

**TOWN OF SCITUATE, MASSACHUSETTS**

**FISCAL YEAR 2015-2019**



**CAPITAL IMPROVEMENT PLAN**

**TOWN ADMINISTRATOR RECOMMENDED**

**BOARD OF SELECTMEN**

**Shawn Harris, Chairman  
Anthony V. Vegnani, Vice Chairman  
Martin J. O'Toole, Clerk  
John F. Danehey  
Richard W. Murray**

**Patricia A. Vinchesi, Town Administrator**

**Nancy Holt, Finance Director/Town Accountant  
Pamela J. Avitabile, Treasurer/Collector**  
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**December 2013**

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### **EXHIBITS**

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## **FISCAL YEAR 2015 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 2015 capital budget. This document contains recommended projects for funding in FY 2015. This is the fourth year of the reformatted capital planning process and third year of a full five-year rolling capital plan as required in the Town's charter. We have made excellent progress in a few short years. A five-year plan helps us plan for both short and long-term capital.

Fiscal Year 2015 recommendations continue to institutionalize a framework that maintains a commitment to a coordinated multi-year capital asset investment program. Similar to last year, departments still have a ways to go on providing sufficient supporting materials for all requested items; it is a work in progress and each year we move a bit more forward. The hurdle is that 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 and may need to be moved up a bit in order to provide as much information on requests as possible.

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.

### **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), 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 was a key factor in last year's bond rating increase.

### **Bond Rating (Exhibit B)**

The Town issued \$6.6 million in debt on November 3, 2012 and currently has some short-term borrowing that must be issued as permanent debt in 2014. 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 15 Operating Budget).

### **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. 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 a stable manner as possible, avoiding huge spikes in annual payments. In keeping with the Town's Financial Policies, for the first time, \$100,000 of taxation was allocated to this fund in FY 14 and is recommended again for FY 15. This allocation is not earmarked but funds are earmarked for future debt with meals tax revenue. Earmarking of funds for previously voted selected capital to Capital Stabilization for the following purpose including FY 15 Town Administrator Recommended are:

	<b>Amount</b>	<b>Purpose</b>
FY 15	\$100,000	Future debt service
	\$163,416	Future debt service
FY 14	\$375,000	Fire apparatus
	\$124,000	Foreshore Protection
	\$ 35,000	Voting machines
	\$100,000	Future debt service
FY 13	\$100,000	Establish Fund

At the November 2013 special town meeting, \$375,000 was transferred from the Fund to meet the total appropriation for acquisition of new fire apparatus. The FY 15 capital plan recommends transferring the \$35,000 appropriation made in FY 14 for new voting machines out for purchase with a \$14,500 match from Free Cash.

### **Authorized but Unissued Debt**

Over \$6 million of previously authorized unissued debt was rescinded at the April 2012 annual town meeting. At the November 2013 special town meeting an additional \$1,175,518.00 was rescinded. As authorized but unissued debt is counted as debt potential by rating agencies, it is good policy to clean up outstanding authorizations on a regular basis. Completed projects that

come in under the original authorization can have the surplus balances rescinded or in some instances, transferred to other projects to offset the total authorization in any given year.

### **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 and sewer overflows have seen increased scrutiny and, in turn, new mandates. MS4 Compliance was one such new mandate in FY 14 is costly for us and will need to be addressed for the next few years. Funding is not discretionary nor is it at an economical cost.

### **Enterprise Funds**

Aggressive work continues to improve and/or expand the Town's infrastructure after years of lack of proper maintenance. Debt service in FY 15 will not reflect the debt impact of the \$22 million dollar recently authorized water projects. We will see this in late FY 16/early FY 17 absent some short-term borrowing and interest costs.

It is important to remember that minimum dollar thresholds must also be maintained 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. Improvements will continue in FY 15, but cost and attendant staff capability to effectively manage and oversee projects will be weighed as well.

Along with the \$22 million for water infrastructure, there are other water-related capital needs that cannot be ignored. This will have to be balanced for the next five years however, as the water pipe improvement projects take precedence. While we endeavor to accomplish much, we must be able to afford it with the revenues generated by water rates. Maintenance and improvements to our two standpipes are overdue and we begin to address this in FY 15 with a \$75,000 allocation. Recognition of safety issues and incident response warrants acquiring emergency generators at our wells (\$50,000). Finally, the rolling ten-year meter replacement program must be funded each year (\$162,000), and we remain committed to our scheduled replacement timetables for the Town fleet, replacing a 13-year old truck in FY 15 (\$30,000).

