

TOWN OF SCITUATE, MASSACHUSETTS
FISCAL YEARS 2016-2020



CAPITAL IMPROVEMENT PLAN
TOWN ADMINISTRATOR RECOMMENDED

BOARD OF SELECTMEN

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January 2015

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FISCAL YEAR 2016 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 2016 capital budget. This document contains recommended projects for funding in FY 2016. 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 2016 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 the Town'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 2015 including part of the \$22 million dollar water pipe replacement project and the library renovation. 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 16 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 stable a manner as possible, avoiding huge spikes in annual payments. In keeping with the Town’s Financial Policies, \$100,000 of taxation has been allocated to this fund in FY 16. The policies recommend that the Town endeavor to use 2%-3% of net operating revenue from taxation each year. That number is approximately \$500,000. 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 16 in the Town Administrator’s Capital Plan:

Date	TM Date/Article	Amount	Comment/Purpose
11/13/2012	STM 11/2012, Art 8	100,000.00	Fund established
4/9/2013	ATM 04/2013, Art 3A	375,000.00	Fire apparatus
4/9/2013	ATM 04/2013, Art 3E	35,000.00	Voting machines
4/9/2013	ATM 04/2013, Art 3G	129,000.00	Foreshore Protection
4/9/2013	ATM 04/2013, Art 3K	100,000.00	Future debt service
11/4/2013	STM 11/2013, Art 8	(375,000.00)	Purchase fire apparatus
4/14/2014	ATM 04/2014, Art 5F	(35,000.00)	Purchase voting machines
4/14/2014	ATM 04/2014, Art 5F	163,776.00	Future debt service
11/13/2014	STM 11/2014, Art 6	400,000.00	Future debt service
Allocations			
	Foreshore protection	129,000.00	
	Future debt service	763,776.00	
	Total	892,776.00	

Authorized but Unissued Debt

In the past two years the Town has rescinded issued but unauthorized debt in the amount of \$1,962,096 as follows:

Project Description	Authorization	Rescinded
General Fund		
Wampatuck School Repairs-DE	Art 2, TM 05/2010 Debt Excl	(\$775,518)
Highway Improvement	Art 4A, ATM 04/2009	(\$423,149)
Total General Fund		(\$1,198,667)
Sewer Enterprise		
Sewer Extension	Art 4C, ATM 04/2009	(\$711,000)
Sewer Extension	Art 4, STM 11/2009	(\$27,429)
Total Sewer Enterprise		(\$738,429)
Transfer Station Enterprise		
Transfer Station Loader	Art 4E, ATM 04/2009	(\$25,000)
Total Transfer Station Enterprise		(\$25,000)
Grand Total All Funds		(\$1,962,096)

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. Additionally, the Town paid off \$225,000 in authorized debt for facilities design and engineering approved at the April 2012 annual town meeting.

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 is just one example that we are funding from the General Fund at \$50,000 per year.

Enterprise Funds

Aggressive work continues to improve and the Town's infrastructure after decades of sporadic maintenance. Last year's town meeting approval of \$22 million to replace our water system has resulted in seven miles of pipe being replaced the past year and another eight miles in progress as of this writing. Water rates increased 19% with the first phase of work. The Town is hoping to borrow the majority of the project costs through the Massachusetts Clean Water Trust at a low 2% interest rate loan.

Please note that 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. As noted here last year, the FY 16 recommended capital plan recognizes the impact increased rates have on homeowners and multiple capital requests each year have been moderated. Improvements will

continue in FY 16, but cost and attendant staff capability to effectively manage and oversee projects will be weighed as well.

Water Enterprise: Because of the water infrastructure improvements capital borrowing for water has been moderated. As a result only our continuing program of water meter replacement is recommended for FY 16 funding (\$85,000) which has also been reduced over prior years.

Sewer Enterprise. Engineering costs for the fourth sewer phase were funded in FY 15. The Board of Selectmen will be determining the location of this next phase in March-April. The Town's ongoing infiltration/inflow program has reaped many benefits in generating some additional (although limited) sewer capacity which has enabled available service for the proposed Goulston property development. Funds received from sewer connections here (97 @ \$14,500 per) will further aid our Infiltration/Inflow but most importantly assist in the need to study major capital upgrades to the sewer treatment plant in a few years. We have experienced several repair needs this year including major repairs and equipment replacement to the Sand Hills pump station and plant itself. Sand Hills needs additional upgrades (\$225,000) and we have an immediate replacement needs at the Chain Pond pump station that needs to be completely replaced at an estimated cost of \$625,000.

