FRAMINGHAM
MASSACHUSETTS

CITY OF FRAMINGHAM

OFFICE OF THE MAYOR

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April 6, 2018

The Honorable City Council
150 Concord Street
Framingham, MA 01702

Dear Councilors,

I am pleased to present the first Capital Improvement Plan for the City of Framingham.

It is important to invest in the City's valuable capital assets. It is vital that we maintain the water mains (pipes) that convey our drinking water to residents in all corners of our community. It is essential that we repair roads and bridges that transport our citizens to school, work or play; maintain parks, fields and recreation facilities for robust quality of life; and maintain, repair or replace necessary equipment to fight fires, rescue citizens and clean the city. It is our responsibility to repair, maintain and replace the buildings and other facilities where we teach our children, provide services to seniors, veterans, businesses, and residents, and conduct the business of governing.

The City has an enormous task to manage an incredible number of assets. Framingham has 225 miles of roadway and 210 miles of sidewalk, numbers some of you have heard before or read in capital budget documents. We also maintain 50 signaled intersections throughout the City. There is 265 miles of water main and 231 miles of sewer main running under our roads, fields, rivers and ponds; some as old as the 1800s. We have 43 sewer pump stations (more than the City of Boston) and seven water pump stations. There are seven water tanks across Framingham. We own and are responsible for 30 bridges. Framingham has approximately 200 miles of storm water main; over 20% of which is over 75 years old. We have approximately 238 culverts - 107 of which are identified.

Framingham has some amazing places to play and relax! The City has 36 parks, including three City beaches. There are 21 recreation areas that are water/conservation related including a Community Garden and boat ramps for public use. The are 25 sports field locations that house 52 various fields for spring sports (baseball, softball, lacrosse, soccer, track and field) and 36 fields for fall sports (football, field hockey, soccer and cross country), plus 9 School athletic fields for Framingham team sports. There a 20 fully equipped playgrounds for our kids located all across the City. There is currently 6.35 miles of aqueduct trails in Framingham. Finally we have our own ice rink (Loring Arena) and a newly renovated athletic stadium/complex, Bowditch Field.

Our City facilities and buildings are varied and used for multiple community purposes, not just for their "official function". There are 14 School buildings and 18 municipal buildings – including five fire stations, two libraries, and five important historic buildings that require significant repair. We also have 13 Park/Recreation buildings and shade shelters to maintain. There are 70 unique sites in our beautification program that need to be maintained.

To do all this work, our departments (city-wide) have multiple pieces of equipment ranging from large dump trucks, fire engines and ladder trucks, snow plows and sanders, tractors and landscape trailers and equipment; sidewalk plows, tank trucks (both landscaping and fire suppression). We have roll-off trailers for sanitation and recycling collection, trash packers and Zambonis, bobcats and large mowers and animal transport vehicles. There are more than 300 pieces of rolling and non-rolling equipment used to maintain our great places and provide services to our community.

There is a demonstrated link between infrastructure maintenance and investment and economic development. Planned sewer repair and upgrades were coordinated with Tech Park tenants which provided a context for Framingham to receive a state Jobs Grant for sewer design and a $12.4 million Life Sciences Grant to offset the City's cost to upgrade and expand the capacity of that infrastructure. The result has been business expansion in Technology Park, increased industrial value and additional tax revenue at the commercial rate.

What is proposed in this plan is the essential capital asset maintenance needs of City Departments for the current construction season. We ask the City Council to authorize the requests for FY19 only. There are necessary projects to be managed by the School Department and our Roadway Management Plan that are a priority for this construction season. Many of these projects and purchases have been deferred from prior fiscal years. The Capital Improvement Plan is subject to the referendum provision in the Charter, so projects may not begin until the 30 referendum period is over.

This plan identifies future capital needs both by Department and by asset type. It includes improvements to infrastructure, equipment and facilities. But this new City has some important decisions to make about our municipal buildings; both schools and operational centers. Decisions that were put on hold as required by the Charter must now be re-evaluated and incorporated into the FY2020 Capital Improvement Plan. We ask, and welcome, the citizens of Framingham to participate in those decisions.

Information included in the package provides the framework for the capital investment decisions in our immediate future and through FY2024. The choices are difficult; we must balance the upkeep of our equipment, infrastructure and buildings with our capacity to finance that cost and our ability to manage the work successfully. Both the Executive and Legislative branches have a fiduciary and custodial responsibility to manage and authorize capital investment. I am excited to present you with our first Capital Improvement Plan and I look forward to working with you on this important endeavor!