The same holds true for Sewer Enterprise. The Musquashicut Pond sewer project was completed earlier this year and betterments were recently issued. Betterment funds received in full will be apportioned over the life of the bond, so retained earnings will reflect this going forward. As yet, no final determination has been made about the next sewer phase although funds are included for engineering costs (\$400,000) as this process will begin in earnest in FY 15. Our ongoing infiltration/inflow program has reaped many benefits in generating some additional (although limited) sewer capacity. The FY 16 goal here is to roll this annual cost into the operating budget.

Each year water and sewer capital issues and recommended items are fully discussed and reviewed with the DPW Director so there should be little debate here.

The Waterways Enterprise Fund continues to moderate the impact of its capital needs by obtaining several grants. Several capital items were approved in FY 14 and there was an added, unexpected and increased cost to rehabilitation of the Town Pier which impacted available revenues. The Capital Planning Committee approved funds for minor improvements in the Harbormaster's building but this work has not yet started. Again, the band width staff has available to do multiple projects must be balanced and that drives recommendations as well. The Harbormaster still has a full plate with a variety of dredging work and the rehabilitation of the Town Pier now scheduled for 2014 and project management needs to be considered in approving projects, not just the ability to pay. While the Town has been successful obtaining grants from the Seaport Advisory Council, grants may also be obtained for the purchase of boats, structures and even seawall repairs. This should be a focus of future grant applications. In FY 15 dredging work in the South River continues (\$100,000) and replacement of the 1981 Whaler (\$60,000). It is possible a used vessel, for half the price may be obtained here as well.

Finally, the bond for the construction of Widow's Walk will end in FY 17 and the accompanying annual debt payment of approximately \$380,000 will be available for other purposes. Equipment and major improvements to the clubhouse have already been noted as being needed and there were four new capital requests included in FY 15. However, as golf retained earnings cannot support some of these items, they will be addressed through the operating budget.

### **Scheduled Replacement of Equipment and Maintenance Needs**

The use of limited, but available cash capital (Free Cash), and a documented process for analyzing dozens of capital requests, has allowed us to make slow, but somewhat steady progress in scheduled replacement of our rolling equipment. The FY 2015 recommended CIP provides for the fourth year of the Town's commitment to road maintenance and foreshore protection. We have allocated substantial funds to seawall/revetment work in just over two years (2011) (see chart below). A total of \$300,000 of Free Cash, plus an additional \$200,000 in the operating budget is recommended for FY 15. The higher amount is because we expect several million dollars in FEMA funds in the next two years and the Town has a 25% cash match requirement. While a petition article for \$1,000,000 has been received for the same purpose, this is neither practical nor realistic. The Town has many competing needs and this allocation is fair and equitable. While there is a commitment to this work on an annual basis, such needs will always be balanced by a fair an objective process under which *all departmental capital requests* are equally considered as well as our overall ability to pay.

**Seawalls/Foreshore Protection 2010-14**

<b>Description</b>	<b>Authorization</b>	<b>Amount</b>	<b>Source</b>
Seawall Repair	ATM, April 11, 2011, Art 2	\$500,000	Borrow
Seawalls - Override*	ATM, April 11, 2011, Art 6	\$200,000	Levy
Lighthouse Seawall/Revetment Repair	ATM, April 11, 2011, Art 17	\$475,000	CPA
Seawalls - Override*	ATM, April 9, 2012, Art 5	\$200,000	Levy
Seawalls - Override*	ATM, April 9, 2013, Art 4	\$200,000	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
		\$2,659,888	

\*Assuming 50/50 split between roads and seawalls - budget is combined; total of \$160,000 in DCR grants

Repairs to Foreshore Structures	ATM, April 13, 2009, Art 4	\$120,000	Borrow
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<b>Projects</b>	<b>FEMA Contract #</b>	<b>Amount</b>
Turner's Oceanside	11-FS-03	\$504,493
2007 Small FEMA Projects		\$127,798
Lighthouse Seawall - 2013	11-FS-42	\$770,134
N Scituate Beach/Minot/1st-3rd Cliff	11-FS-02	\$814,939
New Seawall Study	DCR	100000
Oceanside Seawall Repair	DCR	60000

As discussed in detail here last year, full funding for a new ladder truck or Quint was approved at the fall 2013 special town meeting. Over the past three years, capital funding for fire has been generous with a new pumper, ambulance, refurbished ambulance and new aerial. The priority for funding in FY 15 will be to replace the radio repeater system in order that it may serve both the fire and police radio frequencies which are not possible now (\$100,000 allocated). A new vehicle for the Deputy Chief (\$40,000) is also recommended as well as scheduled replacement of defibrillators.

