Financial Software	Art 5A, ATM 04/2014	\$200,000
Foreshore Protection	Art 22, ATM 04/2014	\$500,000
Middle School Construction-DE	Art 2, STM 12/2014	\$24,915,461
Foreshore Protection	Art 18, ATM 04/2015	\$2,000,000
Public Safety Complex Construction (not DE)	Art 7, STM 11/2015	\$562,000
Public Safety Complex Construction-DE	Art 8, STM 11/2015	\$751,000
Total General Fund		\$39,278,461
Sewer Enterprise		
Sewer Exp Phase IV - Design & Eng	Art 5CC, ATM 04/2014	\$400,000
Chain Pond Pump Station	Art 3S, ATM 04/2015	\$625,000
Copper Limit Reduction Feasibility Study	Art 4Y, ATM 04/2016	\$200,000
Sewer SCADA Phase 2 of 3	Art 4AA, ATM 04/2016	\$200,000
Total Sewer Enterprise		\$1,425,000
Water Enterprise		
Waterpipe Improvements	Art 11, STM 11/2013	\$6,847,000
Maple St Standpipe Rehab	Art 4Q, ATM 04/2016	\$710,000
Design of Expansion of Water Filter System	Art 4S, ATM 04/2016	\$80,000
Water SCADA Upgrades	Art 4T, ATM 04/2016	\$88,000
Finish Water Pumps & VFD Drives	Art 4U, ATM 04/2016	\$135,000
Total Water Enterprise		\$7,860,000
Waterways Enterprise		
South River Dredging	Art 3, ATM 03/2003	\$195,000
Marine Park Recreational Facility	Art 4-17, ATM 03/2007	\$280,000
Harbor/River Dredging	Art 3N, ATM 04/2015	\$200,000
Total Waterways Enterprise		\$675,000
Transfer Station Enterprise		
		\$0
Total Transfer Station Enterprise		\$0
Grand Total All Funds		
		\$49,238,461

As authorized but unissued debt is seen as potential debt by rating agencies it is good policy to clean up outstanding authorizations on a regular basis. Frequently, there are completed projects that come in under the original authorization and have the surplus balances rescinded or in some instances, transferred to other projects to offset the total authorization in any given year. The following available balances were transferred to other capital projects over the last year. There

are not any available unspent project funds to apply to the proposed FY 2018 capital plan at this time.

Project Description/TM Authorization/Funding Source	Amount
ATM 04/2012, Article 4E Transfer Station Loader (borrowing)	\$ 3,500
ATM 11/2012, Article 5 Transfer Station Backhoe (retained earnings)	\$ 14,529
ATM 04/2013 Art 3J Rebuild 1992 International Truck (borrowing)	\$ 21,503
ATM 04/2012 Art 7 Street Acceptance Road Improvement (borrowing)	\$ 158,000
ATM 04/2015 Art 3D Gates School HP Ramp & Fire Escape Repairs (Free Cash)	\$ 48,701
ATM 04/2016 Art 4F Hatherly & Cushing Schools Roof Repairs (Stabilization)	\$ 201,299
Total General Fund Projects	\$ 447,532
ATM 04/2007 Art 4-12 Dam Repairs (borrowing)	\$ 100,406
ATM 04/2008 Art 4F Replace Carbon Filter Media (borrowing)	\$ 1,518
ATM 04/2011 Art 3O Water SCADA (borrowing)	\$ 1,318
ATM 04/2012 Art 4S Backhoe (borrowing)	\$ 2,930
ATM 04/2007 Art 4-14 Stormflow Study (retained earnings)	\$ 15,660
ATM 04/2012 Art 4U F250 Ford Pick-up (retained earnings)	\$ 712
ATM 04/2014 Art 5Y Replace Water Vehicle #31 (retained earnings)	\$ 223
Total Water Enterprise Fund Projects	\$ 122,767
ATM 04/2012 Art 4X Environmental pump out boat (retained earnings)	\$ 25,625
ATM 04/2014 Art 5V Maritime Vessel (retained earnings)	\$ 22,892
ATM 04/2015 Art 3O Replace HVAC System HM Bldg (retained earnings)	\$ 27,000
Total Waterways Enterprise Fund Projects	\$ 75,517

State and Federal Mandates

New laws, rules or amendments by state agencies and the federal government can further impact our flexibility in addressing capital and operating budget needs. Water and sewer enterprises are highly regulated and in recent years mandates for storm water runoffs (MS4 Compliance) and sewer overflows have seen increased scrutiny and, in turn, new mandates. As noted here last year, the limitation on copper in the wastewater discharge is another costly mandate that we began to address in FY 17 and must continue into FY 18 at a significant cost. The capital plan includes further funding for the copper levels to move into compliance with discharge levels acceptable to DEP.

Enterprise Funds

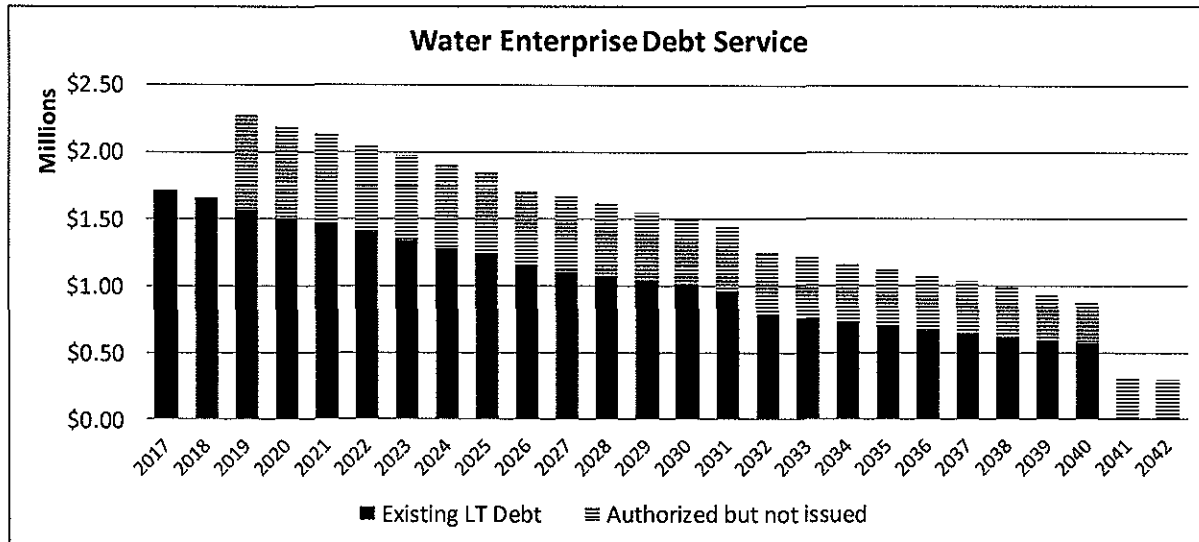
Aggressive work continues to improve and the Town’s infrastructure after decades of sporadic maintenance. Two water pipe replacement phases, each containing three separate contracts have been completed and the third and final phase has had two separate contracts completed. This year we will see the third and final phase of the \$22 million water pipe replacement project completed. Water rates increased 10% in FY14, 19% in FY15 and 19% in FY16 to pay for the debt service for the first two phases of this work.