Sincerely,

Yvonne M. Spicer

Mayor Yvonne M. Spicer

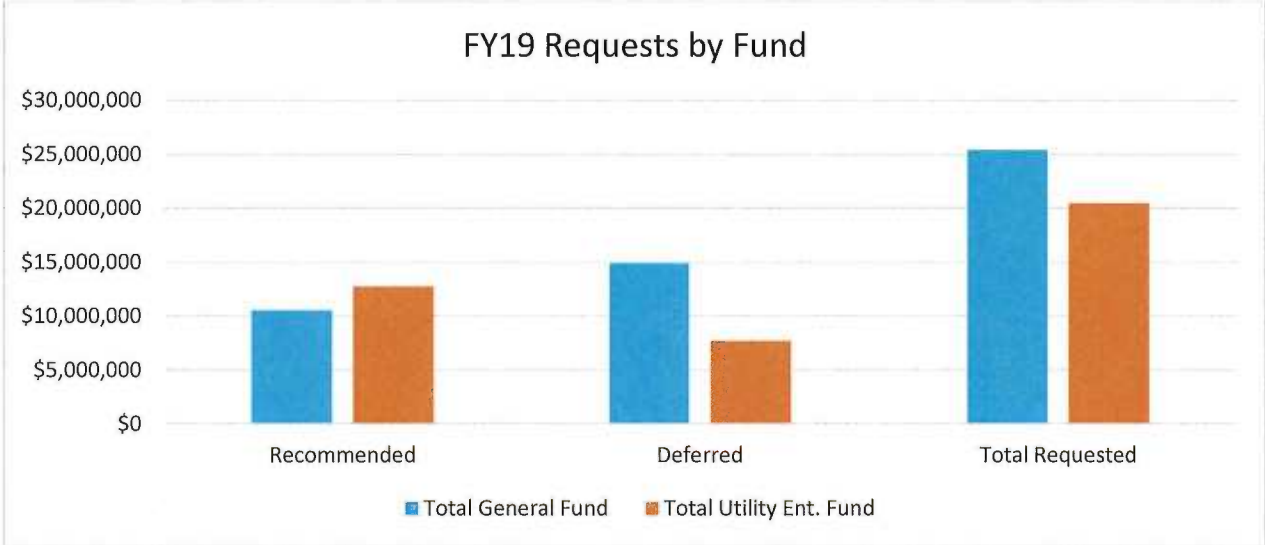
FRAMINGHAM
MASSACHUSETTS

FY2019 to FY2024 Capital Improvement Plan

Executive Summary

The focus of this Capital Improvement Plan is on the immediate capital maintenance of assets. Given the abbreviated review period and extended authorization timeline – the Capital Improvement Plan is subject to the referendum process – our recommendation is to request the funding for $10.5 million in General Fund capital improvements for FY19. This plan is to be financed via both bonds of $7.5 million and Free Cash appropriation of $3 million. The total Capital Improvement Plan for the General Fund was $25.6 million. We are recommending deferring $4.6 million in capital requests to FY20, including two pieces of fire apparatus for Station 2. As the new Fire Station 2 is just beginning the construction phase, the new apparatus should be planned to fit and operate in the new facility. The remaining requests to be included in the Plan - $10.3 million is recommended to be deferred to FY20 or later. Those capital needs will be redistributed through the out-years of the plans by their respective Departments.

The Capital Improvement Plan for the Utility Enterprise Fund totals $16.5 million for FY19; $15.2 million to be financed by bonds, MWRA grants and interest free loans, and $1.3 million by retained earnings. The remaining requests for the Plan, totaling $3.9 million, is deferred. These projects and assets will be redistributed through the future years of the Capital Improvement Plan. A number of the water and sewer improvement projects included here are annual efforts at smaller improvements and repairs. You will find that the projects are paired – water and sewer – combined to put both utilities in the ground at the same time and coordinate the road restoration, sidewalk and curbing projects as a comprehensive solution. This is true with the one large project: Worcester Road (Route 9), both water and sewer lines from Concord Street east to the Natick line. The Worcester Road project will be partially funded with MWRA grant and loan program, reducing the debt service incurred by traditional bond financing.



Over the longer range the capital needs of the City look daunting, amounting to $402.8 million. This does not include the first five years of the Municipal Building Plan (previously referred to as the Major Building Projects Plan) which adds another $162 million (estimated). More detail is included in other sections of this document.

The specific list of bond order requests and free cash appropriations for FY19 is on the following page:

Project Title	Department	Project Type	FY19 Budget Amount	Financing Method
Recommended for for Approval - General Fund				
Radio Communications Upgrade	Technology Services	City Technology Hardware	$544,321	Bond
Archived Document Scanning - Phase VII	Technology Services	City Technology Software	$186,000	Free cash
VOTING MACHINES	City Clerk	City Non-Rolling Equipment	$116,580	Bond
Beaver Street Bridge Replacement – Design and Construction	DPW-Engineering	Roadway Infrastructure	$900,000	Free Cash
Edgell Road Culvert Rehabilitation – Design and Construction	DPW-Engineering	Stormwater Improvement	$310,000	Free cash
Annual Drainage System & Water Quality Improvements - 2019	DPW-Engineering	Stormwater Improvement	$250,000	Free cash
Annual Various Road Improvements - 2019	DPW-Highway	Roadway Infrastructure	$3,000,000	Bond
Salem End Road Bridge Rehab - Construction	DPW-Highway	Roadway Infrastructure	$810,000	Bond
Fountain Street Roadway and Related Improvements – Final Design	DPW-Highway	Roadway Infrastructure	$210,000	Free cash
Replace 3 Highway Rack/body/utility Trucks, #409, 418 and 419	DPW-Highway	Public Works Rolling Equipment	$188,655	Bond
Dudley Road Landfill Closure - CAAA Study	DPW-Sanitation	Public Works Non-Rolling Equipment	$90,000	Bond
Replace Sanitation Packer Arms	DPW-Sanitation	Public Works Rolling Equipment	$84,000	Free Cash
New McAuliffe Branch Library Audio-Visual Systems Construction	Library	City Technology Hardware	$70,932	Free Cash
Main Library Circulation Desk	Library	City Non-Rolling Equipment	$66,038	Bond
Mary Dennison Park Improvements	Parks & Recreation	Parks Facilities	$395,055	Bond
Butterworth Park Phase VI - Basketball Court Relocation	Parks & Recreation	Parks Facilities	$41,340	Bond
F350 4x4 Crew Cab Pickup 10,000 GVW	Parks & Recreation	Parks Rolling Equipment	$49,140	Bond
Technology Upgrades Throughout the District FY19	School Department	School Technology Software	$250,000	Free Cash
Farley Renovation	School Department	School Building Structure	$900,000	Bond
Security Enhancement Throughout the District	School Department	School Building Structure	$200,000	Bond
CHARLOTTE DUNNING PLAYGROUND	School Department	School Non-Rolling Equipment	$220,000	Free Cash
Bathroom Renovations Barbieri School - ADA	School Department	School Building Structure	$300,000	Bond
Masonry Repointing - Stapleton Elementary School	School Department	School Building Structure	$800,000	Bond
Furnish New and Replace Outdated Furniture multiple schools	School Department	School Non-Rolling Equipment	$250,000	Free Cash
MSBA Feasibility Study-Hemenway Elementary School-MOVED UP	School Department	School Building Structure	$75,000	Free Cash
B & G Ford 450 Bucket Truck - Replacement	School Department	School Rolling Equipment	$90,000	Free Cash
Rubber Gym Floor	School Department	School Building Structure	$105,000	Free Cash
Total Recommended - General Fund			$10,502,061	
Total Bond Recommended			$7,501,129	
Total Free Cash Recommended			$3,000,932	

