

Town of Framingham



FY2013 – FY2018 Recommended Capital Budget

Necessary Investment to Maintain Town Assets

Prepared by:

Office of the Chief Financial Officer

Overview

A multi-year capital plan seeks to maintain a commitment to the investment in and upkeep of municipal assets. It also is a commitment to the health of a community; not just financial, but educational, social and structural. The budget presented here is just a portion of a longer term capital plan that schedules maintenance and replacement requirements for equipment, buildings and infrastructure. The FY13 portion of this capital budget is more limited than the last couple of years in an effort to reduce of the overall cost of the operating budget in light of taxpayer concerns with the cost of Town government.

The capital budget recommendations for FY13 total \$21.3 million. The project totals by fund are: General Fund is \$7 million, Water Enterprise Fund is \$5.5 million and the Sewer Enterprise Fund is \$8.7 million. One goal that was set in the General Fund capital budget development process was to limit the size of the budget while still maintaining the needed investment in capital projects and equipment. Debt service, the cost of paying the mortgage, so to speak, does have an impact on the operating budgets of the General Fund, Water Enterprise Fund and Sewer Enterprise Fund. With the anticipated revenues available for the General Fund operating budget looking bleak, it is necessary for the services provided to citizens in the Town to mitigate the debt service appropriation within the operating budget. That goal was met by limiting new debt service to \$120,426. This will reduce the budget deficit projected in the Long Range Forecast by approximately \$800,000.

One way interest payments are avoided is using prior year free cash (in FY11). The Town policy allocates a portion of this end of the year cash balance to be used to fund capital budget items. This year that allocation is \$363,687.

The second goal of this capital budget recommendation is to invest in projects and equipment that increase efficiencies, increase revenues, decrease costs or cannot be repaired. The latter creates a need to rent equipment, but in some cases that the rental is not available. This budget recommendation is limited to those items.

The Water and Sewer Department recommended capital budget includes several critical pieces of equipment, but the primary costs are for replacement of water and sewer lines and the upgrade of water tanks and backup systems. This includes the elimination of two pump stations (one at Speen Street) and the replacement of water and sewer pipes under Herbert, Irving and Loring Streets. Additional funds for the East Framingham Sewer Improvement and Central Street Siphon are recommended. The estimated increase in FY13 debt service is \$100,180 for the Water Enterprise Fund and \$161,170 in the Sewer Enterprise Fund.

Putting the Capital Budget Together

In September of each fiscal year the CFO's office recalibrates the capital budget database and requires all Divisions to submit a 6 year capital budget request; generally within 30 to 50 days. Department staff enters in descriptions, costs, status of the pieces of equipment to be replaced, or in need of repair. Repairs and replacements to infrastructure and buildings are entered into the same database using the same fields for descriptions costs estimates and impacts if not approved. Data is collected for projects in all funds: General Fund, Water Enterprise Fund and Sewer Enterprise Fund.

The CFO's Office then reviews the projects using an evaluation model which was updated in FY11. The criteria include financial impact, complying with legal mandates, impact on public safety and public health, division and department priority, whether prior phases were completed, urgency of need to repair or replace, and impact on service to the public. Based on the results of the evaluation and final global decisions on ability to fund, the recommendations are presented in this budget.

Total Capital Requests and Recommendations

The General Fund capital requests for FY13 total \$17,267,356. Of this \$7,045,391 is recommended and \$10,221,975 is deferred. The table below lists the detailed amounts by department.

Department	Requested	Recommended	Deferred
Library	\$2,134,950	\$465,000	\$1,669,950
Fire Department	\$1,175,677	\$550,000	\$625,677
Building Services	\$113,419	\$113,419	\$0
Parks & Recreation	\$1,191,385	\$140,394	\$1,050,991
Police Department	\$53,560	\$53,560	\$0
DPW Engineering	\$152,500	\$0	\$152,500
DPW Highway	\$6,657,771	\$3,008,674	\$3,649,097
DPW Sanitation	\$690,187	\$465,027	\$225,160
School Department	\$3,234,000	\$1,750,000	\$1,484,000
Technology Services	\$132,366	\$132,366	\$0
Town Owned Buildings	\$1,731,541	\$366,941	\$1,364,600
Total General Fund	\$17,267,356	\$7,045,381	\$10,221,975

Fire Department

The recommendation includes the replacement of Engine 1 which deferred last year. An aerial bucket truck, a facilities pickup, the conversion of traffic lights to LED and the Fire's Chief's cruiser were all deferred. In total \$550,000 was recommended and \$625,677 was deferred.