In addition to debt service, minimum dollar thresholds are reserved in Retained Earnings in the event of a loss. Any capital recommendations must consider revenue trends and collection rates, total revenue, operating budget costs, debt service, indirect costs and capital needs. The FY 18 recommended capital plan recognizes the impact increased rates have on taxpayers and multiple capital requests each year have been scrutinized relevant to priority and alternative financing. Improvements will continue in FY 18, but cost and attendant staff capability to effectively manage and oversee projects will be weighed as well.

Water Enterprise: The water department has aging infrastructure other than its pipes and additional projects have been recommended to address this. Last year we began to look at our long neglected standpipes. The unexpected drought we experienced this summer and fall compelled us to take a hard look at our water supply systems. We managed through this difficult period as a result of strong conservation efforts by our residents, but must take steps to be prepared in the event of another drought situation. This required a look at our well conditions, supply, and yields along with our water distribution systems and reservoir capacity. Initial funds for well work and reservoir expansion were funded at the October special town meeting.

The FY 18 Capital Plan recommends five water projects totaling \$710,000 from Retained Earnings. Development of our water supply is a long term commitment and allocation of funds towards maximizing our existing supply mechanisms in addition to the development of additional sources will support that obligation.

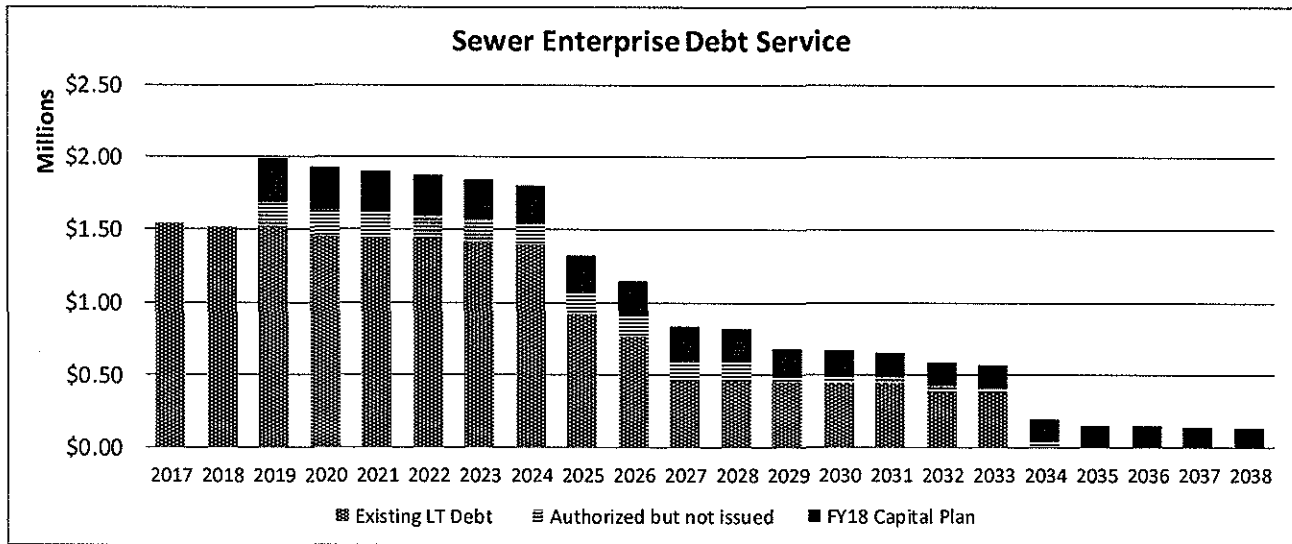
In ranked order, \$100,000 is recommended for redevelopment of our public wells. Two wells were refurbished this past spring/summer and increased yields significantly to help us weather the drought. This allocation will continue this work. The Town is also concurrently pursuing development of the Dolan well field (\$200,000 for permitting) and installing a feed from Well #17 to the reservoir to assist in replenishing the level in the off season (\$290,000). The replacement of the 1991 Trac Vac system for removing sediment from the treatment process and replacement of a 2004 pick-up truck complete the recommended capital plan for FY 18.



Sewer Enterprise. As discussed previously, the federally mandated copper limit reduction is a major concern and that work will continue for the next few years. A study of the issue was funded last year and this year \$420,000 is recommended to be borrowed to address this challenge subject to DEP approval. The Town has been augmenting the sewer enterprise repair and maintenance budget lines at special town meetings in order to prevent further costly infrastructure capital projects due to deferred maintenance. The FY 18 recommended capital plan continues to make allocations to improve our sewer infrastructure. The Town is continuing its infiltration/inflow program to maximize the system’s capacity. One of the ways we believe we can make major improvement in leakage out of our pipes is to replace the 17 foot deep sewer line at Cedar Point. This will require borrowing of \$2.5 million.

It is important to remember that unlike most communities, our sewer system treats hundreds of thousands of gallons of water that is not from sewer discharge but from coastal waters. This is particularly true at the Sand Hills and Chain Pond pump stations. In addition to these significant allocations recommended above, the third and final phase of upgrading our SCADA (Supervisory Control and Data Acquisition) equipment (\$45,000) and rehabilitation of the third and final Clarifier #3 is also recommended (\$50,000). This \$95,000 in funds will come from Sewer Retained Earnings.

The chart below illustrates that there is not a material reduction in the Sewer Enterprise debt service level until 2025. Dependent on the progress of the project, the items proposed in the FY18 capital plan might not need to be borrowed until a later year than depicted, or delayed through short term borrowing to allow more debt to retire.



Waterways Enterprise. The FY 18 capital plan recommends two projects. The first is for mandated upgrades to the electrical system at Cole Parkway and the Maritime Center. The second is to replace the current lifting of floats out of the Harbor each fall and stacking them on Cole Parkway. With a recommended appropriation of \$74,000, Dock Deicers would permit the floats to remain in the water all year. This has been an ongoing concern of the Selectmen for a number of years and will eliminate the unsightly and odorous floats at the Harbor. Both of these projects will come from Waterways Retained Earnings.

Widow’s Walk Enterprise. The debt for the golf course has been retired! This is a tremendous accomplishment and funds are now available to make much needed improvements. FY17 marked the retirement of the annual debt payment (\$382,000) for construction of the course and clubhouse. However, equipment and major improvements to the clubhouse are sorely needed and several appear on the five-year rolling plan. Multiple capital projects, including a new roof, restrooms and HVAC repairs are on the five-year plan and the \$90,000 in HVAC repairs has been recommended.