Project Title	Department	Project Type	FY19 Budget Amount	Financing Method
Recommended for for Approval - Utility Enterprise Fund				
Replace Vactor Truck, #741	DPW-Sewer	Sewer Rolling Equipment	$497,952	Bond
Annual Various Sewer Improvements - 2019	DPW-Sewer	Sewer Piping	$375,000	Retained Earnings
Annual Sewer Pump Stations Eqpt Replacements - 2019	DPW-Sewer	Pump Station Mechanical	$500,000	Retained Earnings
Worcester Rd Sewer Mains (East of Concord St) – Ph I Construction, Phases II & III Design	DPW-Sewer	Sewer Piping	$3,800,000	Bond
Sewer Defects Repairs Ph 2 – Design and Construction	DPW-Sewer	Sewer Piping	$1,200,000	Bond
Woodland Sewer Forcemain Replacement - Construction	DPW-Sewer	Sewer Piping	$1,650,000	Bond
Lanewood Siphon Replacement - Construction	DPW-Sewer	Sewer Piping	$2,100,000	Bond
Replace Water Dump Truck, #626	DPW-Water	Water Rolling Equipment	$72,153	Retained Earnings
Annual Various Water Improvements Project - 2019	DPW-Water	Water Piping	$350,000	Retained Earnings
Annual Various Hydrant and Valve Improvements Project - 2019	DPW-Water	Water Piping	$250,000	Bond
Worcester Road Water Main Rehabilitation, Concord Rd to Natick line - Construction	DPW-Water	Water Piping	$5,700,000	Bond
Total Recommended UE Fund			**$16,495,105**	
Total Bond Recommended			**$15,197,952**	
Total Retained Earnings Recommended			**$1,297,153**	

Capital Improvement Plan: FY2020 to FY2024

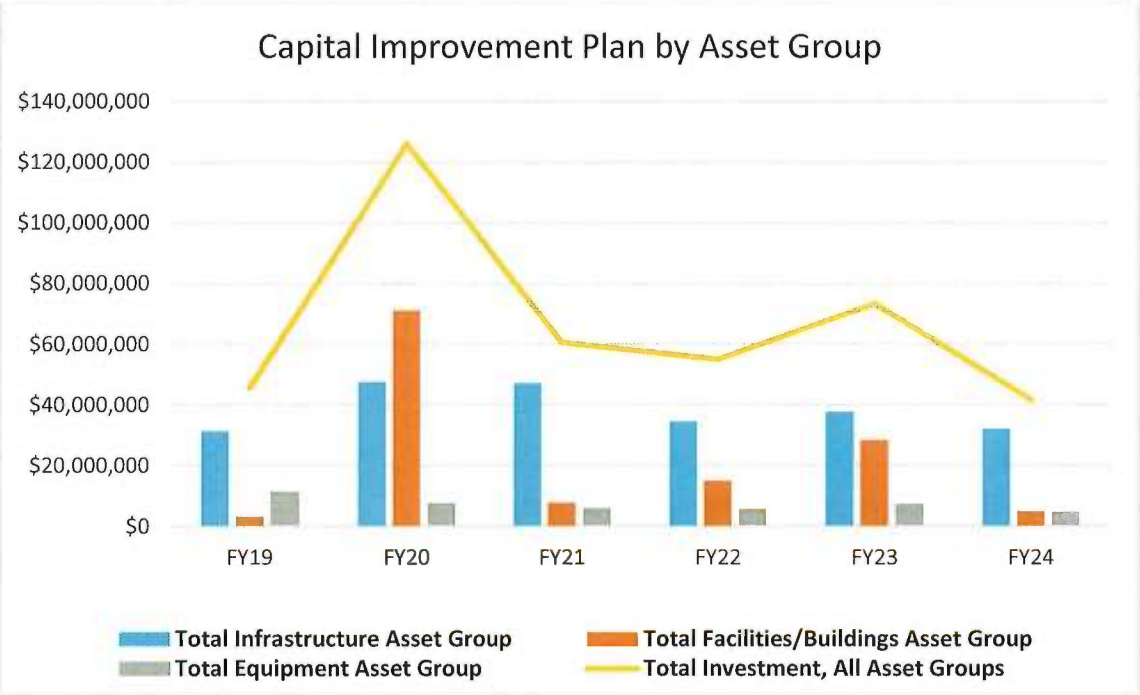
The Capital Improvement Plan also forecasts the capital investment needs for both the General Fund Capital Plan and the Utility Enterprise Fund Capital Plan for the next five years. The cost of the needed investment exceeds the financial and managerial capability of the City. This is not a new issue; nor is it unique to Framingham. Every municipality in Massachusetts and beyond struggles with maintaining it capital infrastructure, facilities and equipment. For the last 13 years Framingham capital investment has been discussed in public meetings, Board of Selectmen Meeting, Finance Committee meetings, Capital Budget Committee meetings and on the floor of Town Meeting. We keep track of the overall capital investment need, we prioritize our most important investments, making smart and effective decisions along the way. Despite the challenges we will not give up.

The Framingham Public Works Division has developed and updated a roadway master plan, a stormwater master plan, a water and wastewater master plan. The Parks Department developed a Cushing Park Master Plan (the called Tercentennial Park) and a Master Plan for Bowditch Field. We had the data that told us how much needed to be done. But in one important area the state dictated how and when we had to improve. In 2006, the state embarked on a review of our water and sewer systems, specifically sewer system inflows – clean water leaking into the sewer system and flowing into the MWRA treatment center.

The DEP imposed an Administrative Consent Order (ACO) which required Framingham to perform over $160 million in sewer system and water system improvements in a five year period which began in 2007. The state did provide access to low cost loans (2% interest rate) for eligible project costs and allocated approximately $12 million in American Recovery Act dollars in FY2010/11. The aggressive implementation of the ACO by Framingham meant we were able to avoid the enormous fines that had been levied on other communities for similar water and sewer system failures ($80 million for North Andover, although by the time they actually paid it, it had been negotiated down to $10-$12 million).

The Roadway Management Plan in 2006 stated we needed to invest $5 million per year to keep the roadways in good condition. We started in 2007 with $450,000, less than 10% of the minimum investment. Since 2010, we have allocated at least $3 million and as high as $4.5 million. The updated edition of the Roadway Management Plan now recommends $7.5 million per year to make up for the years we did not invest enough. We continue to make progress toward that plan even if we cannot get it all done.