**Technology**

Improvements and expansion in technology continues to be one of our primary goals and investment in systems to support technology must be at the forefront of all we do. The Town must be positioned to adapt to this rapidly changing environment. Several capital requests were approved in FY 14 and many of them are extending into FY 15 (Wi-Fi in the Harbor, GIS). As

such, there are only two CIP requests for FY 15; one is the second half of FY 14 funding provided for GIS permitting (\$35,750). The second is funding for an item that has been on the CIP since FY 13, purchase and installation of an integrated financial software system. Prior departmental decentralization in providing many town services sometimes resulted in decisions made in a vacuum without consideration for application in other departments. Such is the case for our payroll, accounting, and bills payable software. The Treasurer/Collector and Accounting Offices have separate systems, often requiring dual entry. There is no automated process for time and attendance and payroll is submitted manually by departments. An integrated system is standard in communities and now, with a robust IT operation, we can transition to this. Such systems are not inexpensive and could cost as much as \$400,000, but the productivity and efficiencies gained are substantial. It is also important to note that moving to an automated payroll system had to be bargained with the Town's five unions, and this is almost complete. In order to stay on track it is essential that we move ahead with this in FY 15. Town staff will begin researching various software packages after the first of the year.

### **New and Continuing Projects**

As with any viable capital plan, many requests will need to be funded in phases over a few years. The implementation of security measures and technology improvements in our schools has been completed and the school is moving forward in FY 15 with a new multi-year technology program (\$400,000). Similarly, the bus and van fleet is transitioning to a leasing model and one HP van will be acquired for FY 15 (\$40,000).

The FY 15 capital plan also provides for the purchase of a Trolley (\$65,000). Acquisition of this vehicle will provide shuttle service between the Harbor and Greenbush/Widow's Walk area. Creating a nexus between these two areas has been a long-standing challenge recognized by town officials and with funding for a program in summer of 2014 this enable us to makes a giant leap forward for increasing patronage to and from these areas.

### **Public Facilities Update**

Town officials continue working on addressing existing and future needs of our public facilities. The School Department Feasibility Study will be completed in May of 2014 and recommended options proposed for an appropriate middle school. Owner's Project Manager's (OPM) have been hired for both the middle school and public safety complex and similarly, architects for schematic designs have also been engaged. The public safety funds have been provided through the \$375,000 approved at the April 2012 annual town meeting. CPA funds can also play a vital role in the completion of the Public Facilities Master Plan in addition to its current funding areas of recreation, conservation, historical and housing. The Board of Selectmen has submitted an FY 14 request to allocate \$600,000 each year for five years toward the Gates School Renovation if it is determined a new middle school will not be located there. Such a request is common in dozens of communities that have funded similar projects with CPA funds.

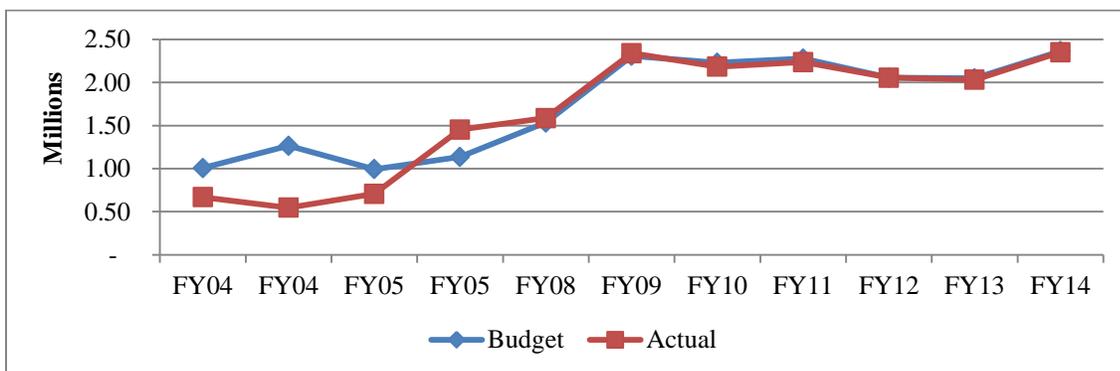
A major initiative of the School Department in FY 15 is to relocate the Early Childhood Center from the high school (\$200,000), and a long standing capital item, playground stairs at Jenkins School (\$33,000), is finally being addressed.

The four storms we experienced in 2013-14 also demonstrated some needed improvements to facilities during adverse circumstances. A new generator for Scituate High School (\$90,000) is being recommended as a result.