Most important, is after 20 years, the irrigation system on the course needs to be replaced. After consulting with experts in the field, this work cannot be done in phases nor can it be postponed for several years. As a result, the FY 18 Capital Plan recommends funds of \$25,000 to design a new irrigation system. The actual work needs to be done in calendar 2019 or we risk being on borrowed time for a failure. To that end the FY 18 capital plan recommends the creation of a Golf Stabilization Fund that would allocate \$185,000 to begin to offset the cost of this high price tag initiative.

The HVAC system in the Clubhouse has been limping along for the past few years and can no longer be put off. The funds for both projects, totaling \$115,000 will be funded from Golf Enterprise Receipts.

The water drought adversely impacted our course this summer/fall in a negative way. Revenues are being closely watched to insure the course breaks even June 30 of 2017.

Transfer Station Enterprise. The Transfer Station continues to do well and sticker costs were reduced in FY 2016 in recognition of this also. After years of monitoring and operation, it is time to address the landfill gas emissions with new piping. The amount recommended is \$175,000 and will come from Transfer Station Retained Earnings.

Scheduled Replacement of Equipment and Maintenance Needs

The use of available cash capital (Free Cash) and a documented process for analyzing dozens of capital requests has allowed us to make some steady progress in scheduled replacement of our rolling equipment. The FY 2018 recommended CIP provides for the seventh year of the Town's commitment to road maintenance and foreshore protection. We have allocated substantial funds to seawall/revetment work the past few years. Over the past two months we have received over \$4 million in grants and loans to address our coastal needs. These funds are supplemented by town appropriated funds, a requirement of most grant/loan programs. A total of \$200,000 from Free Cash is complimented by the same amount in the FY 18 operating budget. This \$400,000 dedicated to Foreshore Protection will allow us to continue to address our coastal needs.

Directing all our efforts is the finalization of the Town's long awaited report by Applied Coastal, "Coastal Erosion, Sediment Transport and Prioritization Management Strategy Assessment for Shoreline Protection". This report will guide all our actions relative to coastal impacts for the foreseeable future. Two major projects, continued replacement of seawalls on Oceanside Drive and Beach Nourishment on Humarock Beach will continue. The Town's Foreshore Protection Plan has an underlying foundation whereby projects are undertaken when easements are obtained from residents to spend public dollars and work on private property. In exchange, homeowners are required to give permanent easements for beach access.

Seawalls/Foreshore Protection 2010-17

Description	Authorization	Amount	Source
Seawall Repair	ATM, April 11, 2011, Art 2	\$500,000	Borrowing
Seawalls - Override*	ATM, April 11, 2011, Art 6	\$200,000	Tax Levy
Lighthouse Seawall/Revetment Repair	ATM, April 11, 2011, Art 17	\$475,000	CPA
Seawalls - Override*	ATM, April 9, 2012, Art 5	\$200,000	Tax Levy
Seawalls - Override*	ATM, April 9, 2013, Art 4	\$200,000	Tax Levy
Seawall Site Preservation	ATM, April 9, 2013, Art 12	\$200,000	CPA
Foreshore Protection Capital Stabilization	ATM, April 9, 2013, Art 12	\$129,000	Free Cash
Glades/Surfside /4th Cliff		\$95,848	FEMA; DCR grant
N Scituate Beach/Minot/1st-3rd Cliff		\$660,039	FEMA; DCR grant
Foreshore Protection	ATM, April 14, 2014, Art 5E	\$300,000	Borrowing
Seawalls - Override*	ATM, April 14, 2014, Art 6	\$200,000	Tax Levy
Foreshore Protection	ATM, April 14, 2014, Art 22	\$500,000	Borrowing
Oceanside Drive Seawall (4th-6th Ave)		\$2,000,000	State SRF Grant
Oceanside Drive Seawall (4th-6th Ave)	STM, November 13, 2014, Art 15	\$2,000,000	SRF Borrowing
Foreshore Protection	ATM, April 13, 2015, Art 3	\$200,000	Cap Stab Fd; Other Arts
Seawalls - Override*	ATM, April 13, 2015, Art 4	\$200,000	Tax Levy
Foreshore Protection	ATM, April 13, 2015, Art 18	\$2,000,000	Borrowing
Oceanside Drive Seawall (11th & Kenneth)		\$1,500,000	State SRF Grant
Oceanside Drive Seawall (11th & Kenneth)	STM, November 2, 2015, Art 11	\$1,500,000	SRF Borrowing
Foreshore Protection	ATM, April 14, 2016, Art 4E	\$200,000	Stabilization
Seawalls - Override*	ATM, April 14, 2016, Art 5	\$200,000	Tax Levy
3rd Cliff Hurricane Sandy Repairs-FEMA share		\$1,680,851	FEMA; DCR grant
3rd Cliff Hurricane Sandy Repairs-Town share	<i>\$560,283.77 from available foreshore funds</i>		
Oceanside Drive Seawall (7th-10th Ave)		\$2,500,000	State SRF Grant
Total		\$15,140,739	

Roads, Sidewalks and Pavement Management

For the past three years the water pipe replacement projects in Town have resulted in dozens of roads being in various stages of repair resulting in uneven surfaces, bumps and unattractiveness. In addition, six years of severe weather with attendant plowing have taken their tolls on our streets. The FY 18 capital plan recognizes this and makes a substantial investment in our roads next year. The amount from Free Cash and taxation is recommended to double (from \$200,000 to \$400,000) supplemented by another \$200,000 in the FY 18 operating budget. These funds in addition to Chapter 90 Funds provided by the Commonwealth should assist in making greater inroads with our pavement management. The Town spent \$974,183 in FY16 on roadway improvements and \$772,194 to date in FY17 in addition to the road work done that was part of the water pipe replacement project.

New and Continuing Projects

As with any viable capital plan, many requests will need to be funded in phases over a few years. The FY 2018 Capital Plan continues the Town's commitment to School Technology for the sixth year (\$100,000). Other recommended school capital includes removal of the modular classrooms

at Hatherly and Cushing (\$40,000), replacement of roof trim and fascia at Hatherly (\$27,500), and Ceiling Tile Replacement at Hatherly and Cushing (\$40,000). Another \$30,000 is recommended for ground materials needed after the relocation of the swing set at Jenkins School (\$30,000).

Public Facilities, Public Works and Land Use

The approval of the middle school and public safety complex addresses key needs identified by the Public Facilities Master Plan. The Selectmen received the report and recommendation of the Adaptive Re-use Committee this past summer. Subsequent to that appraisals were conducted on both Gates Middle and the COA on Brooks Street. At the present time an RFP has been issued to conduct site feasibility studies at four locations for a new Senior Center. The Public Safety Complex will open in March of 2017 and to that end \$250,000 has been recommended to demolish the former police station. Leveling of this site will accrue a number of benefits particularly when the new middle school opens in September of 2017. Town officials continue to work on addressing existing and future needs of our public facilities to meet community desires. Along these same lines, the Town's ADA Transition Plan for buildings has not been updated since originally prepared in 1995. As result \$50,000 has been recommended in the FY 18 capital plan to develop a blueprint for addressing barrier free issues in our town.

