

Town of Framingham

FY2016 to FY2021

Capital Budget



January 27, 2015

Town Manager Robert J. Halpin

Chief Financial Officer Mary Ellen Kelley

Executive Summary

The Capital Budget assembled for FY16 through FY21 is limited in its scope. Each year we have to decide how much capital investment we can (1) afford and (2) have the management capacity to complete. This decision is made not just in the short term but uses multiple years worth of data. The capital budget provides information for five years beyond the proposed budget year. However, many of the Town Divisions and Departments have capital plans that span 20 years. This information allows us to see the enormity of what is ahead and to make current year decisions based on a long view impact.

FY16 capital project requests totaled \$65.2 million for all funds: General, Water and Sewer. This budget recommends \$46.7 million, as itemized in the table below:

	General Fund	Sewer Fund	Water Fund
Recommended	\$19,722,710	\$16,595,891	\$10,407,393
Deferred	\$14,700,529	\$1,671,373	\$2,117,495
Total	\$34,423,239	\$18,267,264	\$12,524,888

The cost of funding the capital budget has an impact on the operating budget in the form of debt service. The amount of debt service as a component of the General Fund operating budget is restricted to 5% by Town policy. This policy complies with financial guidance offered by the state Department of Revenue. The Enterprise Funds have less narrow rules, however, we want to manage the growth of the water and sewer rates. By deferring projects to future years the amount of debt service that is included in the general fund tax levy and the water and sewer rates is less than approving the full capital budget.

General Fund	FY16	FY17	FY18	FY19	FY20	FY21
Reduced impact on operating budget	-\$317,493	-\$1,552,842	-\$1,247,643	-\$1,223,924	-\$1,193,921	-\$1,163,917
Water Fund	FY16	FY17	FY18	FY19	FY20	FY21
Reduced impact on operating budget	-\$78,342	-\$554,883	-\$398,661	-\$388,747	-\$375,698	-\$362,647
Sewer Fund	FY16	FY17	FY18	FY19	FY20	FY21
Reduced impact on operating budget	-\$152,515	-\$781,063	-\$286,609	-\$288,816	-\$278,864	-\$268,911

The Town has several billion dollars worth of capital assets that it must maintain. To ignore this responsibility only costs more in dollars and effort once buildings and equipment fail, parks become

unusable, and water and sewer pipes contaminate each other or the environment. This budget recommends the continued major investment in water and sewer infrastructure, recreation assets, road improvement and stormwater management. Included is the replacement or acquisition of public safety equipment and technology, school building repairs and technology, continued investments in multiple Town owned buildings, upgrades to core technology, financial data systems and necessary public works and school equipment.

Process

Information gathering begins in October, includes review and evaluation, financial analysis and finally a recommendation to the Capital Budget Committee 90 days prior to the Annual Town Meeting. The decision-making process is very dynamic in that it involves significant research on the part of departments to simply prepare the list of requests. A significant amount of what-if analysis is performed by Finance and senior management to help make the final decisions. From there the CBC meets with a number of Division and Department Heads, the CFO and Town Manager and additional staff to vet these projects under their criteria. They advise Town Meeting on a final capital budget. Town Meeting votes on each individual project (a 2/3 vote is required because we borrow for this budget).

Project Need

The chart below presents a ten year look at the capital needs of the Town. In most cases this list is based on a longer term capital plan. At this point we have 20 year plans for Public Works/Water/Sewer, School Buildings, Town Buildings and Park and Recreation. This chart includes only the core Town Building plan, not the entire set of Town building needs. The core building plan consists of the fire stations, the police station, the Main Library and the Callahan Senior Center. This chart does **not** include renovations to the Memorial Building or the Danforth Building; the combined cost of repair exceeds \$55 million. It does not include what we term the cultural buildings, which are the historic buildings around Town, and require more than \$10 million in repair and renovation cost. The list below includes major renovations to three schools buildings, the largest of which is slated for FY17 (Fuller/Farley-\$48 million). Water and Sewer investment is significant, but it addresses less than 50% of the network. The chart is daunting. We have to manage our way through it. The detailed list for each year is included in your budget book, immediately after this narrative. It is organized by fiscal year, by fund.

