

TOWN OF HAMILTON
Board of Selectmen and Finance & Advisory Committee
CIP Working Session
MAY 13, 2014

The Board of Selectmen met at Hamilton Town Hall at 6:40 p.m. on Tuesday, May 13, 2014 with Scott Maddern, Marc Johnson, and Jeff Hubbard present. Members of the Finance & Advisory Committee: John McWane, Rick Sprenkle, Charlie Chivakos, and Town Manager Michael Lombardo and Finance Director Deborah Nippes-Mena also present.

Call to order

Scott Maddern called the Board of Selectmen meeting to order at 6:40 p.m. John McWane called the Finance & Advisory Committee meeting to order at 6:40 p.m.

Discussion of Capital Improvement Plan (CIP)

Discussion ensued about methodology for setting priorities and ranking of projects for a balanced and systematic CIP. The CIP established process was recently updated into a usable format that inventories existing assets, evaluates assets, analyzes financial capacity, as well as solicits and compiles new projects.

Discussion addressed how the projects would be prioritized and creation of selection process leading to development of financing plan and ongoing adoption of CIP. Town officials reflected on selection criteria of projects versus equipment. Replacement of equipment is done based on useful lifecycle (i.e., depreciation schedule or use schedule such as police cruiser replacement every 3 years based on useful life and residual value). New equipment (where rent, purchase or debt financing is used) is considered if services are increased or operating efficiencies implemented.

Analysis of role of projects relative to master plan, economic development plan, recreation plan, housing production plan, HWRSO capital plan, is done as part of financing plan and how these projects impact the community (i.e., do they enhance, maintain or strengthen such as composting program). Other items that influence a CIP are regulatory requirements, public safety, water distribution system, and life cycle replacement. Funding sources are analyzed to understand ability to pay for CIP and Hamilton has received AAA rating from Standard's & Poor, and Aa2 Moody's rating.

Discussion was on how the Town does financing, its borrowing capacity and debt limit. Hamilton's debt is 5% of its equalized value of \$1,353,498,600 up to \$67,674,930 for just the Town not HWRSD or HDC (it has to establish revenue capacity for its debt), and CPA has its own funding mechanism. The Town has \$6,512,246 in outstanding debt or over 9% of capacity. Funding for CIP would be on a rolling basis in a five-year period. The CIP would be aligned with CPC for any items identified as sources of funding and used as a financial planning document for that Committee (i.e., use of cash or borrowing for a project). Town officials are working towards completing CIP this summer.

The Town should approach HWRSD to understand the status of its three to five year capital improvement planning cycle as part of collaborative CIP process. Discussion addressed debt ladder relative to financing of pool, landfill and possibly turf field. The sequence of the CIP process is prioritization and ranking of projects followed by ability to pay and economic reality relative to purchasing capital equipment or financing facility repairs. The intent is to keep financing cycles stable to avoid highs and lows.

Discussion addressed how the CIP is a community driven initiative that provides guidelines about what projects to bring forward in the future. Also, that the Town should work towards additional financial policies relative to regular expenses and financial thresholds for capital versus expense items (i.e., \$5,000 to \$25,000).

Discussion ensued about using a weighted scale, scorecard approach for defining priorities and ranking projects based on department head input founded on need and economics. Town officials reiterated that project scores would be built on safety and regulatory requirements. Also considered was economic development (i.e., paving section of Chebacco Road to allow access to anaerobic digester at landfill site).

Discussion was on criteria for a scorecard that separates projects and equipment although it was noted that the funding source is the same and how ranking would impact priorities (i.e., expected useful life). Town officials reviewed a criteria list from town of Arlington since that municipality has had success getting capital projects approved for 20 years. It included: health and safety, maintenance and improvement of existing capital assets (i.e., major repair of vehicles, buildings, park and play area renovations), federal or state mandates, infrastructure (i.e., streets, sidewalk, sewer), equipment replacement and IT infrastructure, productivity, and overburdened situations (i.e., Town Hall renovation). Also mentioned was Department of Revenue and its use of department priority classification and ranking.