A major allocation of Free Cash in the FY 18 plan is replacement of the high school turf field. Turf fields have a limited life span of about 10 years and Scituate's is already past that. Supplemented by \$50,000 in funds that were allocated to Capital Stabilization previously, the major use of Free Cash for FY 18 will be the allocation of \$445,000 to replace the turf carpet.

The first phase of the renovation of the fire station in Humarock has been recommended with \$175,000 from Free Cash and an additional \$75,000 from a prior year allocation to the Capital Stabilization Fund for that purpose. This phase will address garaging issues as the next pumper rotated there will not fit. Phase 2 in FY 2019 will finish the interior modifications to the station for \$50,000.

The DPW continues to have a full plate with water and sewer projects and major foreshore protection construction work. FY 18 recommended capital highlights include replacement of the diesel fuel tank (phase 2 of 2) for \$35,000, acquisition of a front end loader for \$170,000, and culvert improvement along Gilson Road and Bailey's Causeway (\$400,000). The next phase of the expansion of the Cudworth Cemetery is supported with a transfer of \$50,000 from the Capital Stabilization fund with the final phase to be considered for FY 19.

Our goal is to maintain the existing debt service level in the operating budget and approve projects in a manner to replace maturing debt but endeavoring not to increase the budget. This has, and will continue to, serve us well as we continue to provide for our ongoing scheduled replacement as well as addressing long overdue physical plant needs.

TOWN ADMINISTRATOR FY 2018 RECOMMENDED CAPITAL

A combination of available funds and limited borrowing is recommended to fund the FY 18 Capital Improvement Program. Available funds generated from taxation, retained earnings, meals tax, enterprise fund operating receipts and funds reserved from Free Cash come together to continue a regular program of pay-as-you-go capital supplemented by borrowing for larger, longer-term cost items or projects.

Initial unrestricted FY 2018 departmental capital requests submitted from non-Enterprise Fund accounts was \$3,885,000 and for Enterprise Funds \$6,188,805, an overall total of **\$10,073,805**.

Attached is an itemization of Town Administrator and Finance Director recommended FY 18 capital projects and allocations totaling **\$7,018,276** (\$2,701,276 in General Funds and \$4,317,000 Enterprise Funds). This year our Free Cash is robust and as a result allows us to continue our Pay-As-You-Go capital plan with more capital items than in previous years. \$1,912,500 is being used to support the plan, leaving a Free Cash balance of \$491,133. Our policy is to endeavor not to go below a \$500,000 threshold balance of Free Cash to guard against unexpected circumstances (*e.g.* revenue shortfalls, cuts to local aid, major equipment loss).

The FY 18 Capital Plan includes all departmental requests for FY 2018-FY 2022. Ratings are completed for all four out-years of the capital plan. As required in a true capital plan, this means that those capital projects that receive high ratings even though requested in later fiscal years will move to the current fiscal year. This is what makes the five-year capital plan dynamic and ready to respond to changes that may occur in the operations of the Town.

All FY 18 recommended projects have supporting documentation and quotes. Projects that appear on the rolling capital plan for the first time and are requested to be funded in the current year have a high threshold for consideration. This is because the purpose of the rolling five year plan is to not be surprised by major capital items so that the Town can predictably plan and anticipate needs years out. This guards against the Town approving an amount of debt in a given year that does not take into consideration projects coming along in future years. Although a time consuming process, it is one of the critical elements of the plan. The plan is only as good as the information contained within it, and unknown prior requests being submitted each year defeats the purpose of avoiding spikes and added costs. The School-Town Facilities Department continues to be helpful in identifying new capital items that went previously undetected.

Every capital request is reviewed or re-rated for each of the five years and any required adjustments made (cost changes, year-needed changes). The FY 18 Town Administrator/Finance Director CIP recommendations contemplate available resources, future capital projects, existing debt, and authorized but unissued debt as well as the Public Facilities Master Plan.

Summary

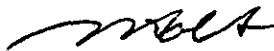
Finally, we would be remiss if not closing here with a cautionary advisory that with new facilities coming on line in FY 18 and FY 19 it is projected that the FY 19 capital and operating budgets will be much constrained. As this may be the last year in several that we are able to make a good dent in our rolling capital plan projects and allocations have been recommended that are the most needed and timely now.

Our gratitude is extended to all department heads for their assistance in this year's process.

Respectfully submitted,



Patricia A. Vinchesi
Town Administrator



Nancy Holt
Finance Director/Town Accountant

TOWN OF SCITUATE, MA

11/29/2016; 3:04 PM

Town Administrator
FY 2018 Capital Improvement Plan Recommendations

Total Project	Department	Amount	SOURCE OF FUNDS						Capital Stabilization (\$860,854 available)
			Free Cash	Enterprise Receipts	Meals Tax	Taxation	Retained Earnings	Borrowing	
GENERAL FUND - Available Free Cash \$2,403,633									
68	Road & Sidewalk Improvements	DPW - Highway \$ 400,000	\$ 300,000				\$ 100,000		
62	Replace Diesel Fuel Tank (Phase 2)	DPW - Highway \$ 35,000	\$ 35,000						
59	#L1 1986 CAT Front End Loader	DPW - Highway \$ 170,000	\$ 120,000					\$ 50,000	
57	Renovate Station #4 (Humarock) - Phase 1	Fire \$ 250,000	\$ 175,000					\$ 75,000	
55	Jenkins School Swing Set*	School \$ 30,000	\$ 30,000						
55	Foreshore Protection	DPW - Engineering \$ 200,000	\$ 200,000						
55	Culvert Imprvmnts - Construction-Baileys Causeway/Gilson Rd	DPW - Engineering \$ 400,000						\$ 400,000	
54	Expand Cudworth Cemetery - Phase 2 of 3	DPW - Grounds \$ 50,000						\$ 50,000	
54	Removal of Hatherly & Cushing Modulars*	School \$ 40,000	\$ 40,000						
53	Ceiling Tile Replacement Hatherly & Cushing*	School \$ 40,000	\$ 40,000						
50	Replacement Turf Carpet Comm HS Field	Recreation/DPW \$ 445,000	\$ 395,000					\$ 50,000	
46	Replace Zoll monitor	Fire \$ 50,000	\$ 50,000						
46	Demolition of Police Station	Facilities \$ 250,000	\$ 250,000						
43	School Technology	School \$ 100,000	\$ 100,000						
41	Replace Roof Trim & Fascia at Hatherly School*	School \$ 27,500	\$ 27,500						
40	ADA Transition Plan*	BOS/Disability Comm \$ 50,000	\$ 50,000						
		\$ 2,537,500							
TRANSFER TO CAPITAL STABILIZATION FUND									
	Future Debt Service	\$ 63,776			\$ 63,776				
54	Replace 1987 Rescue Pumper	Fire \$ 100,000	\$ 100,000						
SUBTOTAL - Remaining Free Cash \$491,133			\$ 1,912,500		\$ 63,776	\$ 100,000	\$ -	\$ 400,000	\$ 225,000
WATERWAYS - Available Retained Earnings \$576,888									
73	Upgrades to Electrical System at Cole Prkwy Marina and Scituate Maritime Ctr*	Waterways \$ 43,000					\$ 43,000		
59	Dock De-Icers*	Waterways \$ 74,000					\$ 74,000		
SUBTOTAL - Remaining Retained Earnings \$459,888			\$ -	\$ -	\$ -	\$ -	\$ 117,000	\$ -	\$ -