Department	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	Dept Total
Library	\$583,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$583,000
Fire dept	\$247,438	\$1,321,280	\$740,000	\$633,363	\$518,000	\$751,000	\$698,000	\$211,000	\$300,000	\$0	\$5,420,081
CFO	\$150,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$150,000
Conservation	\$250,000	\$1,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,250,000
Cemetaries	\$38,944	\$87,294	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$126,238
Loring Arena	\$5,660,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,660,000
Park & Rec	\$1,152,696	\$3,834,524	\$4,103,507	\$2,149,398	\$3,928,763	\$2,276,027	\$1,198,735	\$347,276	\$730,655	\$294,950	\$20,016,531
Animal contrl	\$62,390	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$62,390
Police Dept	\$263,520	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$263,520
DPW Admin	\$0	\$600,000	\$8,250,000	\$0	\$0	\$49,000	\$0	\$0	\$0	\$0	\$8,899,000
Engineering	\$1,705,000	\$5,988,250	\$3,192,925	\$2,204,500	\$2,901,000	\$1,767,500	\$551,950	\$554,650	\$6,128,750	\$230,000	\$25,224,525
Fleet Svces	\$0	\$144,801	\$133,531	\$0	\$0	\$24,500	\$0	\$0	\$0	\$0	\$302,832
Highway	\$6,720,183	\$12,130,479	\$29,210,612	\$22,333,866	\$1,615,909	\$4,059,511	\$19,150,000	\$150,000	\$150,000	\$20,150,000	\$115,670,560
Sanitation	\$629,000	\$511,984	\$455,391	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,596,375
School Dept	\$6,655,388	\$58,537,656	\$6,481,385	\$24,095,600	\$4,716,760	\$4,754,300	\$26,409,920	\$4,875,500	\$3,599,000	\$28,656,760	\$168,782,269
Tech Services	\$386,090	\$576,000	\$460,580	\$155,000	\$75,000	\$0	\$0	\$0	\$0	\$0	\$1,652,670
Town Owned Buildings	\$8,984,590	\$4,128,904	\$6,319,343	\$3,311,751	\$5,301,497	\$3,727,586	\$1,234,514	\$1,236,510	\$712,618	\$406,577	\$35,363,890
Water D/Fund	\$12,485,588	\$15,436,193	\$15,546,822	\$9,799,446	\$9,518,177	\$8,520,927	\$10,790,000	\$9,027,000	\$5,480,000	\$6,410,000	\$103,014,153
Sewer D/Fund	\$18,129,264	\$14,963,299	\$14,701,868	\$5,494,002	\$8,162,262	\$4,930,335	\$6,693,500	\$5,171,600	\$8,450,000	\$3,859,280	\$90,555,410
Total Gen Fund	\$33,488,239	\$88,861,172	\$59,347,274	\$54,883,478	\$19,056,929	\$17,409,424	\$49,243,119	\$7,374,936	\$11,621,023	\$49,738,287	\$391,023,881
Grand Total	\$64,103,091	\$119,260,664	\$89,595,964	\$70,176,926	\$36,737,368	\$30,860,686	\$66,726,619	\$21,573,536	\$25,551,023	\$60,007,567	

