

DATE: OCTOBER 24, 2016
TO: BOARD OF SELECTMEN
FROM: NAN BALMER, TOWN ADMINISTRATOR
RE: TOWN ADMINISTRATOR'S PRELIMINARY RECOMMENDATION ON FY 18 CAPITAL BUDGET PROGRAM AND FINANCE DIRECTOR'S MODEL FOR CAPITAL FUNDING: FY 18 – FY 25

RECOMMENDED ACTION:

DECIDE NEXT STEPS IN REVIEW OF CAPITAL BUDGETS FOR DEPARTMENTS UNDER SELECTMEN JURISDICTION

BACKGROUND:

REQUIREMENTS OF TOWN CODE:

The Town Code sets the following requirements for the Town Administrator and Board of Selectmen regarding the preparation and recommendation of capital and operating budgets:

1. The Town Administrator coordinates setting of priorities for the Town.
2. The Town Administrator works with the Finance Director and Finance Committee to develop long term financial strategies including budget guidelines for the Town.
3. The Town Administrator provides capital, operating and revenue budget estimates to the Board of Selectmen for departments under the Selectmen one month prior to December 15th.
4. The Town Administrator submits preliminary budgets to the Finance Committee for departments under the Board of Selectmen by December 15th.
5. Prior to January 15th the Town Administrator makes recommendations on ALL capital and operating budgets to the Board of Selectmen.
6. Prior to January 15th, the Board of Selectmen makes capital and operating budget recommendations to the Finance Committee for departments under the Selectmen's jurisdiction.

BUDGET PROCESS TO DATE:

- On August 2nd, the Town's management team met with Department Heads and provided FY 18 budget instructions and a memo from the Finance Committee regarding FY 18 capital projects.
- On August 29th, the Town Administrator and Finance Director provided a model financial plan to the Finance Committee based on a goal of a 2.5% annual increase in operating

budgets, including maintaining the annual costs of debt service under 10% of the annual operating budget. The Finance Committee adopted a budget guideline to work to a maximum 2.5% increase in the General Fund Operating Budget.

- Throughout September, the Town's management team and Finance Committee liaisons met with Department Heads to review FY 18 capital and operating budget requests.
- The Finance Team met with the Town's Financial Advisor to discuss ways to manage the funding of capital projects and plan Town borrowing.
- In fulfillment of the requirements of the Town Code, the Town Administrator with the assistance of the Finance Director prepared a recommended FY 18 capital program based on the "Recommended Approach to Funding Capital Projects" described below.
- The capital recommendation must be presented to the Board of Selectmen which only has the duty to make a recommendation on projects under its jurisdiction by January 15th.

FY 18 CAPITAL PROGRAM - TOWN ADMINISTRATOR'S RECOMMENDED PLAN ATTACHED :

\$8,404,000 in capital projects were submitted for consideration by departments plus \$2,075,000 in water projects.

The Town Administrator's preliminary recommendation is for an FY 18 capital program of \$6,568,000 plus water projects. Proposed funding would include new General Fund debt limited to \$1,297,898. \$1,536,466 would be funded by "pay-as-you-go" taxation and \$347,128 would be funded through free cash. The remainder of \$3,386,508 is funded from other sources. The plan will be adjusted as required after operating budget numbers are known.

The only projects not recommended at this time were \$345,000 in new vehicle requests which I believe need additional review upon appointment by a new DPW Director.

RECOMMENDED APPROACH TO FUNDING CAPITAL PROJECTS:

1. Maintain General Fund debt to General Fund operating budget ratio of 10% or less.
2. Fund recurring maintenance and small capital projects and equipment purchases on a "pay as you go" basis in the operating budget. Track these "pay as you go" costs as separate town and school operating budget line items. FY 18, pay as you go costs will not be considered as part of the Finance Committee's recommended maximum 2.5% increase for the town and school budgets.
3. Make use of alternative funding resources whenever possible.
4. Defer any projects to a future fiscal year if the projects are unlikely to be completed during the year.

- Use free cash for capital projects. Work to reduce the use of free cash to support the operating budget to \$0 as free cash is one time money.

FINANCE DIRECTOR’S MODEL FOR FUTURE PROJECTS (ATTACHED):

The Finance Director developed a preliminary model projecting a planned use of debt service that would allow for the funding of major capital projects such as the Council on Aging and Library. The Financial Advisor reviewed the model and is prepared to assist in planning debt to fit the town’s fiscal plan.

CAPITAL PROJECTS FOR DEPARTMENTS UNDER THE BOARD OF SELECTMEN:

The following capital projects were submitted by departments under the Board of Selectmen and are recommended by the Town Administrator for funding. Details are included on attached capital improvement forms.