*Did not appear in previous five year rolling Capital Plan

TOWN OF SCITUATE, MA

11/29/2016; 3:04 PM

Town Administrator
FY 2018 Capital Improvement Plan Recommendations

Total Project	Department	Amount	SOURCE OF FUNDS						Capital Stabilization (\$860,854 available)	
			Free Cash	Enterprise Receipts	Meals Tax	Taxation	Retained Earnings	Borrowing		
WIDOWS WALK - Available Retained Earnings \$71,585										
60	Widow's Walk Irrigation System - Design	Golf/Facilities	\$ 25,000		\$ 25,000					
56	Widow's Walk HVAC Replacement	Golf/Facilities	\$ 90,000		\$ 90,000					
TRANSFER TO WIDOWS WALK CAPITAL STABILIZATION FUND										
60	Widow's Walk Irrigation System Construction	Golf/Facilities	\$ 185,000		\$ 185,000					
SUBTOTAL - Remaining Retained Earnings \$71,585			\$ 300,000	\$ -	\$ 300,000	\$ -	\$ -	\$ -	\$ -	
WATER - Available Retained Earnings \$1,451,105										
67	Redevelopment of Public Wells*	Water	\$ 100,000				\$ 100,000			
65	Dolan Well Field Development*	Water	\$ 200,000				\$ 200,000			
62	Upgrade of 1991 Trac-Vac System	Water	\$ 80,000				\$ 80,000			
55	Reservoir Feed Project*	Water	\$ 290,000				\$ 290,000			
42	2004 Chevy Colorado Pick-up #32 (4x4)	Water	\$ 40,000				\$ 40,000			
SUBTOTAL - Remaining Retained Earnings \$741,105			\$ 710,000	\$ -	\$ -	\$ -	\$ 710,000	\$ -	\$ -	
TRANSFER STATION - Available Retained Earnings \$623,224										
74	Landfill Gas Piping	Transfer Station	\$ 175,000				\$ 175,000			
SUBTOTAL - Remaining Retained Earnings \$448,224			\$ 175,000	\$ -	\$ -	\$ -	\$ 175,000	\$ -	\$ -	
SEWER - Available Retained Earnings \$674,748										
77	Copper Limit Reduction Implementation	Sewer	\$ 420,000					\$ 420,000		
69	Infiltration/Inflow	Sewer	\$ 2,500,000					\$ 2,500,000		
64	SCADA Upgrade Pump Stations (Phase 3)	Sewer	\$ 45,000				\$ 45,000			
62	Rehabilitation of Clarifier #3	Sewer	\$ 50,000				\$ 50,000			
SUBTOTAL - Remaining Retained Earnings \$579,748			\$ 3,015,000	\$ -	\$ -	\$ -	\$ 95,000	\$ 2,920,000	\$ -	
Total Recommended			\$ 7,018,276	\$1,912,500	\$ 300,000	\$ 63,776	\$ 100,000	\$ 1,097,000	\$ 3,320,000	\$ 225,000

* New addition to rolling capital plan in FY18.

*Did not appear in previous five year rolling Capital Plan

Town Charter

Capital Improvement Program

Section 6-6

- (a) (The) capital planning program shall consist of a schedule of proposed capital expenditures for at least the next five fiscal years and the proposed methods of financing each such expenditure. The objectives of the program shall be: (1) establish priorities that will best serve the Town as a whole; and (2) to so schedule and finance capital outlay that it will have as level an effect as possible upon the tax rate from year to year.
- (b) The Board of Selectmen shall be responsible for preparation and annual revision of the capital planning program. To assist it in doing so and to advise the town meeting on capital planning matters, there shall be a capital planning committee, consisting of five members appointed by the Town Moderator for overlapping three-year terms, the town administrator and one member designated, annually, by the school committee.
- (c) The capital planning committee shall submit annually to the Board of Selectmen a revised and updated report, which shall contain: (1) a list of proposed capital expenditures for the next fiscal year and the ensuing five years; (2) a recommended time schedule for executing them; (3) cost estimates and recommended financing method for each; and (4) the estimated additional costs of operating and maintaining each new facility and piece of major equipment involved. It shall also prepare a summary of its report, and shall submit such summary to the Board for inclusion as a separate entity in the Advisory Committee's annual report of the town meeting.
- (d) The Board of Selectmen shall base its final capital planning program on the capital planning committee's report with such changes as it considers necessary to reflect its stated policies and shall deliver it to the Advisory Committee not less than five months prior to the annual town meeting. The Advisory Committee shall forthwith proceed to consider the program and shall, in its report to the annual town meeting, make such recommendations as it deems to be in the best interests of the Town, both with respect to the capital budget for the next fiscal year and the schedule for the ensuing years. The annual report to the Capital Planning Committee shall be summarized and a copy of the summary shall be published in the Annual Town Report and a copy of the summary shall be included in the Report of the Advisory Committee.

Section 4-2

- (f) The Town Administrator shall prepare and submit the annual budget as provided in Article 6.

- (h) The Town Administrator shall keep the Board of Selectmen informed as to the financial condition and needs of the Town and shall make such recommendations to the Board of Selectmen as is deemed necessary or expedient.

Section 6-2

On or before a date determined by the Board of Selectmen, the Town Administrator shall submit to the Board of Selectmen a proposed operating budget for the ensuing fiscal year with an accompanying budget message and supporting documents.

Section 6-3

The message of the town administrator shall explain the budget for all departments and agencies both in fiscal terms and in terms of work programs, point out all major deviations from the current year and the reasons therefore, provide an outline of general problems, summarize the Town's debt position, and include such other materials as the Town Administrator may deem desirable or the Board of Selectmen may instruct. The budget message shall include all the expected revenues, and expense of the Town (including the schools) projected over, at least a five year period and this message is to be included in the report of the Advisory Committee.

Section 6-4

The budget shall provide a complete financial plan of all town funds and activities, including the budget adopted by the School Committee for the ensuing year. Except for the school budget or as may be required by statute or by the charter, it shall be in the form which the Town Administrator deems desirable or the Board of Selectmen may require. In the presentation of the budget, the Town Administrator shall utilize modern concepts of fiscal presentation so as to furnish maximum information and the best financial control. The budget shall show in detail all estimated income from the property tax levy and other sources and all proposed expenditures, including debt service for the following year. The budget shall be arranged to show the actual and estimated income and expenditures for the previous, current and at least the next five fiscal years and shall indicate in separate sections: (a) proposed expenditures for current operations during the ensuing fiscal year, detailed by agency and position in terms of work programs, and the method of financing such expenditures; (b) proposed capital expenditures during the ensuing fiscal years, detailed by town agency, and the proposed method of financing each capital expenditures; and (c), estimated surplus revenue and free cash at the end of the current fiscal year, including estimated balances in an special accounts established for specific purposes.