Other needs in public facilities need to be addressed from a health and safety perspective. Building ventilation at Town Hall (\$35,000), drainage improvements at Scituate Fire HQ (\$200,000) and HVAC improvements at the Senior Center (\$18,000 in operating budget) are important projects recommended.

Finally, the Town must start to address the limited space at Cudworth Cemetery and begin expansion of the grounds. Initial funds for cutting and clearing of trees and design is recommended in FY 15 (\$50,000) and this will be a continuing appropriation in increased amounts for the next few years.

As in FY 14, the FY 15 recommended CIP contemplates that the Town's debt service will be increasing exponentially in the next few years. We have already approved \$12 million for the library project (offset by a \$5 million Board of Library Commissioners grant and fundraising) and the middle school is estimated at around \$60 million (with approximately 40% being reimbursed by the Massachusetts School Building Authority). The renovations to Gates are estimated at \$20 million and a new public safety complex at \$10 million for a total potential debt load in two years of \$102 million. Even though the intent is that this will be tax exempt debt, "smoothing" of other General Fund Debt becomes more critical and we have worked hard to establish this (see Chart below).



Finally, given all of the above, overall FY 15 capital recommendations have been balanced against the final outcome of these projects and proposals put before the Town in calendar years 2014-16. As the costs are significant managing our ongoing capital needs concurrently will be a challenge for many years to come.

## **TOWN ADMINISTRATOR FY 15 RECOMMENDED CAPITAL**

Initial unrestricted FY 15 departmental capital requests submitted from non-Enterprise Fund accounts was \$63,186,000 and for Enterprise Funds \$7,723,000, an overall total of **\$70,909,000**.

Attached is an itemization of Town Administrator recommended FY 15 capital projects and allocations totaling **\$4,333,026** (\$3,191,026 in General Funds and \$1,142,000 Enterprise Funds). \$1,085,176 of Free Cash is being used to support the plan, leaving a Free Cash balance of \$485,877. Our policy is 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).

A combination of available funds and limited borrowing is recommended to fund the fourth year of the revised Capital Improvement Program. Available funds generating from the interest from the Stabilization Fund, taxation, 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.

The FY 15 Capital Plan includes all departmental requests for FY 2105-FY 2019. 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.

There was a problem this year with many departmental capital requests being added to FY 15 when they had never appeared on the five-year rolling plan. As a result, unless there was an unanticipated item only recently known, many of these were not recommended. 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. That being said, the growing Facilities Department has been very helpful in identifying new capital items that went previously undetected; so this is a hidden benefit.

Capital requests are reviewed and re-rated each year and any required adjustments made (cost changes, year-needed changes). The FY 15 Town Administrator recommendations contemplate available resources, future capital projects, existing debt, and authorized but unissued debt as well as the Public Facilities Master Plan.

### **Summary**

My thanks to new Finance Director/Town Accountant Nancy Holt, and Treasurer/Collector Pamela Avitabile for their assistance with this year's capital plan. I would also like to extend my

personal thanks to School Superintendent John McCarthy for his assistance and input during this year's capital process.

Respectfully submitted,

Patricia A. Vinchesi  
Town Administrator

## 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.

## 2014 Capital Planning Committee Members

David Cappelletto	<a href="mailto:david.cappelletto@ml.com">david.cappelletto@ml.com</a>
Tony Meschini	<a href="mailto:tonymeschini2004@yahoo.com">tonymeschini2004@yahoo.com</a>
Christopher Carchia	<a href="mailto:thunderwolf1@comcast.net">thunderwolf1@comcast.net</a>
Vacancy	
Maura Curran, Advisory Committee Chair/liaison	<a href="mailto:mcurran@verizon.net">mcurran@verizon.net</a>
Patricia Vinchesi, Town Administrator	<a href="mailto:pvinchesi@town.scituate.ma.us">pvinchesi@town.scituate.ma.us</a>
Brenda Bowen, School Comm. Rep. (non-voting)	<a href="mailto:bbowen@scit.org">bbowen@scit.org</a>
Anthony Vegnani, Selectmen Liaison (non-voting)	<a href="mailto:tvegnani@yahoo.com">tvegnani@yahoo.com</a>

## **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. 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 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;
- Major equipment 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;
- 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.
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### **Creating the Plan**

The Town has developed an administrative process that establishes policies and procedures for submitting and evaluating projects. These processes are posted on the Town's intranet and reviewed annually with staff at a meeting. This includes:

Instructions for identifying and submitting projects within an established deadline, which is posted on the Town's intranet;