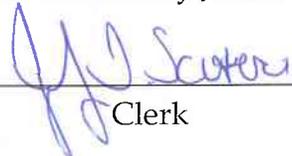
Town officials defined how the CIP process should be focused on broader community need, setting the priorities and ranking projects, followed by financial strategy (i.e., pay for directly, borrowing or state and federal reimbursement when it is available). Discussion addressed starting with a CIP policy model that aggregates projects by selection criteria and weighting of priorities after which ranking of departmental priority/need is applied. Projects on the scorecard would be assessed and implemented (i.e., typical replacement cycle for operational equipment could be defined). Also discussed was if a larger demographic served by a project would influence criteria or priority and if it would be tracked to ensure community dollars are used equitably across sectors (i.e., HWRSD versus COA).

Discussion ensued about how a scoring mechanism defined for projects would be created such that it could be defended at Town Meeting. Town officials evaluated how this tool would have to incorporate a method for weighting and ranking projects since there will be competing project priorities in the community (i.e., tennis court versus gym floor repair) where a tradeoff might become necessary. Also considered in terms of prioritization and ranking was if there is any revenue generation associated with projects.

Town Manager Michael Lombardo and Finance Director Deborah Nippes-Mena agreed to develop a draft scorecard that would contain key aspects to jump start future CIP project prioritization/ranking discussions and provide ideas on how to proceed as well as foster buy-in from BOS and FinCom. The next CIP meeting will be held at 6:30 p.m. on May 20.

Maddern entertained a motion at 8:10 p.m. to adjourn. Marc Johnson so moved. Jeff Hubbard seconded motion. VOTE: Unanimous. McWane entertained a motion at 8:10 p.m. for the Finance & Advisory Committee to adjourn. Rick Sprenkle so moved. Charles Chivakos seconded the motion. VOTE: Unanimous.

Respectfully submitted by Jane Dooley, Minutes Secretary

ATTEST:  _____
Clerk



CAPITAL IMPROVEMENT PROGRAM

DRAFT

Capital Improvement Program

- ▣ What is the Capital Improvement Program?
- ▣ What are Capital Assets and Capital Projects?
- ▣ What is the difference Between the Capital Improvement Program and the Capital Budget?
- ▣ How is the Operating Budget Relate to the Capital Budget?

Capital Improvement Program

- ▣ Why do we need a CIP?
- ▣ How does Capital Programming save the Town money?
- ▣ How are Capital Projects financed?
- ▣ How is the CIP developed?
- ▣ Why must the CIP be continually updated?

Capital Improvement Program

- ▣ Framework for the CIP?
 - Establish a Capital Planning Process
 - Inventory existing Assets
 - Evaluate Assets
 - Assess Financial Capacity
 - Solicit, Compile and Evaluate New Project Requests
 - Prioritize
 - Develop a Financing Plan
 - Adopt a Capital Improvement Program
 - Monitor the ongoing progress
 - Update Ongoing program