Library

The Main Library had a number of requests this year, however only the Lexington street handicapped ramp (\$425,000) and the study of space utilization (\$40,000) is recommended. Two projects are specifically deferred: the HVAC upgrade and wiring for digital direct energy controls (DDC) because the Town anticipates working with the MAPC on a regional energy services contract to upgrade a number of Town buildings including the Main Library. The projects related to the parking garage have been deferred to await the results of additional review.

Building Services

Two projects are recommended for Building Services. The first is the replacement of 75 parking meters with digital meters and the upgrade of the parking pay system at the Hollis Street parking lot (\$53,468). We anticipate additional parking revenue with these improvements. The second project is the upgrade of the security management software which services the Memorial Building, the Library, the Callahan Senior Center, Cushing Chapel and the Danforth Building. This will include a security card/ID system for Town employees and additional security cameras.

Parks & Recreation

The recommended capital budget for Parks and Recreation includes one piece of equipment (\$45,411) and two projects: phase one replacement of mulch below several playgrounds (\$29,550) and the remedy and study of the ice Arena end walls (\$65,411). Two additional pieces of equipment and three projects were deferred totaling \$1,050,991.

Police Department

The Police Department recommendation is the upgrade of electrical wiring in the police station to the emergency generator in order to handle the power load to the station under generator power. The project cost is \$53,560.

Engineering Department

The one project request for the engineering department, the Saxonville Levee pump station design, is recommended to be deferred for FY13. The project cost is \$153,500.

Highway Department

The majority of Highway Department capital project recommendation is the roadway improvement program at \$2.5 million. This is the greatest amount recommended in more than six years. However it is still just under half the amount necessarily to keep the Town's roads in a state of repair. Also included is the FY13 phase of sidewalk/accessibility improvements at \$150,000. Three critical pieces of equipment are recommended: one major construction truck, one 15,000 GVW dump body truck used for tree maintenance and one platform body with a lift gate to transport construction material to work sites. The replacement of eight pieces of equipment has been deferred as well as \$2.7 million of the Roadway Improvement project is recommended to be deferred.

Sanitation Department

The recommended capital budget for Sanitation includes one new packer, with a plow, which was deferred from last year. The replacement of the front end loader that services the recycle center and the yard waste dump is recommended. This loader cannot be repaired and no rental is available. The purchase of 68,000 GVW roll off frame cab and chassis that is used for transporting containers at the recycle center is deferred for FY13.

School Department

The most critical project, the study of the Fuller and Farley Schools is recommended for FY13. Phase 2 of the technology upgrade is included at the requested amount of \$500,000 funded partially with free cash. Three energy efficiency projects are recommended, all part of phased programs for building mechanical improvements. ADA upgrades to sidewalks and ramps, also a phased project, is recommended. Replacement vehicles, grounds equipment upgrades, stage curtain replacements, floor tile replacements and furniture replacements, totaling \$1,484,000 are deferred again this year.

Technology Services

Three projects have been requested and all are recommended for inclusion in the FY13 Capital Budget. An upgrade to the Towns VOIP hardware must be upgraded in order to work with the current version of the software. Our two virtual environment

servers, out of warranty and under capacity need to be replaced. Finally a system to digitized building permits and plans is recommended to be funded.

Town Owned Buildings

Three projects totaling \$366,941 are recommended under Town Owned buildings: the repair of stairs, stairways and windows at the Pear Street garage. This includes security cameras that will be tied into the Town Hall security system. The design of a fire suppression system for the Memorial Building, at a cost of \$50,000, is recommended for FY13. Finally, the replacement of the boiler at Village Hall at a cost of \$83,030, providing efficient heating and saving the Town energy dollars.

Enterprise Fund Capital Recommendations

Department	Requested	Recommended	Deferred
Sewer Department	\$11,662,951	\$8,697,951	\$2,965,000
Water Department	\$5,544,779	\$5,544,779	\$0

Water Department

All of the Water Department requests, which total \$5.5 million, have been recommended in this budget. This includes the replacement of two pieces of equipment, water pipe replacements in the Herbert, Loring and Irving street area and the rehabilitation of the Beebe Water storage tank. Additional, smaller locations are recommended as is hydrant and gate valve replacements. Retained earnings, the enterprise version of free cash, is recommended at \$535,779 to fund the equipment, the gate valve replacements and the miscellaneous pipe repair project.

Sewer Department

Sewer Department requests total \$11.6 million in FY13. The replacement of three pieces of the equipment is included. Projects include the continuing funds for the East Framingham Sewer Improvement Project and the Central Street siphon. New projects are the Hancock Lane pump station elimination project, the sewer side of the Loring, Herbert and Irving Street line replacements and the elimination of the Speen Street pump station. Recommended projects total \$8.7 million. The Hemenway gravity sewer project is recommended to be deferred (\$2.9 million). Retained earnings of \$639,451 are recommended to be used to fund the equipment replacements and the annual sewer main replacement program (\$250,000).