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 sets a schedule for completing the CIP process (October);
- The statuses of previously approved projects are determined;
- Project requests are solicited, received by the established deadline (November) and entered in the Town's database;
- Town Administrator reviews and evaluates each project in accordance with ranking methodology based on information submitted by the department along with the Capital Improvement Request Form;
- Various methods of financing are reviewed with the Town Treasurer and Finance Director/Town Accountant along with the Town's Financial Advisor (FA) for each proposed project;
- The Town Administrator informs departments as to the approved priority of projects;
- The Town Administrator presents 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;
- The Capital Planning Committee, Board of Selectmen and Advisory Committee each independently vote to adopt or revise Town Administrator recommended CIP program;

- Town Administrator submits annual warrant article for capital articles for Town Meeting authorization.

### Capital Program Categories

An overall capital plan generally focuses on five “Program Categories:”

**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. To this end 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 project 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 be committed 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 well 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. 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 local (CPC) grant funds, and the newly created (11/13/12 STM), 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. **In FY 14, for the first time, the Town allocated \$100,000 of taxation to debt service and a similar amount has been recommended for FY 15.**

**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. Water and Sewer 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. In the specific case of the Water Enterprise Fund, for many years, the Board of Selectmen committed to increasing water rates 5% each year to support continued infrastructure improvements. In FY 13 the Board voted a 10% increase in water rates. However, even this amount of increase could not keep pace with the overwhelming need to improve the water system infrastructure at a faster rate. As a result, at the November 2013 special town meeting, voters approved a \$22 million authorization to address all water improvement in a three year time frame roughly at \$7,000,000 per year for three years. In FY12, the Board increased sewer rates for the first time in many years to fund sewer expansions in the Town in accordance with the Sewer Master Plan. Even with these increases, the Town of Scituate's rates for these utilities remain comparable or less than surrounding communities.

**General Funds/Operating Budget/Free Cash** Non-debt financing annually 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. Some town departments carry a "capital" line item in their operating budget each fiscal year. In general these items are for expenditures of a shorter useful life or lower cost than those that would qualify as capital items under the policies of the CIP. For example, police cars have a useful life of less than five years and that line item appears in the police operating budget. As in FY 12, FY 13 and FY 14 we will use Free Cash to fund capital in accordance with the Financial Policies and not use this source of revenue for reoccurring operating items.

**State and Federal Grant Sources** Although not prevalent in this community, the state and federal government can play a role, although much diminished, 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, 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, an important one of which is meeting energy efficiency standards. The last MSBA approved project for the Town (Wampatuck School) received a 40.68% reimbursement rate.

PAV/12;10  
Revised 12;11  
Revised 12;12  
Revised 12;13



## FY 15 Capital Budgeting Process

The FY 15 capital budgeting process employed the same methodology implemented for the FY 12-14 cycles. Departments submitted FY 2015 through FY 2019 capital budget requests along with supporting documentation for consideration. Each of the submitted projects was then rated by the Town Administrator using the following weighted criteria:

- 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 plans/studies/reports: 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 plans, or studies or reports recommending it?
- 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?
- Departmental Priority: How does the department head rank his/her project submissions? Is it a high priority or a low Priority?

The submitted projects are assigned a numerical value based on the rating criteria, then the next step in the process is to place the projects in a funding year based on their priority ranking and each fiscal year's capacity to fund capital projects. Within certain parameters, our financial policies state that the Town's debt capacity is determined by how much additional debt service a fiscal year can absorb and still stay within 2% of operating revenues being dedicated to non-proposition 2 ½ excluded debt service. Since the town structures its debt service on a descending payment schedule and revenues are predicted to thus increase correspondingly, over time additional debt service capacity is created to pay for capital projects. This is one of the major underlying components of a robust and rolling capital program. In plain terms this means that the current level of general fund dollars allocated to debt in any given year will not go lower: any excess capacity will be maintained and used to fund new capital projects.

In addition, non-general fund funding sources such as Community Preservation Act (CPA) funds, the sale of assets, or prior year unspent authorizations (Free Cash, bids lowers than appropriation/authorizations) are recommended to fund certain capital projects. Over the past two years, the Town has actively used previously authorized, but unspent surpluses in projects, most notably for water and sewer projects. Conversely, the Town has been aggressive in rescinding prior authorizations for bonding that have surpluses at town meetings. As long as an authorization is out there, ratings agencies see it as debt that can be bonded. By keeping current

on these authorizations that will no longer be needed, the Town minimizes its unnecessary debt burden.

**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.