TOWN OF HAMILTON, MA CAPITAL IMPROVEMENT EXPENSE REQUESTS

	FY15	FY16	FY17	FY18	FY19	FY20	TOTAL	Source of Funding
General Government								
Centrex VOIP Server	\$70,000						\$70,000	Free Cash/Budgetary
Technology Management	\$130,000						\$130,000	Free Cash/Budgetary
Electronic Record Retention								
Computer Replacement								
<i>General Government Subtotal</i>	\$200,000	\$0	\$0	\$0	\$0		\$200,000	
<i>Minus Anticipated Revenues</i>		\$0					\$0	
<i>Subtotal Expense</i>	\$200,000	\$0	\$0	\$0	\$0		\$200,000	
Fire Department								
Pumper Truck			\$375,000				\$375,000	Borrowing
Pickup Truck	\$38,000	\$43,500					\$81,500	Free Cash/Budgetary
Thermal Imaging Camera				\$125,000			\$125,000	Free Cash/Budgetary
Squad Truck				\$34,000			\$34,000	Borrowing
Mobile Air Unit				\$143,972			\$143,972	
SCBA Units				\$302,972	\$0	\$0	\$759,472	
<i>Fire Subtotal</i>	\$38,000	\$43,500	\$375,000	\$302,972	\$0	\$0	\$759,472	
<i>Minus Anticipated Revenues</i>								
<i>Subtotal Expense</i>	\$38,000	\$43,500	\$375,000	\$302,972	\$0	\$0	\$759,472	
Police Department								
Cruisers	\$36,750	\$36,750	\$36,750	\$36,750	\$36,750	\$36,750	\$220,500	Free Cash/Budgetary
Chief's Unmarked	\$13,000	\$13,000	\$13,000			\$14,000	\$53,000	Free Cash/Budgetary
Portable Radios	\$21,250							
<i>Police Subtotal</i>	\$71,000	\$49,750	\$49,750	\$36,750	\$36,750	\$50,750	\$273,500	
<i>Minus Anticipated Revenues</i>								
<i>Subtotal Expense</i>	\$71,000	\$49,750	\$49,750	\$36,750	\$36,750	\$50,750	\$273,500	
Public Works Department								
Vehicle/Equipment Replacements:								
1999 International Dump Truck	\$114,500						\$114,500	Free Cash/Budgetary
2001 International Sander	\$155,500						\$155,500	Free Cash/Budgetary
2005 GMC Sierra Dump Truck w/Plow	\$42,365						\$42,365	Free Cash/Budgetary
2006 GMC Dump Truck w/Plow	\$42,365						\$42,365	Free Cash/Budgetary
2006 GMC Canyon Pickup		\$42,365					\$42,365	Borrowing
2006 GMC Sierra Pickup w/Plow		\$42,365					\$42,365	Borrowing
2008 GMC K2500 Pickup		\$42,365					\$42,365	Borrowing
2008 GMC K2500 Pickup		\$42,365					\$42,365	Borrowing
2008 Ford F-250 Pickup		\$42,365					\$42,365	Borrowing
2001 John Deere Loader			\$140,000				\$140,000	Borrowing
2008 Encore Prowler Mower			\$6,100				\$6,100	General Fund