Approval vs. Deferral

The evaluation of projects includes a set of criteria that includes financial impact, division and department priority, improvement of or compliance with public safety and health laws and regulations, legal mandates, need of repair or renovation and service improvement to the public. Projects deferred are generally the lower priority projects; or we can “squeak out” one more year on a piece of equipment. A majority of the decision focuses on the ability to make the plan work financially, within our debt service limits and rate and tax goals. It is critical to review this data over a number of years, not one year at a time. The projects incur debt service over as short as five years to as long as 25 years. If, for example, we reviewed the data for FY16 only, without looking at the next five years, we would have come to the conclusion that we could finance every single requested project. Then in FY17 there would be no capacity to approve projects because the debt service estimate exceeds 5%. Framingham is a large Town, with many billions of dollars in roads, bridges, buildings, parks and other recreation resources, equipment and technology. To neglect these assets is a bad business decision, and ultimately costs more in the end. Regardless of the need to maintain and improve these assets, we still have to live within the means of the tax and rate payers of this Town.

Debt Service

Debt service is the annual cost to pay back the dollars borrowed to fund these major projects (think mortgage). As part of the capital budget we not only forecast the total project costs, we forecast the debt service to measure the current and future impact on the operating budget. The dilemma of debt service is that while it serves an important role in our ability to fund the necessary investment in our capital assets, it also consumes operating dollars that might be used to fund policemen, firefighters, school teachers, building inspectors, financial management and economic development. Which is more

important? We deal with that question every year when we develop the capital and operating budgets. We also measure and re-measure; analyze and re-analyze that need on a near term basis when we develop the long range forecast.

One way of making sure we don't go overboard in one direction or another (operating versus capital and vice versa) is to follow some best-practice business parameters. For the General Fund the state Department of Revenue recommends a 5% limit on the amount of debt service as part of the total budget. The chart below shows the comparison to that limit for FY16 through FY21. It assumes the FY16 recommended debt service only. For FY17 through FY21 is assumes that all requested projects are approved. This essentially gives us a worst case scenario to work from with regard to future issuance. But it also shows us the debt service impact of what we have done in the past (*the bolded line on the top third of the chart entitled "debt service on existing general fund debt"*). We often review what has been issued in previous years in order to remove any older, unused debt, by rescinding the remnants of the authorization. This is done via a separate article at Town Meeting. Watch for one in the 2015 Annual Town Meeting.

This chart also assumes that the major school building project proposed in FY2017, commonly referred to as the Fuller/Farley project, will be financed via debt exclusion, and not included within the tax levy limit. More on that further along in this document.

FY2016-2021 General Fund Debt Service Impact (exclude FY17 School)						
General Fund	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund Estimated Revenue	\$ 253,806,803	\$ 259,185,674	\$ 265,985,425	\$ 275,222,948	\$ 285,223,638	\$ 295,206,465
Debt Service Policy Limit of 5%	\$ 12,690,340	\$ 12,959,284	\$ 13,299,271	\$ 13,761,147	\$ 14,261,182	\$ 14,760,323
Existing General Fund Debt Service Total	\$ 10,238,054	\$ 9,267,754	\$ 8,145,599	\$ 6,783,891	\$ 5,234,462	\$ 4,050,791
Authorized but Unissued Total	\$ 1,067,800	\$ 3,160,212	\$ 3,132,850	\$ 3,246,140	\$ 3,141,870	\$ 3,043,960
Total Debt Service on Existing General Fund Debt	\$ 11,305,854	\$ 12,427,966	\$ 11,278,449	\$ 10,030,031	\$ 8,376,332	\$ 7,094,751
LESS State Debt Service Reimbursements	\$ (2,510,995)	\$ (2,510,995)	\$ (2,129,671)	\$ (2,129,671)	\$ (2,129,671)	\$ (2,129,667)
Net Available Debt Service	\$ 8,794,859	\$ 9,916,971	\$ 9,148,778	\$ 7,900,360	\$ 6,246,661	\$ 4,965,084
Debt Service for FY2016 Capital Budget Projects*	\$ 302,050	\$ 2,103,473	\$ 2,229,791	\$ 2,164,079	\$ 2,104,639	\$ 2,045,209
Debt Service for FY2017 Capital Plan Projects*		\$ 775,552	\$ 4,909,225	\$ 4,654,010	\$ 4,526,400	\$ 4,398,790
Debt Service for FY2018 Capital Plan Projects*			\$ 1,127,597	\$ 5,951,259	\$ 5,670,360	\$ 5,529,905
Debt Service for FY2019 Capital Plan Projects*				\$ 823,233	\$ 4,182,326	\$ 4,557,830
Debt Service for FY2020 Capital Plan Projects*					\$ 381,141	\$ 2,351,206
Debt Service for FY2021 Capital Plan Projects*						\$ 348,189
Subtotal Future Debt Service:	\$ 302,050	\$ 2,879,025	\$ 8,266,613	\$ 13,592,581	\$ 16,864,866	\$ 18,882,940
New (Gross) Debt Service	\$ 11,607,904	\$ 15,306,991	\$ 19,545,062	\$ 23,622,612	\$ 25,241,198	\$ 25,977,691
LESS State Debt Service Reimbursements	\$ (2,510,995)	\$ (2,510,995)	\$ (2,129,671)	\$ (2,129,671)	\$ (2,129,671)	\$ (2,129,667)
Net Debt Service Calculation for Policy Limit	\$ 9,096,909	\$ 12,795,996	\$ 17,415,391	\$ 21,492,941	\$ 23,111,527	\$ 23,848,024
Percentage of Operating Budget	3.6%	4.9%	6.5%	7.8%	8.1%	8.1%