Waterways Enterprise Fund includes FY 16 recommended funding for continued dredging (\$200,000). Awarding dredging contracts continue to be a challenge and dredging is an expensive ongoing maintenance need. The Town has partnered with Marshfield for a major dredge project in the North River early in 2015. A new Harbormaster will be on board so there will be a learning curve for the new appointee. The Town Pier project is almost completed after necessitating three separate town meeting appropriations to supplement the generous grant received from the Seaport Advisory Council. Retained Earnings are of concern here after completing the FY 16 operating budget review. Here again, capital has been slowed and along with the dredging, security cameras (shared 67/33 with Town) for \$30,000 has been recommended along with needed replacement of the HVAC system for \$45,000.

Widow's Walk Enterprise. FY 17 will mark the retirement of the annual debt payment (\$380,000) for construction of the course and clubhouse. Equipment and major improvements to the clubhouse are sorely needed and several appear on the five year rolling plan. No capital has been recommended for FY 16 as revenues are needed to break even on operating costs. We will keep our fingers crossed and if necessary use Facilities Department funds for unexpected circumstances. However, as golf retained earnings cannot support some of these items, they will be addressed through the operating budget.

Transfer Station Enterprise. The Transfer Station continues to do well and a gas generator is recommended (\$180,000) for FY 16. Without power none of the roll offs can be operated and this proved problematic in recent years during storm events when the power was off and much debris and spoiled food came into the transfer station.

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 2016 recommended CIP provides for the fifth 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. Indeed the amount of funding now available for foreshore protection is over **\$5,100,000.00** and the staff's ability to manage engineering design and construction is disproportionate to funds (see chart below). A total of \$200,000 of Free Cash, plus an additional \$200,000 in the operating budget is recommended for FY 16. A citizen's petition article has been submitted to allocate \$2,000,000. This is on the heels of a similar article in FY 15 for one million which was ultimately approved by town meeting for \$500,000. Such articles are not binding on the Town. The Town approved \$4,000,000.00 at the November 2014 special town meeting for repairs to seawall and revetment on Oceanside Avenue with a \$2,000,000.00 low interest loan and a \$2,000,000.00 grant through the Commonwealth's Seawall & Dam Repair Fund. The Town has allocated additional funds into Capital Stabilization for FEMA reimbursements (25% cash match) and we received the first project approval for roadway repairs (Glades Road) earlier this year. The amount of funding is more than we spend on our roads and sidewalks, which are also important for safety. To the extent homeowners provide easements and beach access to the Town in exchange for work on their private seawalls we can do much. To the extent that many residents are reluctant to do this, we may be approaching having more funds than actual seawalls to use them on. 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 and objective process under which *all departmental capital requests* are equally considered as well as our overall ability to pay.

Seawalls/Foreshore Protection Appropriations 2010-15			
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	STM, November 13, 2014, Art 15	\$2,000,000	State SRF Grant
Oceanside Drive Seawall	STM, November 13, 2014, Art 15	\$2,000,000	Borrowing
Total		\$7,659,888	

New and Continuing Projects

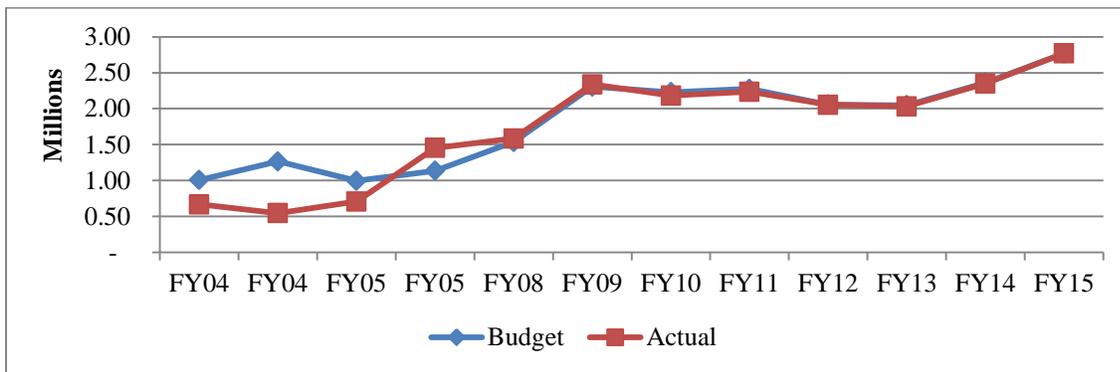
As with any viable capital plan, many requests will need to be funded in phases over a few years. The FY 16 Capital Plan continues the Town's commitment to School Technology for the fourth year (\$150,000). Other recommended school capital includes new stairs at Jenkins (\$50,000) and fixing the HP Ramp and Fire Escape at Gates (\$75,000). This project is necessary regardless of whether or not a new school is approved as students will remain there until Fall of 2017 at the earliest. Funding has been recommended to be set aside in the Capital Stabilization Fund to begin a set aside for addressing the modular classrooms at Cushing and Hatherly schools. If the middle school project is approved by voters in January, this funding will be in place for other school capital needs. Funding was also approved for painting of windows at Jenkins School (\$50,000), which is recommended for funding out of our energy rebates as this does not qualify as a true capital need. A request of \$500,000 for temporarily relocating the Recreation Department and School Administration Offices was returned to the School Department as part of operating costs.