Public Works Department	FY15	FY16	FY17	FY18	FY19	FY20	TOTAL	Source of Funding
2008 Bobcat Fastcat Mower			\$5,800				\$5,800	General Fund
2011 GMC Dump Truck				\$39,162			\$39,162	Bonding
2001 John Deere Tractor					\$28,375		\$28,375	Bonding
2002 John Deere Tractor					\$28,375		\$28,375	Bonding
1998 Flatbed Trailer					\$5,500		\$5,500	Budgetary
2013 John Deere Riding Mower						\$16,129	\$16,129	Budgetary
<i>Vehicle/Equipment Subtotal</i>	\$354,730	\$211,825	\$151,900	\$39,162	\$62,250	\$16,129	\$835,996	
Highways:								
Essex Street Pathway Phase I	\$50,000	\$250,000	\$250,000	\$300,000			\$850,000	Free Cash/Budgetary
Bridge Street Culvert Replacement	\$1,200,000						\$1,200,000	Federal Grant/Chapter 90
Traffic Sign Replacement Program	\$15,000	\$15,000	\$15,000				\$45,000	Chapter 90
Sidewalk Replacement Program	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$300,000	Operating Budget
Road Repair Program	\$190,000	\$190,000	\$190,000	\$190,000	\$190,000	\$190,000	\$1,140,000	Chapter 90
<i>Highway Subtotal</i>	\$1,505,000	\$505,000	\$505,000	\$540,000	\$240,000	\$240,000	\$3,535,000	
Parks & Recreation:								
Veterans Memorial Pool & Complex	\$2,500,000						\$2,500,000	CPA/Bonds
Renovate Gazebo		\$10,000					\$10,000	CPA Funds
Gym Floor			\$12,000				\$12,000	Recreation Revolving Fund
Patton Park Tennis Courts				\$40,000			\$40,000	Free Cash/Budgetary
Replace Playground Equipment				\$10,000			\$10,000	Free Cash/Budgetary
Tennis & Basketball Court Repair				\$45,000			\$45,000	General Fund
Patton Park Redevelopment					\$1,100,000		\$1,100,000	Bonding
Donovan Field Reconfiguration					\$570,000		\$570,000	
<i>Parks & Recreation Subtotal</i>	\$2,500,000	\$10,000	\$12,000	\$95,000	\$1,670,000	\$0	\$4,287,000	
Facilities Management:								
COA Bathroom Renovations	\$31,000						\$31,000	CPA Fund
Magnetic Card System	\$35,000						\$35,000	CPA/General Fund/Enterprise
COA Wheelchair Elevator			\$43,000				\$43,000	Free Cash/Budgetary
COA Replace Flooring		\$35,000					\$35,000	Free Cash/Budgetary
Replace DPW Garage Roof		\$35,000					\$35,000	Free Cash/Budgetary
Install Insulation at Public Safety Building	\$10,000						\$10,000	ESCO Grant
Dredge Patton Park Pond				\$10,000			\$10,000	Free Cash/Budgetary
Town Hall Renovation				\$4,000,000			\$4,000,000	CPA/Bonding
Reconfiguration of Garage Bays at Public Safety								
Landfill Capping		\$1,200,000	\$43,000	\$4,010,000	\$0	\$0	\$1,200,000	Borrowing
<i>Facilities Subtotal</i>	\$76,000	\$1,270,000	\$43,000	\$4,010,000	\$0	\$0	\$5,364,000	
Water:								
Test Well Exploration	\$50,000						\$50,000	Retained Earnings/Budgetary
Well Redevelopment	\$45,000						\$45,000	Retained Earnings/Budgetary
Hydrant & Gate Valve Replacement Program	\$15,000						\$15,000	Retained Earnings/Budgetary
Upgrade Chemical Feed System at Water Plant	\$10,000						\$10,000	Retained Earnings/Budgetary
Meter Replacement Program	\$10,000						\$10,000	Retained Earnings/Budgetary
2000 Backhoe/Loader	\$101,000						\$101,000	Retained Earnings/Budgetary

Public Works Department	FY15	FY16	FY17	FY18	FY19	FY20	TOTAL	Source of Funding
2013 GMC Water Utility Vehicle w/Plow						\$41,190	\$41,190	Water Enterprise Fund
2005 International Dump Truck w/Plow						\$108,019	\$108,019	General Fund
Water Distribution Replacement		\$1,300,000	\$1,000,000				\$2,300,000	Borrowing
<i>Water Subtotal</i>	\$231,000	\$1,300,000	\$1,000,000	\$0	\$0	\$149,209	\$2,680,209	
<i>DPW Subtotal</i>	\$4,666,730	\$3,296,825	\$1,711,900	\$4,684,162	\$1,972,250	\$405,338	\$8,964,996	
<i>Minus Anticipated Revenues</i>	-\$1,560,500	-\$1,105,500	-\$190,000	-\$194,000	-\$694,000		-\$3,744,000	
<i>Subtotal Expense</i>	\$3,106,230	\$2,191,325	\$1,521,900	\$4,490,162	\$1,278,250	\$405,338	\$12,587,867	
EXISTING DEBT SERVICE	\$938,783	\$912,083	\$881,008	\$823,558	\$750,533	\$719,026	\$5,024,991	
PROJECTED DEBT SERVICE		\$1,031,991	\$1,008,231	\$999,690	\$963,335	\$943,896	\$4,947,143	
<i>Subtotal Debt Service</i>	\$938,783	\$1,944,074	\$1,889,239	\$1,823,248	\$1,713,868	\$1,662,922	\$9,972,134	
CIP SUBTOTAL EXPENSE	\$5,914,513	\$5,334,149	\$4,025,889	\$6,847,132	\$3,722,868	\$2,119,010	\$25,844,551	
MINUS TOTAL REVENUES	-\$1,912,000	-\$1,105,500	-\$190,000	-\$194,000	-\$694,000	\$0	-\$4,095,500	
CIP TOTAL EXPENSE	\$4,002,513	\$4,228,649	\$3,835,889	\$6,653,132	\$3,028,868	\$2,119,010	\$21,749,051	
EFFECT ON THE TAX RATE								
ANTICIPATED REVENUES								
General Government - Free Cash	\$270,000							
Fire Department - Free Cash	\$81,500							
Public Works Department:								
Federal Grant & Chapter 90	\$97,500	\$890,500						
State Grant	\$35,000							
Waste Enterprise Fund	\$175,000							
Chapter 90	\$190,000	\$190,000	\$190,000	\$190,000	\$190,000			
Water Enterprise Fund	\$92,000							
Enterprise	\$5,000							
CPA	\$85,000				\$500,000			
Other	\$50,000							
Sale of Assets	\$29,000	\$25,000		\$4,000	\$4,000			
Other Income	\$2,000							
CPA	\$500,000							
Other Income	\$300,000							
<i>Subtotal DPW Revenues</i>	\$1,560,500	\$1,105,500	\$190,000	\$194,000	\$694,000			
Total Revenues	\$1,912,000	\$1,105,500	\$190,000	\$194,000	\$694,000			