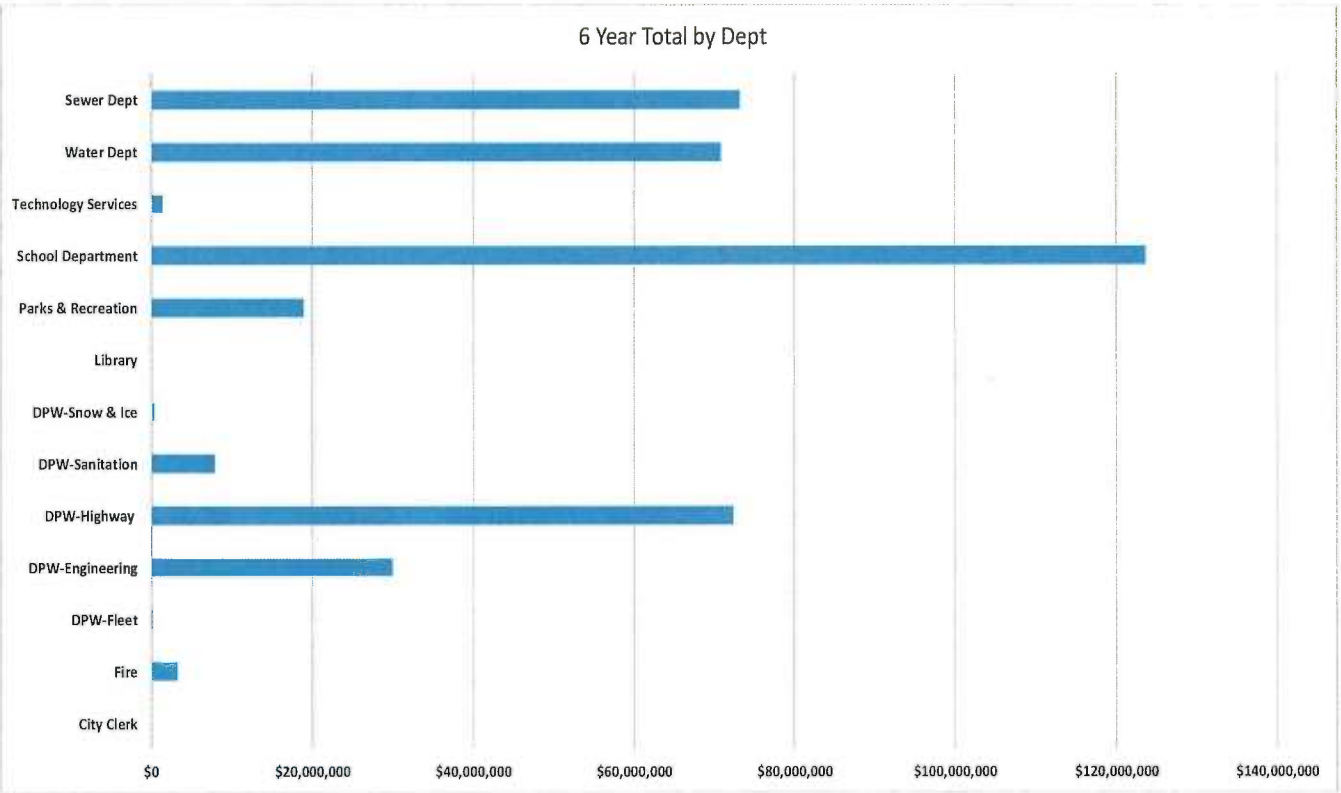
The graph below illustrates the capital needs broken down into asset groupings: Infrastructure, Equipment and Facilities/Buildings. Note that Facilities/Buildings does NOT include the Long Range Capital Plan for municipal buildings. There is more detail on the plan further along in this document – two building renovations in the initial five years of the plan have been authorized already – Fire Station 2 and Village Hall – and Fuller School is far along in the process. But significant decisions need to be made regarding the Memorial Building, the Danforth Building, the Western Ave DPW facility and the Pearl Street garage. The two peaks in the graph in FY20 and FY23 are two major school renovations – this is another portion of the Capital Improvement Plan which needs review to address the timing of these projects in light of the length of the process to get MSBA funding.

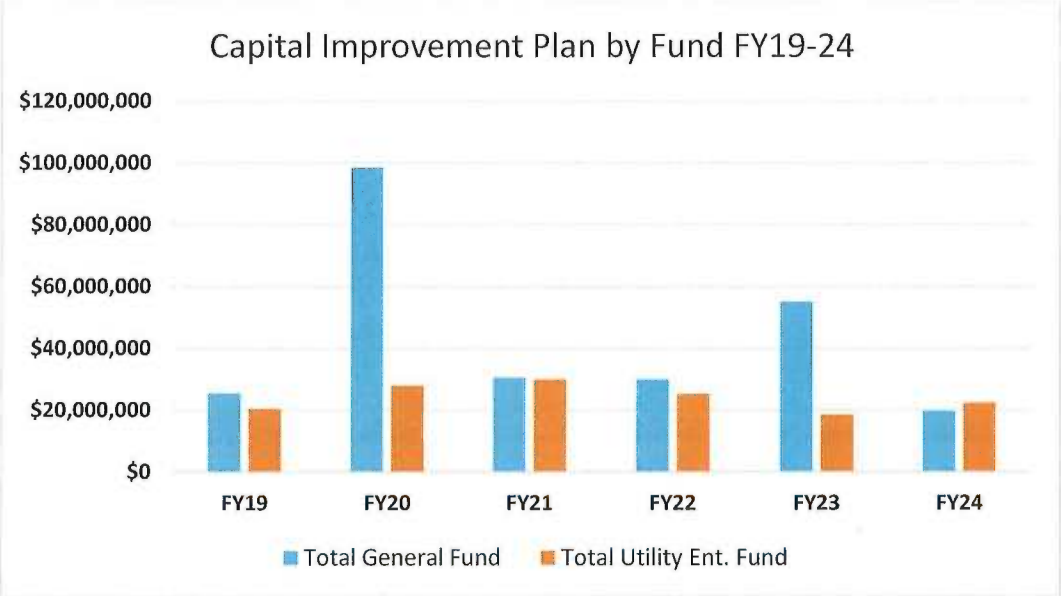


The chart below provides detail on the Capital Improvement Plan by department. In a number of departments, (all the DPW Departments and Park and Recreation) this data is a subset of a longer 20-year asset replacement plan. The lower portion of the chart totals the departmental Improvement Plans by fund.