2017 Capital Planning Committee Members

Christopher Carchia Chairman	<u>ccarchia1@gmail.com</u>
John P. Whittaker	<u>cudworth@aol.com</u>
Francis J. Nash, Jr.	<u>frank@franknash.com</u>
Tony Meschini	<u>tonymeschini2004@yahoo.com</u>
Joe Fitzgibbons	<u>lightning99@hotmail.com</u>
David Capelle, Advisory Committee Rep	<u>david.capelle@ml.com</u>
Patricia Vinchesi, Town Administrator	<u>pvinchesi@scituatema.gov</u>
Michael Long, School Comm. Rep.	<u>mlong@scit.org</u>
Maura Curran, Board of Selectmen Rep	<u>mcurran@scituatema.gov</u>

Capital Improvement Program

A capital improvement program (CIP) is a multi-year fiscal planning document that identifies long-term improvements to the Town's infrastructure and facilities and provides a program for prioritizing, scheduling and funding. It is comprised of two parts: a capital budget, which is the upcoming fiscal year's plan, and a capital program, which is a window into the overall capital needs of the community for the ensuing five years, hence the phrase, "rolling capital plan." This is not a static process. The CIP is based on the best available information at the time of development with some projects requiring additional price and scope information. However, information about projects in outer years does change and each year require updates or in some cases, a change in direction. This allows town officials to plan for major expenditures in the future while also evaluating new and current projects based on up-to-date data. In short, the CIP is a composite of the Town's capital needs, tempered by current and future financial capability.

What constitutes a Capital Improvement Project?

A capital improvement is a major, non-routine expenditure for new construction, major equipment purchase, or improvements to existing buildings, facilities, land or infrastructure, with an estimated useful life of five (5) years or more, and a cost of \$25,000 or more.

Among the items properly classified as capital improvements are:

- New public buildings, or addition to existing buildings, including land acquisition costs and equipment needs associated with the project and to furnish the new building or addition for the first time;
- Major alterations, renovation, or improvements to existing buildings which extend the useful life of the existing buildings by five years;
- Land acquisition and/or improvement, unrelated to a public building, but necessary for conservation or parks and recreation purposes; (CPC)
- Major equipment/vehicle acquisition, replacement or refurbishment, with a cost of at least \$25,000, and a useful life of at least five (5) years, including computer and technology equipment;
- New construction or major improvements to the Town's physical infrastructure, including streets, sidewalks, storm water drains, the water distribution system, and the sanitary sewer system, which extends the useful life of the infrastructure by at least ten (10) years and
- A feasibility study or engineering design service which is related to a future capital improvement.

Necessity of Viable Capital Improvement Plan

- Facilities coordination between capital needs and the operating budgets;
- Enhances and/or maintains the community's credit rating through improved fiscal planning and avoids sudden changes in its debt service requirements;
- Identifies the most economical means of financing capital project;

- Increases opportunities for obtaining federal and state aid if applicable or available;
- Relates public facilities to the Town's strategic plan or public and private development and redevelopment policies and plans;
- Helps the Town plan for multi-year projects in a fiscally responsible manner
- Focuses attention on community objectives and fiscal capacity;
- Keeps the public informed about future needs and projects;
- Coordinates overlapping units of local government to reduce duplication, and encourages careful project planning and design to avoid costly mistakes and reach goals.

Creating the Plan

The Town has developed an administrative process that establishes policies and procedures for submitting and evaluating projects. These processes are reviewed annually with staff and include:

Instructions for identifying and submitting projects within the established deadline and distributed electronically to all department heads;

A schedule for the submission of projects, and

A method of evaluating and ranking projects

Process Overview

The following steps guide the Town of Scituate Capital Plan process:

- The Town Administrator and Finance Director set a schedule for completing the CIP process (October);
- The statuses of previously approved projects are determined;
- Project requests are solicited, received by the Finance Director within the established deadline (November) and entered in the CIP database;
- The Finance Director reviews and evaluates each project in accordance with ranking methodology based on information submitted by the department along with the Capital Improvement Request Form; (November)
- The Town Administrator then receives the Finance Directors evaluations and independently reviews and evaluates each project in accordance with ranking methodology based on information submitted by the department along with the Capital Improvement Request Form (November)
- The Finance Director makes changes to the CIP based on feedback from the Town Administrator and prepares an initial ranking based on the methodology as well as preparing preliminary funding availability/options. (November)
- If necessary, various methods of financing are reviewed with the Town Treasurer and Finance Director along with the Town's Financial Advisor (FA) for proposed projects;

- The Town Administrator informs the Finance Director of priority projects; (November)
- The Town Administrator and Finance Director finalize the recommended projects and associated funding mechanism. (November)
- The Town Administrator and Finance Director compile the Capital Budget Message, all related documents and the rolling five year capital plan. (December)
- The Town Administrator and Finance Director present the proposed CIP to the Board of Selectmen, Advisory Committee and Capital Planning Committee in accordance with the Board voted annual Budget Timetable (January);
- The Capital Planning Committee, Board of Selectmen and Advisory Committee each independently review and deliberate upon departmental requests and the Town Administrator's recommendations; (January to March)
- The Capital Planning Committee, Board of Selectmen and Advisory Committee each independently vote to adopt or revise the Town Administrator's recommended CIP program; (March)
- Town Administrator submits special and annual warrant article(s) for capital articles for Town Meeting authorization. (March)

Capital Program Definitions/Categories

An overall capital plan generally focuses on five "Program Categories" defined as follows:

Land – the acquisition through purchase, long term lease, with or without conditions, of undeveloped real estate. If the acquisition of land is associated with the acquisition of a building or an infrastructure project, the project should be categorized in those respective categories.

Building – The replacement, renovation, addition to, construction or acquisition through purchase or long-term lease of a building structure or a major component thereof.

Infrastructure –This category would include such things as water and sewer pipes, pumping stations, roadwork, sidewalks, traffic signals, drainage systems and other improvements of a lasting nature but not related to building structure.

Equipment (rolling) - All equipment that meets the definition of a capital project item that is capable of self-propulsion from one location to another.

Equipment (non-rolling) - All other equipment that meets the definition of a capital project item. The item may be transportable; however, if it is capable of moving under its own power it should be classified under "Equipment (rolling)". If the item is a piece of equipment that is intended to be permanently installed in a building such as an air-conditioning system or a furnace, then that item should be classified under "Building"

Capital Program Priorities

Given budgetary challenges that seemingly limit the amount of funds available each year for capital projects, it is necessary to prioritize capital requests so as to stay within the Town's financial capabilities. The Town still allocates a nominal amount of general tax revenue to capital so that the operating budget and the capital budget are true equals in funding in any given year.

The Town Administrator employs a methodology that numerically rates projects based on six weighted criteria including overall fiscal impact, legal mandates, advancement of the Town master plan, impact on service to the public, urgency of maintenance needs, whether or not prior phases have been funded, and departmental priority rank.