FUNDING SOURCES LEGEND:

1. **Certified Free Cash.** Free cash is a revenue source available to Massachusetts communities that comes from any remaining, unrestricted funds from the previous fiscal year. It typically includes receipts in excess of revenue estimates and unspent amounts from individual department budgets, in addition to any unexpended free cash from the previous year.
2. **CPA Funds.** CPA Funds are authorized by the state Community Preservation Act that allows Massachusetts communities to approve a real estate tax levy (up to a maximum of 3%). These funds can then be applied to matching state grants for eligible public
3. **Chapter 90.** Chapter 90 is a 100% reimbursable program through the Massachusetts Department of Transportation. The funds come from various Transportation Bond issues and are used locally for the improvement and construction of roads and bridges.
4. **Enterprise Funds.** Enterprise funds are established locally by vote of the legislative body and can only be used for the purposes for which the fund is established. A separate accounting and financial reporting mechanism is used for each individual enterprise funds; support of water and sewer service facilities are common uses of this type of financing method.
5. **Grants.** These grants are made available by the Commonwealth of Massachusetts, US Government and Private for targeted functional areas.
6. **General Fund.** These are funds raised and appropriated at Town Meeting and are raised through taxation.
7. **Bonding.** Bonding is a means of financing that involves borrowing and repaying the loan over time. The funds used to repay a bond may come from taxation or from various other revenue sources.

Capital Improvement Program

- ▣ Selection Criteria
 - Project versus Equipment

- ▣ Equipment
 - Replacement based on Useful Life
 - New Equipment
 - ▣ Enhanced Service
 - ▣ Operating Efficiency
 - Lease versus Purchase

Capital Improvement Program

- ▣ Funding Sources & Ratings
 - S&P Rating AAA
 - Moody's Rating Aa2
 - Debt Ladder Capacity
 - Leverage other Sources
 - Timing

FORM E

CAPITAL IMPROVEMENT RATING SHEET

Project Name: _____
 Estimated Cost: _____

<u>Major Considerations</u>	<u>Score Range</u>	
A. Town Department Priority Classification		_____
1. Mandatory	10	
2. Maintenance	7	
3. Improve Efficiency	5	
4. New Service	2	
B. Priority Ranking		_____
1. Very high	10	
2. High	7	
3. Medium	5	
4. Low	2	
C. Project's Expected Useful Life (Three years or less score zero)		_____
1. 20 or more years	10	
2. 10 - 19 years	5	
3. 5 - 9 years	2	
D. Effect on Operating & Maintenance Costs		_____
1. Reduce Cost	10	
2. Cost Unchanged	5	
3. Increase Cost	2	
E. Effect on Town's Revenue (tax base)		_____
1. Increase Revenues	10	
2. Revenues Unchanged	5	
3. Decrease Revenues	2	
F. Availability of State/Federal Grant Moneys (If no, score zero)		_____
1. Yes	5	
TOTAL SCORE		_____

Adapted from "Developing a Capital Improvement Program", Metropolitan Council of the Twin Cities Area.