Department	FY19	FY20	FY21	FY22	FY23	FY24	Total by Dept
City Clerk	$116,580	$0	$0	$0	$0	$0	$116,580
Fire	$795,201	$1,105,000	$751,000	$698,000	$0	$0	$3,349,201
DPW-Fleet	$0	$138,872	$0	$75,000	$0	$0	$213,872
DPW-Engineering	$2,645,000	$8,410,000	$6,802,500	$6,651,950	$3,904,400	$1,600,000	$30,013,850
DPW-Highway	$9,141,621	$14,891,958	$13,474,967	$8,539,593	$16,114,125	$10,238,887	$72,401,151
DPW-Sanitation	$4,074,000	$585,000	$364,000	$190,192	$2,243,787	$391,250	$7,848,229
DPW-Snow & Ice	$0	$0	$0	$432,848	$0	$0	$432,848
Library	$136,970	$0	$0	$0	$0	$0	$136,970
Parks & Recreation	$939,091	$1,506,873	$3,588,992	$8,914,496	$2,361,038	$1,539,323	$18,849,813
School Department	$6,805,000	$71,505,534	$5,298,385	$4,061,600	$30,322,060	$5,647,000	$123,639,579
Technology Services	$730,321	$125,000	$206,000	$250,000	$0	$130,000	$1,441,321
Water Dept	$8,897,677	$12,733,574	$17,462,987	$13,430,003	$7,555,000	$10,737,500	$70,816,741
Sewer Dept	$11,533,214	$15,101,806	$12,373,800	$11,799,904	$10,860,000	$11,550,000	$73,218,724
Fund	FY19	FY20	FY21	FY22	FY23	FY24	Total by Dept
Total General Fund	$25,383,784	$98,268,237	$30,485,844	$29,813,679	$54,945,410	$19,546,460	$258,443,414
Total Utility Ent. Fund	$20,430,891	$27,835,380	$29,836,787	$25,229,907	$18,415,000	$22,287,500	$144,035,465
Total All Depts	$45,814,675	$126,103,617	$60,322,631	$55,043,586	$73,360,410	$41,833,960	$402,478,879

* denotes major school renovation included





A Community-wide View: Facilities/Buildings

Prior to the passage of the Charter, the Framingham administration undertook a review of all the municipal-owned buildings, including Schools. The School Department had developed a database that recorded all building operating assets and the replacement or repair schedule for each building. The "Town's" Facilities Management Department used that tool to record the same data for all municipal buildings. This analysis revealed substantial building envelope, life safety, code compliance and major system deficiencies throughout our municipal buildings.

Municipal Government Buildings (19)

The following buildings were evaluated in detail:

- Municipal Use (4)
  - Memorial Building
  - Main Public Library
  - Callahan Senior Center
  - McAuliffe Branch Library
- Special Use (2)
  - Danforth Building
  - Maynard Building (prior to sale)
  - Pearl St Garage
- Cultural Historical (5)
  - Cushing Chapel
  - Old Edgell Library
  - Academy Building
  - Village Hall
  - Athenaeum Hall
- Public Safety (7)
  - Police Headquarters
  - Animal Control
  - Fire Stations (5)

From this combined database the Long Range Building Plan was created. The plan determined that two fire stations needed to be replaced and major renovations performed on two additional fire stations. Repairs, renovations, life safety and code compliance are needed at Police Headquarters, Callahan Senior Center, the

Main Library, etc. Cultural Buildings are in need of significant improvements. Finally, the Memorial Building requires extensive and costly renovations.

The Memorial Building is structurally sound and in fair condition. The systems in the Memorial Building are fair to poor. Code compliance deficiencies include absence of a fire suppression system and Architectural Access Board code shortfalls. The Memorial Building space study found that there is 75,900 square feet including Nevins Hall and the Memorial. Only 49,510 square feet is available for office, meeting space, restrooms, storage space and support services. Almost 63,000 square feet is needed, a short fall of 13,450 sf. This doesn't include the 22,000 sf occupied by the School Administration leased in the Perini Building. Pricing from 2016 for Memorial Building repairs and upgrades plus and annex of some sort for the additional space was $24.1 million. The original recommendation was that a delay in acting on the Memorial Building created costs to the building that needed to be done in the near term.

The larger Long Range Building Plan was broken down into management "chunks" by five year period.

2015 – 2020 High Priority Projects

- Site/Design/Construct Replacement Station 2: $2,500,000
- Site/Design/Construct Replacement Station 1: $2,500,000
- Athenaeum Renovation Project: $3,600,000
- Core Building Plan Scheduled Capital: $24 M (Average $4.8M per year)

Building Plan: 2020 – 2025	Onward into 2025 - 2035
• Fire Station #1 – Design and Construct: $2.5 M • Consolidate Dispatch Center to old Station 1 $2.0 M • Renovate Station #5 – Concord St.: $1.5 M • Major School 2019: $10.0 M • Major School 2022: $11.3 M • Scheduled Building Plan Expenditures $7.3M	• Police: $1.2M • Main Library: $1.3M • Callahan: $1.1M • School: $17.9M • School: $19.3M • School: $19.3M • School: $19.5M

From this analysis the Major Building Projects Plan was crafted and was presented to the Selectmen and Town Meeting in October of 2016. A summary of the original plan is displayed in the table below:

Fiscal Year/ Town Meeting	Saxonville Fire Station	Memorial Bldg & School/Municipal Complex	DPW Western Ave Expansion	Disposition of Properties	Fuller School Replacement	Village Hall	Athenaeum	Total by Town Meeting	Total by FY
FY18 - 2017 ATM	$488,250	$1,050,000		$0		$50,000		$1,588,250	
FY18 - 2017 FTM	$3,500,000		$1,830,000	$0				$5,330,000	$6,918,250
FY19 - 2018 ATM				$0	$60,000,000			$60,000,000	
FY19 - 2018 FTM		$3,000,000						$3,000,000	$63,000,000
FY20 - 2019 ATM				$0			$100,000	$100,000	
FY20 - 2019 FTM		$20,000,000	$12,300,000	$0				$32,300,000	$32,400,000
FY21 - 2020 ATM						$2,200,000	$2,600,000	$4,800,000	
FY22 - 2021 ATM		$18,000,000						$18,000,000	$22,800,000
Total by Project	$3,988,250	$42,050,000	$14,130,000	$0	$60,000,000	$2,250,000	$2,700,000	$125,118,250	$125,118,250
								* Net of $1M Danforth Green Mitigation	

Three of the buildings included in this plan are moving forward: Fire Station 2 has been sited, designed and bid for construction; Village Hall upgrades have been designed and bid for construction; Fuller School replacement has been accepted into the MA School Building Authority funding cycle and is in the preliminary design phase. The remaining buildings require a comprehensive review and policy choice by the newly elected leaders of the City. The updated chart with these completed actions is below:

Fiscal Year/ Town Meeting	Saxonville Fire Station	Memorial Bldg & School/Municipal Complex	DPW Western Ave Expansion	Disposition of Properties	Fuller School Replacement	Village Hall	Athenaeum	Total by Town Meeting	Total by FY
FY18 - 2017 ATM	$488,250	$1,050,000		$0		$2,450,000		$3,988,250	
FY18 - 2017 FTM	$5,796,080		$1,830,000	$0				$7,626,080	$11,614,330
FY19 - 2018 ATM				$0	$105,000,000			$105,000,000	
FY19 - 2018 FTM		$3,000,000						$3,000,000	$108,000,000
FY20 - 2019 ATM				$0			$100,000	$100,000	
FY20 - 2019 FTM		$20,000,000	$12,300,000	$0				$32,300,000	$32,400,000
FY21 - 2020 ATM							$2,600,000	$2,600,000	
FY22 - 2021 ATM		$18,000,000						$18,000,000	$20,600,000
Total by Project	$6,284,330	$42,050,000	$14,130,000	$0	$105,000,000	$2,450,000	$2,700,000	$172,614,330	$172,614,330
		*Delayed for decisions by new government						* Net of $1M Danforth Green Mitigation	

How do we finance the Capital Improvement Plan?

Generally, the plan is financed by issuing bonds and notes (borrowing), allocating free cash in the General Fund, allocating retained earnings in the Enterprise Fund, state grants and loan programs, and MWRA grant and loan programs.

- Bonds and notes (BANs): bonds are long term "permanent" loan vehicles that pays back principal and interest costs for dollars borrowed to fund capital projects (similar to a home mortgage). Notes refers to "bond anticipation notes (BANs)" which are short term borrowing instruments for which interest only is paid (similar to a construction loan that will then convert to a mortgage). Once the short term cash is spent, the obligation is paid by a formal bond. Generally we issue a short term borrow at the end of May/middle of June to make sure we have enough cash in capital accounts for the end of the fiscal year. These BANs are a six month term, through mid-December. In December, we issue both a

bond offering and smaller BAN offering. The City employs a municipal investment advisor (Hilltop Securities) who assists the Finance Division in preparing a bond and note package for the municipal bond market (called the Official Statement; it is available to anyone who wants to read it). As part of this process we solicit a credit rating from Moody's Credit Rating Agency. Our current rating is very good at Aa2, just two steps down from the highest rating. Framingham has demonstrated excellent access to the municipal bond market, even during the recession of 2008-2011. Our December issuances have generated bids from at least five and as many as ten investors ranging from local banks to top investment house like JP Morgan, Fidelity and Raymond James. Our recent market outings have resulted in net interest costs of 2.6% to 2.9% for bonds and 50 to 97 basis points for BANs.

- Free Cash and Retained Earnings: Free cash is the unobligated end of year balance in the General Fund. Retained earnings is the same in the Enterprise Fund. Framingham has used free cash for a handful of capital projects in the last few years. Since FY15 we have been focusing on depositing large the majority portion of free cash into the Capital Stabilization Fund in anticipation of the Fuller School project and the renovation of the Memorial Building – the two largest building projects in our immediate future. In the FY19 capital budget we allocated $3 million in free cash to the Capital Improvement Plan; specifically $990,000 to School projects and $2.01 million in the remaining General Fund plan. The Utility Enterprise Fund Plan invests $1.297 million of retained earnings in the FY19 year of the Capital Improvement Plan. The Recommended Capital Plan lists at the beginning of this document indicates the finance method for each project.
- State grant and loan programs. The Water and Sewer (Wastewater) Department projects have access to MWRA grant and 0% interest loan programs. The MWRA allocates a grant amount and loan amount each year (referred to as a phase). DPW then assigns the funds to specific projects. For the grants, it's the same as cash. The Treasurer's Office coordinates the cash and loan program funds with DPW and the MWRA. We also have access to the State Revolving Fund low interest loan program. The state Dept. of Environmental Protection manages the federal funds from the Clean Water Act and the Drinking Water Act as a 2% interest rate loan program for municipalities. Framingham financed the $40 million East Framingham Sewer Improvement Project (EFSIP) through this program. During FY2010 the federal ARRA program distributed federal infrastructure assistance through this program – Framingham applied for and received $8 million in loan forgiveness (aka cash for the project) for the EFSIP project and $4 million for other sewer projects.

Debt Service and the Impact on the Operating Budgets

Debt service is the amount of money needed on a periodic basis to pay back monies borrowed by the City to fund capital projects. In the case of Framingham, that periodic basis is a year. Our borrowing schedule has been a small short term borrow in June for the construction season and a larger bond issue in December. We do not bond in advance of project expenditures. Municipalities are heavily regulated when it comes to borrowing. We cannot hold onto bond proceeds to make money. A significant portion of bond proceeds must be spent within 18 months and almost all within two years. Cities and Town pay a penalty (equal to the interest or return you made on the funds) if it holds on to bond proceeds for too long. Therefore Framingham borrows what has been expended similar to a reimbursement grant. The current bond issue also allows us to budget timely for debt service since we are determining that amount prior to the crafting of the next year budget.

Framingham has a financial policy that limits how much of the operating budget can be allocated for annual debt service. That limit is 5% which is the existing MA Department of Revenue best practice. The chart below

provide information on the estimated debt service that would be incurred when borrowing for the Capital Improvement Plan as requested. To be sure, this is a planning document, a forecast of what our needs are and an indication of how severely we need to plan/manage capital investment. As explained in previous sections of this document, we do not have the financial capacity to do it all. We need to be strategic, practical and smart regarding our Capital Improvement Plan.