*Assumes all projects requested in FY17 to FY21 are authorized and debt service is calculated. Each year is evaluated as they are authorized and reduced by vote of Town Meeting to not exceed available budget. Assumes MA School Building Authority funding for FY17 only.

Water and Sewer debt service does not have a spending ceiling as the rates are intended to increase to pay for the investment in water and sewer infrastructure. However, we are judicious in our approval of projects, even though we are suffering from 30 years of ignoring the repair and maintenance needs of this network. The recommended list for FY16 still only addresses a very small portion of the water and



sewer systems. The debt service charts for the water and sewer enterprise funds are included in your book after the project lists.

Debt Exclusion

In the next couple of years we will need to invest in a new school building. This will exceed our debt service capacity within the tax levy; therefore we will need to pass a debt exclusion. A debt exclusion is essentially a limited override which requires a Town-wide vote to approve. The limitation is that you are voting for only enough money to pay the debt service on a particular bond authorization, or setoff authorization. Many communities use a debt exclusion to fund all of their major projects. Reviewing the debt service chart above, where the Fuller/Farley debt service is excluded, we will still need to make hard choices and cut capital budgets to fit within our financial capacity to absorb debt service. The chart below illustrates the impact of debt service if the project is included within the tax levy. We would have to cut so much of the capital budget to stay within our 5% debt service ceiling that our roads would not get repaired, other school buildings would not be maintained, parks and recreation buildings and fields would not be upgraded, expanded or repaired, and Town buildings would continue their decline.

As part of this plan, the Town is also anticipating a grant from the Massachusetts School Building Authority (MSBA) of 51% of the project cost. The chart below assumes the lower price of \$23.5 million versus \$48 million (gross construction estimate). Clearly this project is not affordable without the help of the MSBA. Without the MSBA funding, the debt service amounts in the chart below in the line "New (Gross) Debt Service" would increase by an average of \$2.1 million each year.