Instructions for: CAPITAL IMPROVEMENT RATING SHEET (Form E)

This rating sheet has six major considerations that will be used for the purpose of ranking projects on the town's CIP program.

Every project will receive a point score in each of the six major considerations. The points will be totaled and used to establish a priority ranking on the CIP program.

A. Department Priority Classification

The rater must determine which priority classification a project fits under.

1. Mandatory - Refers to the protection of life or maintenance of public health and safety, *or legally required*³.
2. Maintenance - Refers to a continuation of public services, the conservation of endangered resources, or the finishing of partially completed projects.
3. Improve Efficiency - Refers to the replacement of obsolete facilities or the improvement of community facilities.
4. New Service - Refers to the expansion of the public facilities service area of the town, or the provision of new public services.

B. Priority Ranking

Enter policy area priority from cover sheet.

C. Project's Expected Useful Life

Refer to Form B (Item 6) or Form C (Item 7).

D. Effect on Operating and Maintenance Costs

Refer to Form B (Item 8) or Form C (Item 4).

E. Effect on Town's Revenue Capital (Capital Project Requests Only)

Refer to Form B (Item 9).

F. Availability of State/Federal Grant Moneys

Total Score

Total the scores for A - F.

³Last phrase was inserted by Department of Revenue.

FORM F

CAPITAL IMPROVEMENT PROGRAM MUNICIPAL PROJECT SUMMARY

Department	Project	Project No.	Total Estimated Expenditure	Current Year	1st Year	2nd Year	3rd Year	4th Year	5th Year
Health	Mosquito control	1-7101	\$ 75,000	\$ 30,000	\$10,000	\$ 10,000	\$ 10,000	\$10,000	\$ 5,000
Health	Landfill bulldozer	1-7102	10,000	8,000	2,000				
DPW	Storm drainage	2-7101	30,000	10,000	10,000			10,000	
DPW	Curb construction	2-0707	60,000	20,000	40,000				
DPW	Dump truck	2-7701	20,000	10,000	10,000				
DPW	Steam cleaner	2-7401	6,000			6,000			
Parks	Land acquisition (land)	3-7101	25,000	25,000					
Parks	Site preparation & Bldg.	3-701	225,000	100,000	125,000				
Public Safety	Fire Engine	4-7101	20,000	20,000					
Public Safety	Equipment truck	4-7301	5,000		5,000				
Public Safety	New headquarters	4-7401	75,000			5,000	50,000	25,000	
	Sub-total Municipal		551,000	213,000	197,000	25,000	66,000	45,000	5,000
Schools	3 Jr. School expansion	5-7821	2,000,000			500,000	500,000	500,000	500,000
Schools	New Sr. High	5-7302	3,000,000		1,000,000	2,000,000			
	Sub-Total Schools		5,000,000		1,000,000	2,500,000	500,000	500,000	500,000
Sewer Utility	Extension of Sewer System		3,500,000				1,500,000	1,500,000	
	Total Expenditures		9,051,000	213,000	1,197,000	2,525,000	2,066,000	2,045,000	1,005,000
Funding Summary:									
	General Obligation Bonds		4,500,000	213,000	146,000	525,000	1,066,000	1,545,000	1,005,000
	State Aid		3,500,000		1,000,000	2,000,000	500,000		
	Federal Aid		1,000,000				500,000	500,000	
	Gifts		51,000		51,000				
	Total Funding		9,051,000	213,000	1,197,000	2,525,000	2,066,000	2,045,000	1,005,000