Debt versus Debt Service

Debt is different from debt service in that debt is the total cost of a project. The Town's debt is the total amount of long term and short term bonds issued and the authorizations that have not yet been issued. In the General Fund the Town has \$114.4 million authorized. The Water and Sewer Enterprise Funds have debt of \$116 million and \$118.3 million respectively.

Debt service is the annual cost to borrow that "cash" including the principle and interest. The total amount needed per year is appropriated in the Annual Town Budget under the debt category.

Debt Limit and Debt Service Limit

Like any business or household, municipalities should not carry too much debt. How much is too much? Massachusetts General Law Chapter 44 Section 10 states that the debt limit for Towns is 5% of the equalized valuation (EQV). EQV is the state approved value of all real property in a municipality. The EQV is determined every two years. The EQV for Framingham is \$9.5 billion therefore the debt limit is \$477 million. The Town of Framingham currently has \$114.4 million in General Fund debt issued. This is 1.2% of the EQV, well within the state debt limit.

The Board of Selectmen set the General Fund debt service limit by policy in 2000. That limit is 5% of the budget. The FY13 base debt service is \$9,991,054. From this number we subtract \$2,510,995, which is the amount of debt service the state School building authority (MSBA) pays for works done to Cameron, Wilson and McCarthy schools. The net amount, \$7,480,059 is 3.4% of the estimated revenue for FY13. The projected debt service costs for the new projects and equipment purchases recommended in this budget for FY13 is \$126,295 which would bring the new total to \$7,606,354 or 3.4% of the expected FY13 revenue. This is well within the policy guidelines. However we do need to look at this issue long term and forecast, at least for the term of this capital budget, what the impact of all the future requests. We do this using the "FY2013-2018 General Fund Debt Service Impact" table on page B. This table assumes that all of the projects requested for FY14 to FY18 would be approved and bonded and projects the annual debt service costs at a 4% interest rate. In FY14 we still remain below the 5% limit at 4.3% if we approve all projects but exceed the limit in FY17 and FY18 if we don't limit what we authorize. In the last five years we have managed new authorizations based on work level and affordability and will continue to move in that direction using these annual budgets and forecasts as a guide.

The debt service limit for the Enterprise Funds isn't as restrictive as the General Fund. Moody's Rating Bureau uses the standard for debt and debt service as "whatever the rate will bear". However, we have been careful to manage the amount of debt service built into the rate only to what we need to borrow when we need the cash and upon completion of projects. Because of the volume of work required by the state's consent order, this accounts for a significant amount of debt service, forcing rate increases, but the town rates are still at the bottom of the scale compared to comparable communities. We will still look to manage the increase in debt service as we continue to comply with the state consent order. The long range forecast of debt service impact for the Enterprise Funds is included the table entitled "FY2013 – FY2018 Enterprise Fund Debt Impact" on page B-1.

Debt Service Impact on the Operating Budget

Base debt service includes principle and interest costs for the bonds that have been issued for completed projects. It also includes the projected debt service costs for projects that have been authorized but bonds have not been issued (ABU) because we have not incurred the cost yet. It also includes the debt service for those projects that have short term bond anticipation notes (BANs) issued but have not been permanently bonded. The ABU and BAN debt service is bundled in the line "authorized but unissued" on the Summary Debt Service Impact table.

Incurring new debt service requires caution. The first year of debt service is less costly than years two and three because it is just the interest payment for short term borrowing. In FY13 we could have approved all of the General Fund capital requests and added \$310,716 to the debt service budget. However, that would have required debt service to increase by \$1.9 million in FY14. In addition, we need to make sure we have the management capability to complete all of the work effectively. This may be compromised if we have to lay off staff due to budget cuts. It is a balancing act, but it can be done responsibly. It is foolish to eliminate capital expenditures completely in order to reduce debt service and push all available dollars to salaries and operating costs. First of all it is more expensive in the long run not to maintain your infrastructure, as we have found out with our water and sewer consent order. In order to complete the work on time you have to accept bids and bidders that are available in a short time frame; you don't have the luxury of waiting for better price trends. Secondly, spending operating dollars to maintain failing equipment and inefficient energy systems is a waste and could be more effectively used.

The Office of the CFO looks forward to working with the Capital Budget Committee, Selectmen, the Town Manager and department and division heads to craft a final FY13-FY17 Capital Budget to bring to the Annual Town Meeting.