In general, the project receiving the highest number of points is funded first, then the project with the next highest score is funded next and so on until the pool of available funds is depleted for that particular fiscal year with departures from this method allowed for multi-year projects and/or large building projects. This disparity is necessary because large building projects often receive high priority but if they were to be funded in one year the resulting debt service would exceed prudent debt limits. Therefore, when this occurs for the purpose of the CIP, these types of projects will be distributed throughout the five-year plan and certain large-scale projects may require a Proposition 2 ½ debt exclusion vote in order not to overwhelm the tax levy. The process then repeats in subsequent years.

As previously noted, a capital budget plan is a fluid document subject to change each year as priorities change. As a result, a project, which had a priority score in a previous capital plan, may have a different score in subsequent year updates. After the first year of the capital plan, the information provided in the subsequent years is not so much to provide a firm "pecking order," but rather to identify trends far enough in advance to address problems in a rational and timely manner. It is critical that staff update each project in each year of the five-year plan annually and submit new or revised data or information.

Capital Fund Program Impacts

One of the most difficult challenges facing the Town today is to establish an investment in its capital assets while successfully managing the financial impact on both the General and Enterprise Fund budgets. In light of the importance of creating this planned program of infrastructure repair and replacement, the Town must continue its commitment to establishing and maintaining an annual Capital Budget, with the goal of reversing the effects of years of deferred maintenance and replacement.

Typically, and in alignment with most successful municipal capital plans, a limit of net debt service between 3-5% of the Town's net revenues is recommended as a target goal. Net debt and net revenue represent the total debt service/revenue less amounts authorized as excluded from Proposition 2 ½ or the Massachusetts School Building Authority.

Debt Limits

General Debt Limit. The General Debt limit of the Town considers of a Normal Debt Limit and a Double Debt limit. The normal Debt Limit is five (5%) of the valuation of taxable property as last equalized by the Department of Revenue. The Town can authorize debt up to this amount without state approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the Municipal Finance Oversight Board.

Note: The Town of Scituate remains within the levels of acceptable debt capacity at the present time.

There are many categories of general obligation debt which are exempt from, and do not count against, the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to ten (10%) of equalized valuation) housing, urban renewal and economic development (subject to various debt limits) and electric, gas, community antenna television systems, and telecommunications systems (subject to separate limits). Revenue bonds are not subject to these debt limits. The General Deb Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

Revenue Anticipation Notes The amount borrowed in each fiscal year by the issue of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The fiscal year ends on June 30. Notes may mature in the following fiscal year, and notes may be refunded into the following fiscal year, to the extent of the uncollected, unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgments and lawful unappropriated expenditures, which are to be added to the next tax levy, but excluding deficit arising from a failure to collect taxes of earlier years.

Debt Service Impact on the General Fund In an effort to balance the cost of debt service throughout the capital program, projects, regardless of administrator and department ranking, are placed in outlying years as needed. Also, as previously noted, certain large scale projects may require a Proposition 2 ½ override.

Debt Service on the Enterprise Funds Based on the Enterprise Fund accounting methodology, all costs associated with the operation and maintenance of the water, sewer, Widow's Walk, waterways and transfer station, including debt service must be supported by user charges.

Capital Program Fund Sources Funds for capital investment are derived from several sources: Enterprise Funds; General Obligation Bonds, General Fund revenues, Free Cash, state and federal grant funds, and the Capital Stabilization Fund.

General Obligation Bonds Under Massachusetts law, the Town is authorized to issue general obligation indebtedness. These bonds are generally required to be payable in equal or diminishing annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. Level debt service is permitted for bonds or notes issued for certain purposes, and for those projects for which debt service has been exempted from property tax limitations. The maximum terms vary from one year to 40 years, depending on the purpose of the issue. Most of the purposes are capital projects. The Town's Financial Policies recommend that 2-3% of net General Fund revenue be allocated to capital.

Enterprise Bonds Like the General Fund budget of the Town, Enterprise Funds may finance planned capital improvements from current "rate revenue" or from long-term bonds, which must be repaid over time using future rate revenue. The Water and Sewer Departments in particular are trying to balance mandated improvements and deferred maintenance which has had the result of increasing debt service levels. This is also challenging as large capital costs are financed over several years, while betterment payments in support of such projects must be monitored and an applicable amount set aside each year regardless of when received. Water and sewer infrastructure improvements will continue for the immediate future but the ability of the enterprise fund to absorb the attendant debt must be considered as well. Water rates increased over 38% with the two phases of the \$22 million water improvement project. Sewer rates were increased in October for the first time in four years. With additional phases of the Sewer Master Plan contemplated and increased development sewer rates will need to be carefully watched for the next few years. Even with these increases, the Town of Scituate's rates for these utilities remain comparable or less than surrounding communities.

General Funds-Pay-as-you-Go Capital and Free Cash Non-debt financing devotes revenue from the General Fund budget, using the undesignated fund balance "Free Cash," or Stabilization Fund interest to finance all or a portion of projects. This is part of our "pay-as-you-go" capital program. Some town departments carry a "capital" line item in their operating budget each fiscal year. In general these items are for expenditures with a useful life of less than five years such as police cruisers. Since FY 12, Free Cash is used to almost exclusively fund capital in accordance with the Financial Policies. It is never used as a source of revenue for reoccurring operating items.

State and Federal Grant Sources The state and federal government can also play a role in funding infrastructure improvements, open space, and economic development. Generally, the state or federal government borrows money and then makes it available through a grant application process to municipalities. Funds, such as the Community Preservation Act and Dam

and Seawall Repair Fund greatly assist the Town in financing capital that is not reliant upon the General Fund. The Commonwealth, for certain projects like water and sewer, also makes available 0% or low interest loans (e.g. MWPAT) for financing projects.

School Building Assistance Program (MSBA) This program supports funding for school construction and renovation. Reimbursements rates under the MSBA are dependent upon many factors The MSBA project for the Town (Wampanoag School) received a 40.68% reimbursement rate. The middle school project MSBA reimbursement rate is 44.06%.

PAV/12;10
Revised 12;11
Revised 12;12
Revised 12;13
Revised 12;14
Revised 12;15
Revised 12;16

Fiscal Year 2018 Capital Budgeting Process

The Capital Budgeting process uses the same methodology used in the past seven fiscal years. It begins when departments submit their capital budget requests with supporting documentation for consideration to the Finance Director. The Finance Director then rates each project on the weighted criteria below. Once this rating is completed it is then forwarded to the Town Administrator who conducts her own independent rating of each project.

- Overall Fiscal Impact: Are there funding sources other than the general fund?
- Will the project bring in additional revenue or will it cost additional money to operate?
- Legal Obligations/Adherence to Master plan: Does a state or federal law mandate the town to fund the capital project? Does the project promote a component of the town's master plan?
- Impact on Service to the Public: Will residents receive better service if the project is funded? Will it address a public health, safety, accreditation or maintenance need?
- Urgency of Maintenance Needs: Is the asset currently broken and in need of immediate replacement or can it last a few more years?
- Prior Phases: If the project is a multiyear project, have prior phases been previously funded or is it a new project?
- Department Priority: How does the division director rank his/her project submissions? Is it a high priority or a low Priority?