FY2016-2021 General Fund Debt Service Impact (include FY17 School)						
General Fund	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund Estimated Revenue	\$ 253,806,803	\$ 259,185,674	\$ 265,985,425	\$ 275,222,948	\$ 285,223,638	\$ 295,206,465
Debt Service Policy Limit of 5%	\$ 12,690,340	\$ 12,959,284	\$ 13,299,271	\$ 13,761,147	\$ 14,261,182	\$ 14,760,323
Existing General Fund Debt Service Total	\$ 10,238,054	\$ 9,267,754	\$ 8,145,599	\$ 6,783,891	\$ 5,234,462	\$ 4,050,791
Authorized but Unissued Total	\$ 1,217,800	\$ 3,160,212	\$ 3,132,850	\$ 3,246,140	\$ 3,141,870	\$ 3,043,960
Total Debt Service on Existing General Fund Debt	\$ 11,455,854	\$ 12,427,966	\$ 11,278,449	\$ 10,030,031	\$ 8,376,332	\$ 7,094,751
LESS State Debt Service Reimbursements	\$ (2,510,995)	\$ (2,510,995)	\$ (2,129,671)	\$ (2,129,671)	\$ (2,129,671)	\$ (2,129,667)
Net Available Debt Service	\$ 8,944,859	\$ 9,916,971	\$ 9,148,778	\$ 7,900,360	\$ 6,246,661	\$ 4,965,084
Debt Service for FY2016 Capital Budget Projects*	\$ 302,050	\$ 2,103,473	\$ 2,229,791	\$ 2,164,079	\$ 2,104,639	\$ 2,045,209
Debt Service for FY2017 Capital Plan Projects*		\$ 1,222,432	\$ 6,978,985	\$ 6,634,394	\$ 6,462,096	\$ 6,289,798
Debt Service for FY2018 Capital Plan Projects*			\$ 1,127,597	\$ 5,951,259	\$ 5,670,360	\$ 5,529,905
Debt Service for FY2019 Capital Plan Projects*				\$ 823,233	\$ 4,182,326	\$ 4,557,830
Debt Service for FY2020 Capital Plan Projects*					\$ 381,141	\$ 2,351,206
Debt Service for FY2021 Capital Plan Projects*						\$ 348,189
Subtotal Future Debt Service:	\$ 302,050	\$ 3,325,905	\$ 10,336,373	\$ 15,572,965	\$ 18,800,562	\$ 20,773,948
New (Gross) Debt Service	\$ 11,757,904	\$ 15,753,871	\$ 21,614,822	\$ 25,602,996	\$ 27,176,894	\$ 27,868,699
LESS State Debt Service Reimbursements	\$ (2,510,995)	\$ (2,510,995)	\$ (2,129,671)	\$ (2,129,671)	\$ (2,129,671)	\$ (2,129,667)
Net Debt Service Calculation for Policy Limit	\$ 9,246,909	\$ 13,242,876	\$ 19,485,151	\$ 23,473,325	\$ 25,047,223	\$ 25,739,032
Percentage of Operating Budget	3.6%	5.1%	7.3%	8.5%	8.8%	8.7%

*Assumes all projects requested in FY17 to FY21 are authorized and debt service is calculated. Each year is evaluated as they are authorized and reduced by vote of Town Meeting to not exceed available budget. Assumes MA School Building Authority funding for FY17 only.

This Capital Budget is a thoughtfully crafted plan that invests responsibly in Town assets within a financial framework that fits within the policy goals of the Town for the next several years. The Town Administration is available to work with the Capital Budget Committee to continue the budget process for the Annual Town Meeting. Any questions, requests or recommendations are welcomed.

In addition to the new projects recommended in this budget, we are amending an existing project voted in the May 2011 Annual Town Meeting. The original Butterworth Park Tennis Lighting project came in well under budget and was awarded CDBG funds to support the lighting improvements. We are adding language to allow the existing authorization to fund the demolition the existing grandstands and building ADA accessible bleachers and ADA compliant walkway to and around the new bleachers. The current grandstands are closed. The concrete structure is a public safety hazard. Any repairs to the structure will cause the Town to make the current bleachers entirely ADA accessible and code compliant. It is actually less expensive to demolish the cement grandstand and replace it with aluminum bleachers on an enlarged cement pad with an accompanying cement walkway. There is \$102,969 remaining in the existing capital authorization. This project will cost \$73,618. The remaining authorization after the allocation to this project will be rescinded.