Public Facilities Update

Town officials continue working on addressing existing and future needs of our public facilities. Indeed, developing recommendations for the FY 16 Capital Plan was particularly challenging given that the Plan must be completed before the debt exclusion vote on the Public Safety and Middle School projects. With many items in flux, the Plan has been developed to contemplate a number of potential scenarios.

Other needs in public facilities need to be addressed from a maintenance or health and safety perspective. Replacement of the diesel fuel tank at DPW (\$29,773), expansion of Cudworth Cemetery (\$50,000) Turn out Gear for firefighters (\$66,000) and roadway improvements (\$200,000) fall into this category.

The FY 16 recommended CIP contemplates that the Town’s debt service will be increasing exponentially in the next few years. As a result, the recommended plan is more modest than in prior years and all departmental personnel were advised of this before the start of this year’s budget season. As the chart below indicates, we are doing well in “smoothing” our debt against peaks and valleys. 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 16 RECOMMENDED CAPITAL

Initial unrestricted FY 16 departmental capital requests submitted from non-Enterprise Fund accounts was \$1,290,773.00 and for Enterprise Funds \$8,360,000.00 an overall total of **\$9,650,773.00.**

Attached is an itemization of Town Administrator recommended FY 16 capital projects and allocations totaling **\$9,914,549.00** (\$1,524,549.00 in General Funds and \$8,390,000.00 Enterprise Funds of which \$7,000,000.00 was previously approved for the water pipe replacement). \$1,201,494.00 of Free Cash is being used to support the plan, leaving a Free Cash balance of \$630,122. 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 FY 16 Capital Improvement Program. Available funds generating from the interest from the Stabilization Fund, taxation, retained earnings, meals Tax, unused balances in prior year capital articles, 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 16 Capital Plan includes all departmental requests for FY 2016-FY 2020. 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.

Once again this year there was a problem with some departmental capital requests being added to FY 16 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 16 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

Our gratitude is extended to Superintendent John McCarthy and 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 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.

2015 Capital Planning Committee Members

David Capelle, Chairman	david.capelle@ml.com
John P. Whittaker	cudworth@aol.com
Francis J. Nash, Jr.	frank@franknash.com
Tony Meschini	tonymeschini2004@yahoo.com
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Patricia Vinchesi, Town Administrator	pvinchesi@scituatema.gov
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Anthony Vegnani, Selectmen Liaison (non-voting)	tvegnani@scituatema.gov

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.
-

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 by the Accounting Office;
- The 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;
- The Finance Director reviewed the ranking and funding availability/options
- 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 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;

- The Capital Planning Committee, Board of Selectmen and Advisory Committee each independently vote to adopt or revise the Town Administrator’s recommended CIP program;
- Town Administrator submits special and annual warrant article(s) 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 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. 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. Water rates increased 19.2% with the first phase of the \$22 million water improvement project. The Board has not increased sewer rates since FY 12. With additional phases of the Sewer Master Plan contemplated and increased development this will need to be considered in the not too distant future. 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. 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 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. Since FY 12, Free Cash is used to fund capital in accordance with the Financial Policies and is not used as a 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 (Wompatuck School) received a 40.68% reimbursement rate. The anticipated middle school project going before town voters January 10 after this budget is due will have an approved MSBA reimbursement rate of 44.06%.

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

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.