DEPARTMENT	PROJECT	COST ESTIMATE	FUNDING SOURCE
Surveyor	Hybrid Robotic Station	\$30,000	General Fund
Facilities	Fire Station 2 Renovation	\$75,000	Ambulance Fund
Facilities	Town Building: Windows	\$100,000	Borrow
Facilities	Town Building: Interior Renovation	\$375,000	Borrow
Facilities	Town Building Mechanical / Electrical	\$218,000	Borrow
Facilities	Motor Pool Vehicles	\$50,000	General Fund
Fire	Fire Chief’s Vehicle	\$65,000	Ambulance Fund
Fire	Ambulance	\$305,000	Ambulance Fund
Information Technology	Data Center Upgrades	\$215,000	Free Cash
TOTAL		\$1,433,000	

The Board may wish to consider these projects at a future meeting when more information is known about the projects and the estimated FY 18 operating budget. To avoid confusion, my recommendations are presented first to the Board of Selectmen before communicating them to the Finance Committee or other public bodies of the Town.

REVISED TOWN ADMINISTRATOR FY 18 CAPITAL RECOMMENDATION

Town Administrator Recommended Capital Budget- Revised 10/24/16				Borrowing	Bond Premium	Cash Capital	Free Cash	Ambulance Fund	School GF Budget	DPW Budget	Water Capital	Surplus Cap CC or FC	Surplus Bonds Closed Funds	CPA Funds	Recreation 53E 1/2 & 53D	Recreation Stabilization	
GENERAL FUND		Capital Budget	Recommended Projects	Funding Sources													
Department	Description																
DPW	Town wide road reconstruction	1,610,000.00	700,000.00			700,000.00											
DPW	Cemetery road construction	185,000.00	185,000.00				132,128.00										
DPW	Transfer Station Road Mitigation	2,300,000.00	2,200,000.00	2,200,000.00													
DPW	Equipment Replacement- Tractor H-6	190,000.00	190,000.00			190,000.00											
DPW	Equipment Replacement- Dump H-13	250,000.00	-														
DPW	Equipment Replacement- Dump Truck H-4	95,000.00	95,000.00			95,000.00											
DPW	Equipment Replacement- Light Dump Truck	95,000.00	-														
DPW	Equipment Replacement- Snow Melter	500,000.00	-														
DPW	Small Equipment-schedule	70,000.00	70,000.00							70,000.00							
DPW	DPW / Rec- Field Renovation / Irrigation	100,000.00	100,000.00													100,000.00	
DPW	DPW / Rec- HS JV Baseball	50,000.00	50,000.00			50,000.00											
DPW	DPW / Rec- MOU Capital Maintenance	75,000.00	75,000.00							75,000.00							
Surveyor	Hybrid robotic total station	30,000.00	30,000.00			30,000.00											
Facilities	Fire Station # 2 Renovations	75,000.00	75,000.00					75,000.00									
Facilities	Town Building New Windows	100,000.00	100,000.00	100,000.00													
Facilities	Interior Renovation of Town Building	375,000.00	375,000.00	233,723.00										141,277.00			
Facilities	TB mechanical / electrical improvement	218,000.00	218,000.00	218,000.00													
Facilities	Vehicles - Motor pool	50,000.00	50,000.00			50,000.00											
Fire	Fire Vehicle	65,000.00	65,000.00					65,000.00									
Fire	Ambulance	305,000.00	305,000.00					305,000.00									
Recreation	Oxbow Meadows Site Construction	300,000.00	300,000.00											300,000.00			
Recreation	Dudley Woods Walking Trails	50,000.00	50,000.00											50,000.00			
Recreation	Town Beach Improvements	40,000.00	40,000.00												40,000.00		
Recreation	Alpine Field Design and Bids	25,000.00	25,000.00														25,000.00
Recreation	Greenways Study	30,000.00	30,000.00														30,000.00
Recreation	Middle School 207 / 195 Study	150,000.00	150,000.00														150,000.00
High School IT	School-High School Network Upgrade	215,000.00	215,000.00				215,000.00										
Various schools	School- Audio Visual Equipment	120,000.00	120,000.00						120,000.00								
Happy Hollow	Floor Tile	35,000.00	-														
Claypit School	Phone upgrade	50,000.00	50,000.00						50,000.00								
Middle School	Tile Replacement	150,000.00	150,000.00	100,991.00								49,009.00					
Loker School	Tile Replacement	50,000.00	-														
High School	Stadium Repairs	150,000.00	150,000.00	150,000.00													
High School	Tennis Court Renovation	180,000.00	180,000.00											180,000.00			
Happy Hollow	Food Service Equipment	60,000.00	60,000.00			60,000.00											
Various locations	Custodian Equipment	30,000.00	30,000.00						30,000.00								
Middle School	Furniture Replacement	35,000.00	35,000.00						16,466.00					18,534.00			
Total General Fund		8,408,000.00	6,468,000.00	3,002,714.00		1,175,000.00	347,128.00	445,000.00	216,466.00	145,000.00		49,009.00	212,683.00	530,000.00	140,000.00	205,000.00	
WATER FUND																	
Department	Description	Budget															
Water Fund	Water Meter Replacement & Reading System	1,150,000.00	1,150,000.00	1,150,000.00													
Water Fund	Water Mains	700,000.00	700,000.00	700,000.00													
Water Fund	Well Cleaning	65,000.00	65,000.00								65,000.00						
Water Fund	Water Tank Study	50,000.00	50,000.00								50,000.00						
Water Fund	Pilot Study Manganese- Campbell Well	110,000.00	110,000.00								110,000.00						
Total Water Fund		2,075,000.00	2,075,000.00	1,850,000.00							225,000.00						
Total Fiscal 2018 requested budget		10,483,000.00	8,543,000.00	4,852,714.00		1,175,000.00	347,128.00	445,000.00	216,466.00	145,000.00	225,000.00	49,009.00	212,683.00	530,000.00	140,000.00	205,000.00	