(See attached for additional information on this priority ranking system)

After all projects are reviewed and ranked they are assigned a numerical value based on the rating criteria. Each project appear on the five year rolling capital plan is rerated each year.

The next step in the process is to place the projects in a funding year based on their priority ranking analyze each fiscal year's capacity to fund capital projects. Capacity is determined by how much additional debt service a fiscal year can absorb and still stay within the financial policies of the Town and town needs. Since the Town generally structures its debt service on a descending payment schedule and revenues are predicted to increase each year, in each fiscal year additional debt service capacity is created to pay for capital projects. Debt that rolls off is not allocated back into General Fund available revenues but stays with the debt budget.

In addition, non-general fund funding sources such as Community Preservation Act (CPA) funds, the sale of assets, or prior year unspent authorizations are recommended to fund certain capital projects.

TOWN OF SCITUATE
PROJECT REQUEST RATING SHEET
DESCRIPTION OF RATING CRITERIA AND SCALES

CRITERIA A --OVERALL FISCAL IMPACT

Weight: 4

Rationale: Limited resources for competing projects require that each project's full impact on the Town's budget be considered in rating and evaluating projects. Projects that are self-funded or have a large proportion of external funding will receive higher ratings than those that do not.

Considerations: Ratings for this factor will consider these major points:

- A. Capital cost of the project relative to all other project requests.
- B. Impact of project on Town operating costs and personnel levels.
- C. Whether project requires Town appropriations or is funded from agency, grant funds, matching funds, or generated revenue.
- D. Impact on Town tax revenue or fee revenue.
- E. Will external funding be lost should project be delayed?

Illustrative Ratings:

5-Project requires less than 10% Town funding.

4-Project requires less than 50% Town funding.

3-Project requires more than 50% Town funding, decreases operating costs and increases Town revenues.

2-Project requires more than 50% Town funding, increases operating costs and increases Town revenues.

1-Project requires more than 50% Town funding, decreases operating costs and decreases Town revenues.

0-Project requires more than 50% Town funding, increases operating costs and decreases Town revenues.

CRITERIA B--LEGAL OBLIGATIONS AND COMPLIANCE WITH MASTER PLAN

Weight: 4

Rationale: Some projects are virtually unavoidable due to court orders, federal mandates, or state laws that require completion. In addition, projects that advance the stated goals of the Town's Master Plan should receive higher consideration than those that don't. This criterion evaluates both the severity of the mandate and the degree of adherence to the Town's Master Plan.

Considerations: Ratings for this factor will consider these major points:

- A. Whether an agency is under direct court order to complete this project.
- B. Whether the project is needed to meet requirements of federal or state legislation.
- C. Whether the project advances one or more of the goals of the Town Master Plan.

Illustrative Ratings:

- 5-Agency currently under court order to take action.
- 4- Project is necessary to meet existing state and federal requirements.
- 3- Project advances one or more of the goals of the Town’s Master Plan/adopted policies.
- 2- Project advances one of the goals of the Town’s Master Plan/adopted policy.
- 1- Legislation under discussion could require project in future.
- 0- No legal or Master Plan impact or requirements.
- 1-Project requires change in state law to proceed.
- 2-Project requires change in federal law to proceed.

CRITERIA C-IMPACT ON SERVICE TO THE PUBLIC

Weight: 3

Rationale: Consideration will be given to capital projects that address health, safety, accreditation or maintenance issues as well as improved service of an agency. Service is broadly defined, as the Town’s objective to meet the health, safety or accreditation needs of the population and/or improved operations of an existing department.

Considerations: Ratings for this factor will consider these major points:

- A. Whether the service is already being provided by existing agencies.
- B. Whether the project has immediate impact on service, health, safety, accreditation or maintenance needs.
- C. Whether the project focuses on a service that is currently a “high priority” public need.

Illustrative Ratings:

- 5-Service addresses an immediate public health, safety, accreditation, or maintenance need.
- 4-Service is improved and addresses a public health, safety, accreditation, or maintenance need.
- 3-Service is greatly improved.
- 2-Service is improved.
- 1-Service is minimally improved and addresses a public health, safety, accreditation, or maintenance need.
- 0-Service is minimally improved.

CRITERIA D-URGENCY OF MAINTENANCE NEEDS

Weight 3

Rationale: The Town's most immediate goal in both capital and operating finance is to maintain current services expected by citizens, businesses, and visitors. Capital projects that are essential to maintain service, protect investment, or restore service that has been interrupted due to failure of capital assets will receive the highest rating in this criterion.

Considerations: Ratings for this factor will consider these major points:

- A. Whether service is currently interrupted.
- B. Whether the project as requested will result in full restoration of service.
- C. Whether the project is the most cost-effective method of providing or maintaining service.
- D. Where service is not currently interrupted, the likelihood that it will be in the next five years if the project is not funded.
- E. Whether costs of the project will increase (beyond inflation) if the project is delayed.
- F. Whether the agency has prepared a comprehensive maintenance/rehabilitation/replacement schedule and the project is due under that schedule.

Illustrative Ratings:

5-Service is currently interrupted and the project will restore service in the most cost-effective manner possible.

4-Service is likely to be disrupted in the five-year horizon if project is not funded.

3-Project is necessary to maintain orderly schedule for maintenance and replacement.

2-Cost of Project will increase in future (beyond inflation) if it is delayed at this time.

1-Minor risk that cost will rise or service will be interrupted if project is not funded.

0-There is no financial or service risk of delaying or not funding the project (e.g., the project is new and has no impact on current service).

CRITERIA E-PRIOR PHASES

Weight: 2

Rationale: Some projects need to be developed in phases due to their complexity of size. In such cases, the need has already been established by prior commitment of funds to existing projects. Therefore, continuation of the project will be given higher consideration.

Considerations: Ratings for this factor will consider these major points:

- A. Whether the project has received prior funds.
- B. Whether the project requires additional funding to be operational.

Illustrative Ratings:

- 5-All but the final phase has been fully funded.
- 4-Multiple phases have been fully funded.
- 3-Multiple phases have been partially funded.
- 2-First phases have been fully funded.
- 1-First phases have been partially funded.
- 0-No prior phases have been funded or partially funded.

CRITERIA F-DEPARTMENTAL PRIORITY

Weight: 2

Rationale: Divisions are expected to provide an indication of which projects are most important to their mission.

Considerations: Ratings for this factor will consider these major points:

- A. Departmental ranking of each individual project.
- B. The total number of project requests that are tuned in by entities.

Illustrative Ratings:

- 5-Top 20% of highest departmentally ranked project requests.
- 4-20% of next highest departmentally ranked project requests.
- 3-20% of next highest departmentally ranked project requests.
- 2-20% of next highest departmentally ranked project requests.
- 1-Bottom 20% of all project requests.