FY2019-2024 General Fund Debt Service (excludes FY19 Fuller School)

and Debt Service Policy Limit Calculation All Requests

General Fund	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
General Fund Estimated Revenue	$ 287,902,274	$ 294,793,355	$ 302,841,666	$ 312,371,857	$ 322,008,754	$ 330,676,247
Debt Service Policy Limit of 5%	$ 14,395,114	$ 14,739,668	$ 15,142,083	$ 15,618,593	$ 16,100,438	$ 16,533,812
Existing General Fund Debt Service Total	$ 14,206,363	$ 11,862,389	$ 9,119,891	$ 7,845,571	$ 6,771,707	$ 6,152,525
Authorized but Unissued Total	$ 270,259	$ 2,041,862	$ 1,951,778	$ 1,906,739	$ 1,861,699	$ 1,816,658
Total Debt Service on Existing General Fund D	**$ 14,476,622**	**$13,904,251**	**$11,071,669**	**$ 9,752,310**	**$ 8,633,406**	**$ 7,969,183**
LESS State Debt Service Reimbursements	$ (2,129,671)	$ (1,306,975)	$ -	$ -	$ -	$ -
Net Available Debt Service	**$ 12,346,951**	**$12,597,276**	**$11,071,669**	**$ 9,752,310**	**$ 8,633,406**	**$ 7,969,183**
Debt Service for FY2019 Capital Plan Projects*	$ 390,569	$ 2,401,475	$ 2,301,015	$ 2,250,787	$ 2,200,551	$ 2,150,325
Debt Service for FY2020 Capital Plan Projects*		$ 1,572,291	$ 8,755,850	$ 8,396,735	$ 8,217,169	$ 8,037,609
Debt Service for FY2021 Capital Plan Projects*			$ 493,535	$ 3,357,221	$ 3,205,526	$ 3,129,683
Debt Service for FY2022 Capital Plan Projects*				$ 477,022	$ 3,537,574	$ 3,372,226
Debt Service for FY2023 Capital Plan Projects*					$ 739,420	$ 4,630,552
Debt Service for FY2024 Capital Plan Projects*						$ 332,289
Subtotal Future Debt Service:	**$ 390,569**	**$ 3,973,766**	**$11,550,400**	**$ 14,481,765**	**$ 17,900,240**	**$ 21,652,684**
New (Gross) Debt Service	**$ 14,867,191**	**$17,878,017**	**$22,622,069**	**$ 24,234,075**	**$ 26,533,646**	**$ 29,621,867**
LESS State Debt Service Reimbursements	$ (2,129,671)	$ (1,306,975)	$ -	$ -	$ -	$ -
Net Debt Service Calculation for Policy Limit	**$ 12,737,520**	**$16,571,042**	**$22,622,069**	**$ 24,234,075**	**$ 26,533,646**	**$ 29,621,867**
Percentage of Operating Budget	**4.4%**	**5.6%**	**7.5%**	**7.8%**	**8.2%**	**9.0%**

This chart also shows the importance of looking at a Capital Improvement Plan for a term longer than a year or two. Even though we ask for projects to be approved only for the current year. The decisions regarding which and how many projects make it into that recommendation are influenced by the amount of debt service incurred over a five year period. If we were reviewing our debt service position simply for FY19 it would look like we have the ability to absorb more debt service within our policy limit. But you wouldn't see the impact of FY20 – FY24 debt service for the FY19 projects and that impact surely changes the decisions.

FY2019-2024 General Fund Debt Service (excludes FY19 Fuller School)

and Debt Service Policy Limit Calculation FY19 Recommendations/Deferrals

General Fund	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
General Fund Estimated Revenue	$ 287,902,274	$ 294,793,355	$ 302,841,666	$ 312,371,857	$ 322,008,754	$ 330,676,247
Debt Service Policy Limit of 5%	$ 14,395,114	$ 14,739,668	$ 15,142,083	$ 15,618,593	$ 16,100,438	$ 16,533,812
Existing General Fund Debt Service Total	$ 14,206,363	$ 11,862,389	$ 9,119,891	$ 7,845,571	$ 6,771,707	$ 6,152,525
Authorized but Unissued Total	$ 270,259	$ 2,041,862	$ 1,951,778	$ 1,906,739	$ 1,861,699	$ 1,816,658
Total Debt Service on Existing General Fund Deb	**$ 14,476,622**	**$ 13,904,251**	**$ 11,071,669**	**$ 9,752,310**	**$ 8,633,406**	**$ 7,969,183**
LESS State Debt Service Reimbursements	$ (2,129,671)	$ (1,306,975)	$ -	$ -	$ -	$ -
Net Available Debt Service	**$ 12,346,951**	**$ 12,597,276**	**$ 11,071,669**	**$ 9,752,310**	**$ 8,633,406**	**$ 7,969,183**
Debt Service for FY2019 Capital Plan Projects*	$ 116,268	$ 704,242	$ 674,996	$ 660,373	$ 645,749	$ 631,128
Debt Service for FY2020 Capital Plan Projects*		$ 377,203	$ 2,463,322	$ 2,346,061	$ 2,300,083	$ 2,245,671
Debt Service for FY2021 Capital Plan Projects*			$ 388,856	$ 2,645,233	$ 2,525,708	$ 2,465,949
Debt Service for FY2022 Capital Plan Projects*				$ 270,012	$ 1,935,801	$ 1,846,470
Debt Service for FY2023 Capital Plan Projects*					$ 263,479	$ 2,122,087
Debt Service for FY2024 Capital Plan Projects*						$ 752,130
Subtotal Future Debt Service:	**$ 116,268**	**$ 1,081,445**	**$ 3,527,174**	**$ 5,921,679**	**$ 7,670,820**	**$ 10,063,435**
New (Gross) Debt Service	**$ 14,592,890**	**$ 14,985,696**	**$ 14,598,843**	**$ 15,673,989**	**$ 16,304,226**	**$ 18,032,618**
LESS State Debt Service Reimbursements	$ (2,129,671)	$ (1,306,975)	$ -	$ -	$ -	$ -
Net Debt Service Calculation for Policy Limit	**$ 12,463,219**	**$ 13,678,721**	**$ 14,598,843**	**$ 15,673,989**	**$ 16,304,226**	**$ 18,032,618**
Percentage of Operating Budget	**4.3%**	**4.6%**	**4.8%**	**5.0%**	**5.1%**	**5.5%**

Looking at the future years of the Capital Improvement Plan and the projected debt service in this fashion also allows the Administration to change the plan for the near term as well. Almost all of these project planning and staging decisions are linked with what is going on today, the upcoming construction season and the available manpower and access to resources and facilities. The "deferral" chart that appears above removes approximately one third of the scheduled projects in all funds, and defers the work to future years. In particular the FY20 School Renovation listed at $65 million moves to FY24 with MSBA funding of 52%. Given that it took four years to get the Fuller project into the MSBA queue for financing, it is more realistic to plan move the project from FY20 to FY24. These are exactly the kinds of discussions that have to happen with the Mayor, municipal departments and committees, citizen stakeholders and their Council representatives as we move forward every year with the Capital Improvement Plan.