REVISED 10/24/16

Capital Project Funding Summary	
Borrowing- General Fund	1,297,898
DPW Unused Authorization	1,124,816
Bond Premium	860,000
Cash Capital	1,175,000
Free Cash	347,128
Ambulance Fund	445,000
School Budget - FY 18	216,466
DPW Budget- FY 18	145,000
Surplus Capital Projects- (FC + CC)	49,009
Surplus Bonds	212,683
CPA Fund	350,000
Recreation Beach Account FY 17	40,000
Recreation 53E 1/2 Fund FY-18	100,000
Recreation Stabilization	205,000
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	6,568,000
Water Borrowing	1,850,000
Water Capital	225,000
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	2,075,000
Total Capital Funding	<hr/>
	8,643,000

Total Borrowing	
Town projects	1,297,898
Water Fund	1,850,000
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	3,147,898
Total Taxation	
Cash Capital	1,175,000
School Budget - FY 18	216,466
DPW Budget- FY 18	145,000
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	1,536,466
Total other sources	
DPW Unused Authorization	1,124,816
Bond Premium	860,000
Free Cash	347,128
Ambulance Fund	445,000
Surplus Capital Projects- (FC + CC)	49,009
Surplus Bonds	212,683
CPA Fund	350,000
Recreation Beach Account FY 17	40,000
Recreation 53E 1/2 Fund FY-18	100,000
Recreation Stabilization	205,000
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	3,733,636
Water Capital	225,000
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	8,643,000

10/24/14

FINANCE DIRECTOR'S MODEL:
CAPITAL PROJECT FUNDING

Actual and Estimated General Fund Debt Service Fiscal 2017 thru Fiscal 2025									
	2017	2018	2019	2020	2021	2022	2023	2024	2025
Committed plus Feb-17 est.	7,507,251	7,686,560	6,998,522	6,265,799	5,741,383	5,387,724	4,914,224	4,720,275	4,578,325
\$ chg year to year		179,309	(688,038)	(732,723)	(524,416)	(353,659)	(473,500)	(193,949)	(141,950)
% chg year to year		2.39%	-8.95%	-10.47%	-8.37%	-6.16%	-8.79%	-3.95%	-3.01%
Estimated New Debt Service									
FY-2018	-	-	-	-	-	-	-	-	-
FY-2019	-	-	500,000	475,000	450,000	425,000	400,000	375,000	350,000
FY-2020	-	-	-	500,000	475,000	450,000	425,000	400,000	375,000
FY-2021	-	-	-	-	500,000	475,000	450,000	425,000	400,000
FY-2022	-	-	-	-	-	500,000	475,000	450,000	425,000
FY-2023	-	-	-	-	-	-	500,000	475,000	450,000
FY-2024	-	-	-	-	-	-	-	500,000	475,000
FY-2025	-	-	-	-	-	-	-	-	500,000
Transfer from Ambulance Fund			(114,000)	(114,000)	(114,000)	(114,000)	(114,000)	(114,000)	(114,000)
Libarary				1,600,000	1,500,000	1,400,000	1,300,000	1,200,000	1,100,000
Council on Aging				500,000	475,000	450,000	425,000	400,000	375,000
Estimated Total	7,507,251	7,686,560	7,384,522	9,226,799	9,027,383	8,973,724	8,775,224	8,831,275	8,914,325
Estimated Budget-2.5% (General Fund only)	74,651,000	76,517,000	78,430,000	80,391,000	84,461,000	86,572,525	88,736,838	90,955,259	93,229,141
Annual debt as % of General Fund budget	10.06%	10.05%	9.42%	11.48%	10.69%	10.37%	9.89%	9.71%	9.56%

10/24/16