Debt Service in the Utility Enterprise Fund

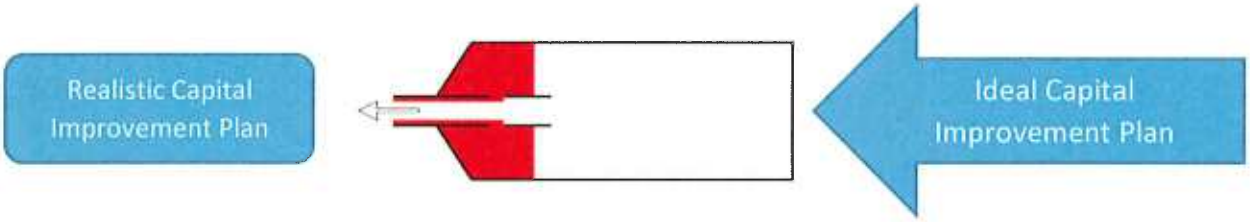
While the city does not have a specific policy that limits the amount of debt service in the Enterprise Fund, we are mindful of the effect that a substantial budget increase as on water and sewer rates. Since the Administrative Consent Order decree that forced $160 million in work to be completed in five years, the debt service incurred, even with grants, no-interest and low-interest loans, the debt service increases have been substantial. Debt Service in the Water Department and Sewer Department budgets is about one-third of the total budget. In the last two years the Framingham has limited the schedule of capital improvement, deferring projects to future years. This has reduced the rate of growth of debt service within the budget and allowed rates to stabilize. The use of retained earnings for some of the smaller capital projects will assist in that effort. The charts displayed below are specific to each department in the Utility Enterprise Fund – we track the expense separately in order to correctly allocate the debt service component to the water rate and to the sewer rate.

FY2019-2024 Utility Enterprise Fund Debt Impact (recommended)

WATER DEPARTMENT	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Estimated Water Department Budget Excluding Indirect Costs	$22,048,727	$ 22,048,727	$ 22,048,727	$ 22,048,727	$ 22,048,727	$ 22,048,727
Existing Fund Debt	$ 7,441,936	$ 6,933,397	$ 6,604,133	$ 6,310,795	$ 5,800,204	$4,958,658
Authorized but Unissued	$ 523,362	$ 3,667,670	$ 3,510,413	$ 3,431,782	$ 3,353,156	$3,274,531
Total Existing Fund Debt	**$ 7,965,298**	**$ 10,601,067**	**$ 10,114,546**	**$ 9,742,577**	**$ 9,153,360**	**$ 8,233,189**
Debt Service for FY2019 Capital Plan Projects	$ 92,225	$ 481,950	$ 463,505	$ 454,283	$ 445,060	$ 435,838
Debt Service for FY2020 Capital Plan Projects		$ 154,385	$ 958,822	$ 917,320	$ 896,570	$ 856,651
Debt Service for FY2021 Capital Plan Projects			$ 86,400	$ 592,800	$ 565,920	$ 552,480
Debt Service for FY2022 Capital Plan Projects				$ 123,930	$ 776,983	$ 743,119
Debt Service for FY2023 Capital Plan Projects					$ 76,500	$ 993,000
Debt Service for FY2024 Capital Plan Projects						$ 40,800
Subtotal Future Debt Service:	**$ 92,225**	**$ 636,335**	**$ 1,508,727**	**$ 2,088,333**	**$ 2,761,033**	**$ 3,621,888**
New Debt Service	**$ 8,057,523**	**$ 11,237,402**	**$ 11,623,273**	**$ 11,830,910**	**$ 11,914,393**	**$ 11,855,077**

SEWER DEPARTMENT	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Estimated Sewer Department Budget Excluding Indirect Costs	$ 28,728,234	$ 30,164,645	$ 31,672,878	$ 33,256,522	$ 34,919,348	$ 36,665,315
Existing Fund Debt	$ 10,508,535	$ 10,010,425	$ 9,551,396	$ 8,930,882	$ 8,034,595	$7,741,218
Authorized but Unissued	$ 529,707	$ 3,192,594	$ 3,064,602	$3,000,611	$2,936,612	$2,872,617
Herbert St Debt Service Pmnt from Ashland	($94,523)	($94,407)	($94,289)	($94,170)	($94,060)	($93,950)
Total Existing Fund Debt	**$ 10,943,719**	**$ 13,108,612**	**$ 12,521,709**	**$ 11,837,323**	**$ 10,877,147**	**$ 10,519,885**
Debt Service for FY2019 Capital Plan Projects	$ 97,812	$ 800,420	$ 762,922	$ 744,174	$ 725,425	$ 706,676
Debt Service for FY2020 Capital Plan Projects		$ 160,459	$ 1,075,944	$ 1,027,683	$ 1,003,552	$ 979,421
Debt Service for FY2021 Capital Plan Projects			$ 164,800	$ 1,084,600	$ 1,036,280	$ 1,012,120
Debt Service for FY2022 Capital Plan Projects				$ 107,913	$ 763,483	$ 728,433
Debt Service for FY2023 Capital Plan Projects					$ 156,400	$ 847,800
Debt Service for FY2024 Capital Plan Projects						$ 83,300
Subtotal Future Debt Service:	**$ 97,812**	**$ 960,879**	**$ 2,003,666**	**$ 2,964,370**	**$ 3,685,140**	**$ 4,357,750**
New Debt Service	**$ 11,041,531**	**$ 14,069,491**	**$ 14,525,375**	**$ 14,801,693**	**$ 14,562,287**	**$ 14,877,635**

The charts above assume approximately 2/3rds of the Capital Improvement Plan for FY20 to FY24 are recommended by the Mayor and authorized by the City Council. It is unrealistic to project that everything is move forward, when that has almost never been the case. If you look at the chart below, you can see the different in the impact on the operating budget when you use the data presented here to make both Capital Improvement Plan decisions and operating budget decisions in tandem and with a manageable future as part of the plan.



The files and documents accompanying this narrative provide additional background for the projects proposed for FY19 and deferred to remaining years of the plan. For FY19 in particular there are prices quotes, estimates, diagrams and pictures included with the project description page. For the FY2020 to FY2024 portion of the Capital Improvement Plan we have organized the projects in a large grid that is organized by fiscal year and department and includes a description and justification for each item.

We are transmitting this package electronically at the request of the Finance Subcommittee. We are happy to produce a hard copy book for any City Councilor who requires it.